Keppel Infrastructure Trust

Solutions for Sustainable Urbanisation

Report to Unitholders 2017

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.

Solutions for Sustainable Urbanisation

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.

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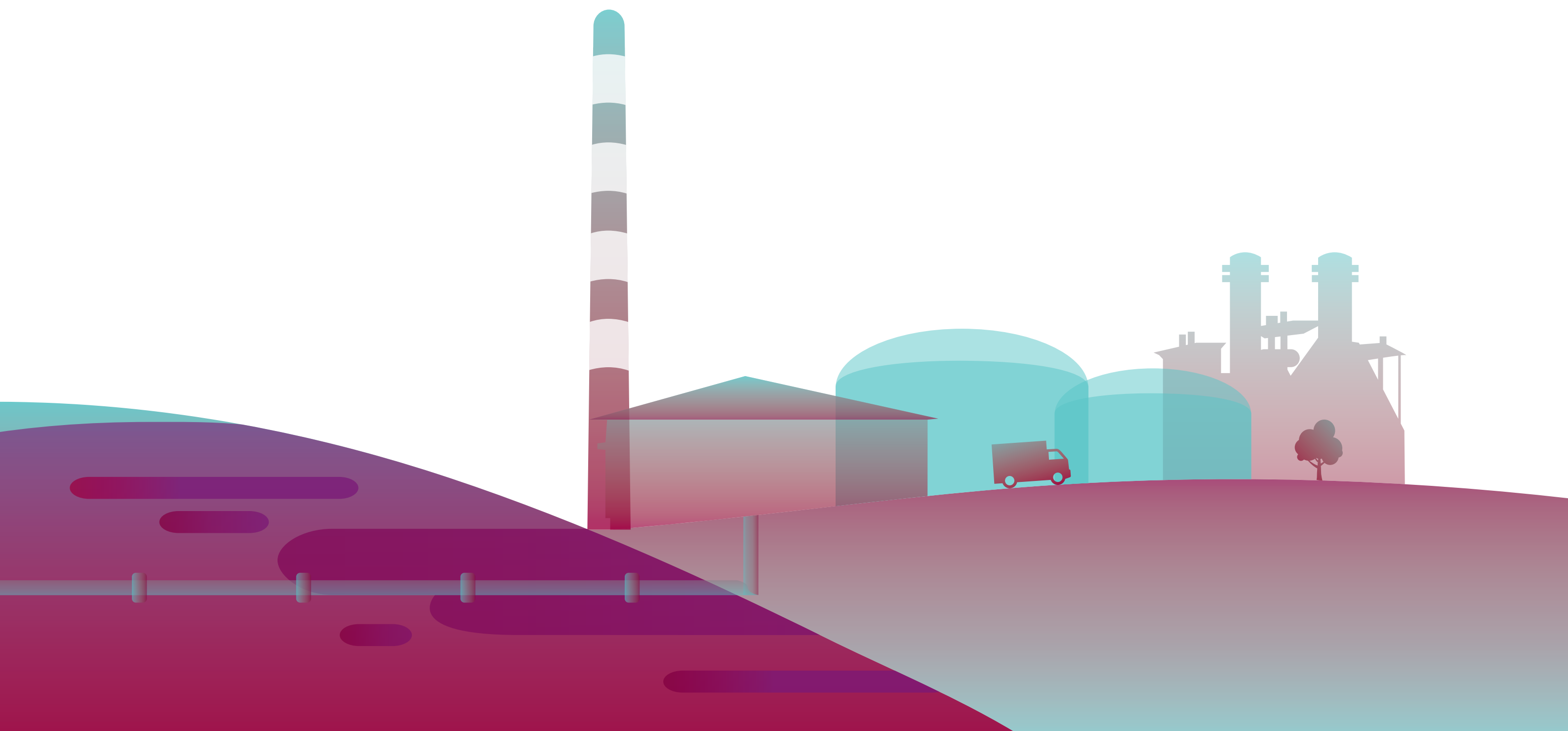


Key Figures for 2017

Distribution per Unit

3.72cts

Total distribution per Unit (DPU) for FY 2017 was 3.72 cents.

Funds from Operations

$177.7m

Funds from operations for FY 2017 were $177.7 million.

Distributable Cash Flows

$144.2m

Distributable cash flows for FY 2017 were $144.2 million.

Distribution Yield

6.5%

Total DPU of 3.72 cents for FY 2017, which translated to a distribution yield of 6.5% based on the Unit closing price of $0.575 on the last trading day for the financial year.

Net Asset Value per Unit

29.9cts

Net asset value per Unit as at 31 December 2017 was 29.9 cents.

Gearing

39.9%

Gearing as at 31 December 2017 was 39.9%.

Hedged Loans

91.0%

91.0% of the Group's total loans were hedged as at 31 December 2017.

Financial Highlights

Financial Summary

(for the financial year from 1 January 2017 to 31 December 2017)

	For the year ended 31 December 2017 $'000	For the year ended 31 December 2016 $'000	% Change
Total distribution	**143,490**	143,482	–
Distribution per Unit (cents)	**3.72**	3.72	–
Distribution yield[1,2]	**6.5%**	7.8%	(16.7)
Funds from operations[3]	**177,672**	177,225	0.3
Distributable cash flows	**144,229**	149,493	(3.5)

Balance Sheet

	For the year ended 31 December 2017 $'000	For the year ended 31 December 2016 $'000	% Change
Total assets	**3,956,416**	4,118,642	(3.9)
Total liabilities	**2,644,522**	2,664,672	(0.8)
Unitholders' funds	**1,152,935**	1,255,390	(8.2)
Market capitalisation[4]	**2,217,993**	1,851,391	19.8
Number of Units in issue ('000)	**3,857,379**	3,857,064	–
Net asset value per Unit (cents)	**29.9**	32.5	(8.0)
Adjusted net asset value per Unit (cents)[5]	**36.1**	38.5	(6.2)

Distribution per Unit

	For the year ended 31 December 2017 cents	For the year ended 31 December 2016 cents
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
For the period from January 1, 2017 to March 31, 2017	**0.93**	–
For the period from April 1, 2017 to June 30, 2017	**0.93**	–
For the period from July 1, 2017 to September 30, 2017	**0.93**	–
For the period from October 1, 2017 to December 31, 2017	**0.93**	–
Total	**3.72**	3.72

1 Based on total distribution per Unit over the closing Unit price as at the last trading day for the financial year.
2 Distribution yield was lower compared to FY2016 due to the increase in KIT's Unit price in 2017, while distributions remained the same.
3 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.
4 Based on the closing Unit price as at the last trading day for the financial year.
5 Based on total issued Units before hedging and translation reserves.

Chairman's Statement

Koh Ban Heng
Chairman

Keppel Infrastructure Trust continues to deliver long-term, stable and sustainable distributions, and attractive risk-adjusted returns to Unitholders.

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) report to Unitholders for the financial year ended 31 December 2017.

Delivering Long-term Value

KIT's portfolio of core infrastructure assets, ranging from waste management and water concessions, town gas production and retailing, power tolling to electricity transmission, continues to generate stable and predictable cash flows that are substantially uncorrelated to economic conditions.

As a result, KIT maintained a stable distribution per Unit (DPU) of 3.72 cents for the whole of 2017. Based on the Unit closing price of $0.575 as at 31 December 2017, KIT generated a distribution yield of 6.5% and total Unitholder returns of 28.9%[1] in 2017.

KIT enjoyed strong investor interest and support during the year. Its Unit price and average daily trading volume increased by about 21% and 36% respectively over the previous year[2].

From end November 2017, KIT was included in the MSCI Singapore Small Cap Index, which comprises 56 constituents representing approximately 14% of the free float-adjusted market capitalisation of the Singapore equity universe, and is designed to measure the performance of the small cap segment of the Singapore market. This has and will continue to enhance KIT's visibility and liquidity.

All our Singapore concessions (Senoko Waste-to-Energy (WTE), Keppel Seghers Tuas WTE, Keppel Seghers Ulu Pandan NEWater, and SingSpring Desalination Plants) and contracted assets (Keppel Merlimau Cogen Plant and DataCentre One) met their contractual performance requirements, and received full availability payments in 2017.

City Gas continued to deliver steady growth and reached an important milestone of securing its 800,000th customer during the year. The number of customers increased by 3.8% to reach 813,300 as at the end of 2017, with 1,756 million kWh of town gas sold during the year. Meanwhile, the Senoko Gasworks continued to maintain 100% plant availability.

Basslink met its contractual availability in 2017. In addition, the Commercial Risk Sharing Mechanism, which had been primarily responsible for the fluctuations in Basslink's operating cash flows historically, was almost neutral during the year due to increased volatility in the electricity market in Victoria, Australia. Currently, Basslink does not contribute to KIT's distributions as its cash flows are entirely used to pare down its debt.

Although Hydro Tasmania (HT) resumed full facility fee payments from September 2017, the reduced payments from September 2016 to August 2017, coupled with the outage period, resulted in Basslink being unable to meet certain Debt Service Coverage Ratio (DSCR) covenants. As the DSCR is computed on a trailing 12 month basis, the defaults will remain until Basslink receives payment of full facility fees for a 12-month period or such defaults are waived by the lenders. Having said that, Basslink remains current on its debt service obligations.

In December 2017, HT made certain claims regarding the cause of the outage based on expert reports commissioned by them. Basslink has refuted HT's claims and pointed out that the reports were based on hypothetical models and not actual tests on the cables.

Based on current circumstances and professional advice, Basslink stands by the independent investigation that was undertaken by Cable Consulting International, which concluded that the cause of the cable outage was "unknown" and that the cable outage was a force majeure event. Meanwhile, Basslink continues to engage with HT on matters arising from the outage.

[1] Based on the Unit price returns and distributions declared for the financial year 2017.
[2] Based on the last Unit trading price and one-year cumulative traded volume as at 31 December 2017.

Distribution per Unit

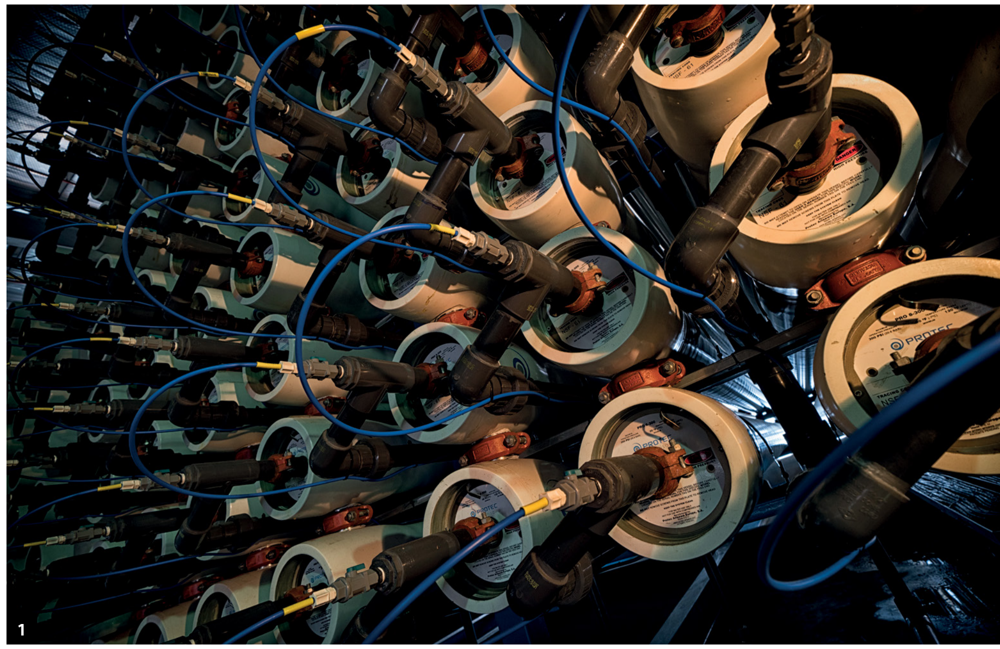
3.72 cts

Stable distribution per Unit of 3.72 cents for FY 2017.

Distribution Yield

6.5%

Continued to deliver attractive distribution yield of 6.5% for FY 2017.



1
All of KIT's concessions and contracted assets in Singapore received full payments in FY 2017.

Chairman's Statement

1

With its scale, diversified portfolio, healthy balance sheet and strong sponsor, KIT is well-placed to deliver sustainable distributions and long-term value to Unitholders.

In November 2017, KIT announced that it was undertaking a strategic review of its interests in the Basslink interconnector in response to a number of parties which had expressed interest in acquiring the asset.

CityNet ceased to be the Trustee-Manager of NetLink Trust with effect from April 2017 as Singtel divested a 75% stake in NetLink Trust through an initial public offering.

Seeking Strategic Opportunities
Competition for quality infrastructure assets remained intense in 2017, characterised by (i) strong competition particularly for core infrastructure assets from investors with lower hurdle rates, such as pension funds and insurance companies; (ii) limited supply of, and long lead time to develop, new infrastructure assets; and (iii) continued low funding costs in certain parts of the world, despite US rate hikes. These factors have driven up asset prices and depressed investment returns.

The confluence of the abovementioned factors and KIT's distribution yield of 6.5% make it challenging for KIT to find investments with sufficiently high cash yields that would make it immediately yield-accretive for Unitholders.

Given the highly competitive investment climate, we continue to explore core plus investment opportunities where incremental risks can be managed and adequately compensated by higher returns. We will remain disciplined in our investment evaluations to ensure that any acquisitions will benefit Unitholders over the longer term.

In June 2017, our Sponsor, Keppel Infrastructure, and PUB, Singapore's national water agency, broke ground for the Keppel Marina East Desalination Plant, a large-scale dual-mode desalination plant that can treat both seawater and freshwater. This plant, the first of its kind in Singapore, will form part of the possible asset pipeline for KIT when completed in 2020.

I am confident that KIT, with its scale, diversified portfolio, healthy balance sheet and strong sponsor, is well-placed to deliver sustainable distributions and long-term value to Unitholders.

Committing to Sustainable Practices
Commitment to best practices in Environmental, Social, and Governance (ESG) matters remains an integral part of our business operations.

Whilst operational performance is important, we also do our utmost to ensure that the work is carried out safely. I am pleased to report that there were no fatal incidents in 2017, and our accident frequency and severity rates improved significantly as we proactively implemented a series of workplace safety measures, staff training, and site safety improvement works. The Trustee-Manager will continue to actively work with its Operations & Maintenance contractors to promote workplace safety and a safe work culture.

Following our inaugural sustainability report for 2016 that was aligned with Global Reporting Initiative guidelines, we have further enhanced our practices with greater attention to sustainable practices and targets. The Board of Directors has reviewed and approved the material ESG issues for KIT, and considers them as part of the Trust's strategy formulation. The Board oversees the management and monitoring of these issues, and evaluates them periodically.

Acknowledgements
We would like to extend our sincere appreciation to our outgoing non-executive and non-independent directors, Dr Ong Tiong Guan and Mr Alan Tay Teck Loon, for their significant contributions to the Board as they stepped down in July 2017 to focus on the increased activities at Keppel Infrastructure. Dr Ong and Mr Tay were actively involved in the combination with CitySpring Infrastructure Trust and the acquisition of the 51% stake in Keppel Merlimau Cogen Plant, which transformed KIT into what it is today.

I also wish to thank my fellow Board members for their wise counsel, and management and staff for their contributions and dedication. A final word of thanks to our Unitholders, and also our business partners for their strong support as we work together towards KIT's continued success.

Koh Ban Heng
Chairman
Keppel Infrastructure Fund Management Pte Ltd (as Trustee-Manager of Keppel Infrastructure Trust)
21 February 2018

2

1.
KIT was included in the MSCI Small Cap Index from end November 2017, enhancing its visibility and liquidity.

2.
City Gas continued to grow, and achieved a significant milestone of securing its 800,000th customer in 2017.

Board of Directors

Mr Koh Ban Heng
age 69

Chairman, Independent Director A N

Date of first appointment as a director:
1 May 2015

Length of service as a director (as at 31 December 2017):
2 years 8 months

Board Committee(s) served on:
Audit and Risk 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 2018):
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 of Dialog Group Bhd

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Keppel Energy Pte Ltd; Singapore Petroleum Venture Private Limited; Singapore Refining Company Private Limited; Linc Energy Ltd

Others:
Nil

Mr Thio Shen Yi
age 51

Independent Director N C

Date of first appointment as a director:
11 February 2010

Length of service as a director (as at 31 December 2017):
7 years 11 months

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

Academic & Professional Qualification(s):
Master of Arts, University of Cambridge;
Barrister at Law (Middle Temple), England;
Senior Counsel;
Master of the Bench of The Honourable Society of The Middle Temple, England;
Fellow of the Singapore Institute of Arbitrators;
Fellow of the Singapore Academy of Law

Present Directorships (as at 1 January 2018):
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 Partner);
OUE Realty Pte Ltd;
St John's Cambridge (Singapore);
Law Society Pro Bono Services Limited

Major Appointments (other than directorships):
Immediate Past President, Law Society of Singapore; Senate Member of the Singapore Academy of Law; Chair, International Relations Committee, Law Society of Singapore; Panel of Arbitrators of the Singapore International Arbitration Centre; Chairman, Corporate Social Responsibility Sub-Committee, Singapore Academy of Law; Member, SIAC Users Council

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
The Community Justice Centre

Others:
Nil

Mr Mark Andrew Yeo Kah Chong
age 55

Independent Director A

Date of first appointment as a director:
1 August 2015

Length of service as a director (as at 31 December 2017):
2 years 5 months

Board Committee(s) served on:
Audit and Risk 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 2018):
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 2013 to 31 December 2017):
CitySpring Infrastructure Management Pte Ltd (the Trustee-Manager of CitySpring Infrastructure Trust)

Others:
Nil

Board Committees

A Audit and Risk Committee
N Nominating & Remuneration Committee
C Conflicts Resolution Committee

Mr Daniel Cuthbert Ee Hock Huat
age 65

Independent Director
C A

Date of first appointment as a director:
18 May 2015

Length of service as a director (as at 31 December 2017):
2 years 7 months

Board Committee(s) served on:
Conflicts Resolution Committee (Chairman);
Audit and Risk 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 2018):
Listed entities
Keppel Infrastructure Fund Management Pte Ltd (the Trustee-Manager of Keppel Infrastructure Trust);
Olive Tree Estates Limited

Other principal directorships
Singapore Mediation Centre

Major Appointments (other than directorships):
Worldwide Marriage Encounter

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Citibank Singapore Limited; Surface Mount Technology (Holdings) Limited; CitySpring Infrastructure Management Pte Ltd (the Trustee-Manager of CitySpring Infrastructure Trust);
Singapore Institute of Directors

Others:
Member, Securities Industry Council (2006 – 2015);
Deputy Chairman, Securities Industry Council (2012 – 2015)

Mr Kunnasagaran Chinniah
age 60

Independent Director
N C

Date of first appointment as a director:
1 August 2015

Length of service as a director (as at 31 December 2017):
2 years 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);
Chartered Financial Analyst®

Present Directorships (as at 1 January 2018):
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; Edelweiss Securities Limited

Major Appointments (other than directorships):
Consultant, Pavilion Capital International Pte Ltd; Corporate Advisor, Temasek International Advisors Pte Ltd; Advisor, Archipelago Capital Partners Pte Ltd

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
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 Invesments II Limited
Reid & Taylor (India) Limited

Others:
Nil

Ms Christina Tan Hua Mui
age 52

Non-Executive and Non-Independent Director
N

Date of first appointment as a director:
15 September 2016

Length of service as a director (as at 31 December 2017):
1 year 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 2018):
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

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Various subsidiaries and associated companies of Alpha Investment Partners Limited and funds managed by Alpha Investment Partners Limited

Others:
Nil

The Trustee-Manager

Mr Khor Un-Hun | age 48

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 (Keppel Corporation).

Mr Khor joined Keppel Infrastructure Holdings Pte Ltd (Keppel Infrastructure) as Development Director in April 2014, where he worked on 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 | age 75

Senior Advisor

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

As Senior Advisor, 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 Advisor 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 | age 45

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 19 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 | age 40

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 17 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.

Mr Marc Liu | age 49

Vice President, Asset Management

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

Mr Liu develops and implements asset management plans to ensure safety, compliance, risk management and emergency response. He is responsible for operational performance and implements asset management plans for KIT's asset portfolio. Mr Liu also leads in the execution of and works on asset enhancement and upgrading projects.

Mr Liu has also served as General Manager of SingSpring Pte Ltd, the trustee-manager of SingSpring Trust, since 2014.

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 | age 51

Chief Executive Officer, City Gas

Mr Kenny Tan has been the CEO of City Gas Pte Ltd, as trustee of City Gas Trust, since 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 Masters in Mechanical Engineering from Nanyang Technological University, Singapore, and a Bachelor of Mechanical Engineering degree with First Class Honours from the University of Bradford, United Kingdom.

Mr Malcolm Eccles | age 48

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 from 2002 to 2005 and British Nuclear Fuels Ltd from 1986 to 2002.

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

Mr Eccles is a Chartered Engineer and member of the Institute of Engineering Technology (UK) and a senior member at the Institute of Electrical and Electronic Engineers (USA). He holds a Master of Science degree in Electrical Engineering and Management Studies, post-graduate diplomas in project management and strategic management, and is a graduate of the prestigious Advanced Management programme delivered by the Henley Management College (UK).

Operations Review

Portfolio Overview

Keppel Infrastructure Trust is the largest Singapore infrastructure-focused business trust listed on the Singapore Exchange with total assets of approximately $4.0 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:

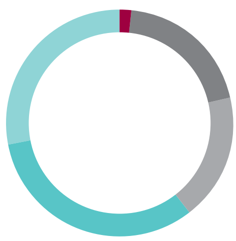
- build sustainable distributions through proactive asset management;
- improve operational performances and efficiencies;
- leverage technology to improve operational performances;
- uphold safety and environmental standards; and
- strengthen risk management practices through robust business continuity 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 town gas	Over 813,000 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%	136,380m³/day seawater desalination concession	PUB, Singapore government agency	2025 (underlying land lease till 2033)
Keppel Seghers Ulu Pandan NEWater Plant	100%	148,000m³/day[1] 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 option for 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

Notes:
[1] Ulu Pandan has an overall capacity of 162,800m³/day, of which 14,800m³/day is undertaken by Keppel Seghers Engineering Singapore.

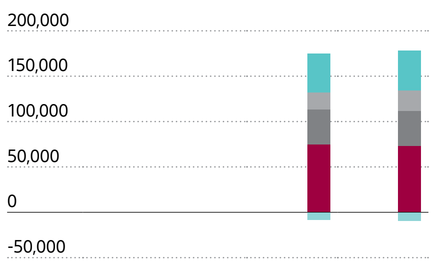
Total Assets (%)
as at 31 Dec 2017



Corporate	1.7
Concessions	19.8
City Gas	18.2
Basslink	32.3
KMC[1]	28.0
Total	**100.0**

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

Funds from Operations ($'000)



	2016	2017
Concessions	77,480	**75,758**
City Gas	40,558	**40,669**
Basslink	20,160	**23,999**
KMC	44,580	**45,717**
Others	(5,553)	**(8,471)**
Total	177,225	**177,672**

City Gas

City Gas is the sole producer and retailer of town gas in Singapore.

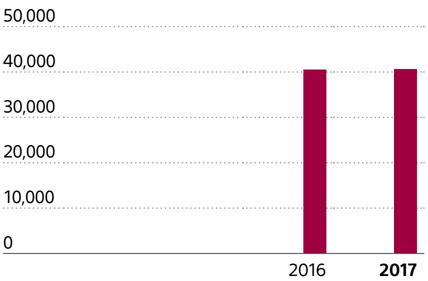
Revenue	Funds from Operations
$320.4m	$40.7m
From $288.0 million in 2016	From $40.6 million in 2016

Key Developments in 2017

Customer base grew by 3.8% to 813,300 as at the end of 2017.

Achieved 100% availability in 2017.

Funds from Operations ($'000)



	2016	2017
City Gas	40,558	**40,669**

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 Singapore'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 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 to City Gas' own customer knowledge and network in Singapore.

Operating Review

In 2017, City Gas continued to maintain 100% gas production availability at Senoko Gasworks, supplying town gas to homes and businesses. The gas tariff is evaluated quarterly according to changes in the cost of feedstock for gas production, which in turn is pegged to the price of High Sulphur Fuel Oil (HSFO). These reviews are approved by the Energy Market Authority of Singapore.

In 2017, growth from the residential sector remained strong. City Gas installed gas supply infrastructure to around 29,000 newly constructed Housing Development Board (HDB) flats across 26 Build-To-Order projects. These projects are expected to contribute positively to town gas demand in 2018. In the HDB segment, there were around 4,574 gas water heaters installed throughout the year, as HDB homeowners become increasingly aware of the benefits of eco-friendly gas water heaters over conventional electric water heaters.

In addition, 12,073 private residential homes, which use town gas, were completed across 23 condominium projects, with around 8,500 units adopting gas water heaters, representing a high adoption rate of approximately 70%. City Gas has also received and approved gas plan submissions for 10 condominium projects with a total of about 3,000 apartments using town gas. Of these, 2,143 homes adopted the use of gas water heaters, translating to an adoption rate of about 72%.

As City Gas continued to execute its market development strategy through the Reach, Education, Awareness, Customer

Operations Review
City Gas

Service and Harmonise (REACH) programme, the company achieved the 800,000th customer milestone in 3Q 2017. City Gas celebrated this momentous occasion with an advertorial featuring the 800,000th customer in The Sunday Times, and held an annual sale offering exclusive promotions, cash rebates and prizes. These marketing efforts complemented the campaigns held during the course of the year to promote the benefits of various gas appliances such as water heaters, clothes dryers and cooker hobs.

In the interest of consumer safety, and to expand its product offerings beyond gas appliances, City Gas has co-developed a gas detector for household use. This device, manufactured in Japan, will sound an alarm when it detects the presence of town gas, liquefied petroleum gas, or natural gas. A launch event was held in October 2017 to engage key stakeholders and local media, and to spread awareness about the importance of kitchen safety.

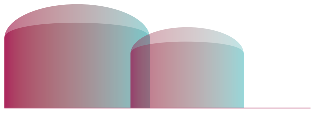
In the commercial and industrial segments, City Gas will continue to seek growth opportunities through its diversified customer base, and explore new applications and growth initiatives. These sectors experienced a lacklustre 2017, and market competition remains intense.

The commercial sector registered growth from restaurants, food manufacturing and hospitality businesses in 2017, despite a significant reduction in gas consumption by a large customer. New hotel developments were completed in 2H 2017, together with the opening of Northpoint City, the largest shopping mall in northern Singapore, in late 2017.

In the industrial sector, City Gas' key customer segments face uncertain growth prospects. Electronics customers are increasingly looking at energy-saving initiatives to reduce reliance on town gas. In addition, certain customers are shifting their operations abroad due to rising costs in Singapore, caused by increasing labour costs. Similarly, the printing industry is also experiencing challenges posed by disruptive changes such as the preference for online media.

Notwithstanding the challenges, total town gas consumption grew by 0.9% in 2017 to 1,756 million kWh, and overall margins renamed relatively stable.

To better engage key industry stakeholders such as government agencies, professional engineers, developers and consultants, City Gas organised a technical seminar which served as a platform for knowledge-sharing on various gas-related topics. The seminar was attended by more than 150 professionals, keeping them abreast of new developments in the industry.



Production Availability

100%

Maintained 100% gas production availability at Senoko Gasworks.

Customer Base

813,300

Surpassed the 800,000 mark and reached 813,300 customers as at the end of 2017.

1.
City Gas' customer base grew by 3.8% year-on-year to surpass the 800,000 mark.

Concessions

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

Revenue

$95.6m

From $113.3 million in 2016

Funds from Operations

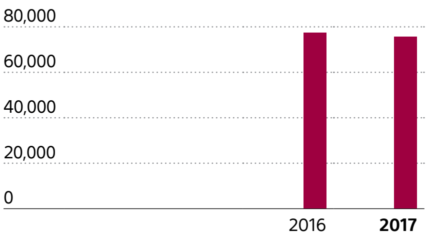
$75.8m

From $77.5 million in 2016

Key Developments in 2017

Fullfilled all contractual obligations in 2017.

Funds from Operations ($'000)



	2016	2017
Concessions	77,480	**75,758**

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 landfills, incineration plants help mitigate greenhouse gas emissions as landfills release methane gas when 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, which is wholly-owned by KIT, 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 of Singapore'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 Services Agreements (ISA) with NEA for 15 years (from September 2009), and 25 years (from 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 met the required Performance and Customer Service Standards under their respective ISAs during the year. In addition to full fixed capacity payments from NEA for meeting their Contracted Incineration Capacities (CIC), the plants also received variable payment for refuse incineration services and electricity exported.

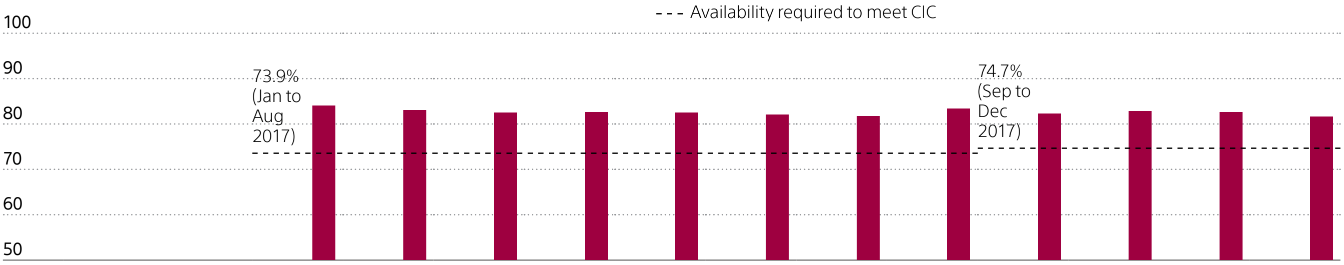
During the review period, both plants met the requirements under their respective ISAs. Senoko WTE Plant achieved a Time Availability Factor exceeding the 73.9% (for the eighth contract year ended 31 August 2017) and 74.7% (for the ninth contract year) thresholds required to receive full fixed capacity payments from NEA.

Keppel Seghers Tuas WTE Plant achieved a Time Availability Factor above the 81.8% (for the eighth contract year ended 29 October 2017) and 78.1% (for the ninth contract year) thresholds required to receive full Fixed Capacity Payments from NEA.

Senoko WTE and Keppel Seghers Tuas WTE Plants met other obligations under the ISA, namely Average Total Organic Content of Bottom Ash, Turnaround Time of refuse trucks, and electricity generation.

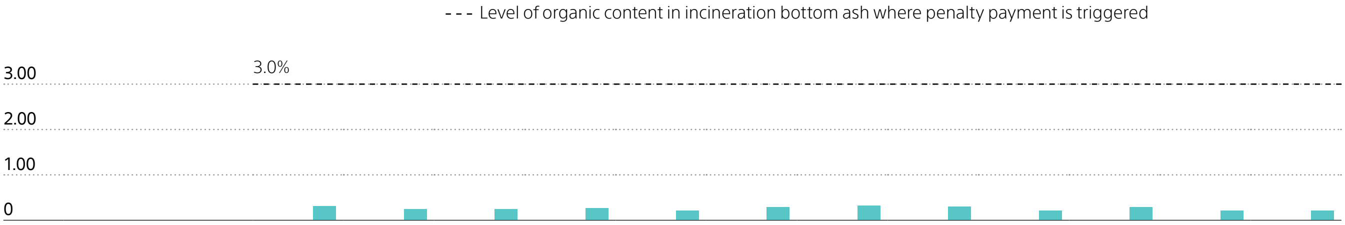
Operations Review
Concessions

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



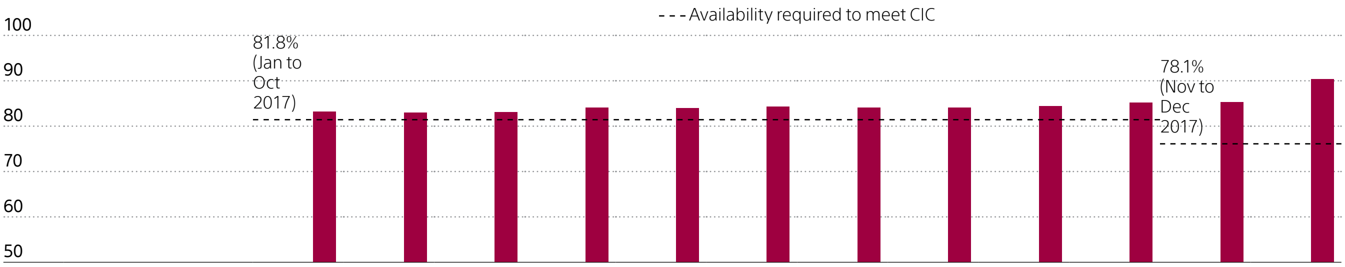
Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
84.3	83.3	82.7	82.8	82.7	82.2	81.9	83.6	82.4	83.0	82.8	81.7

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



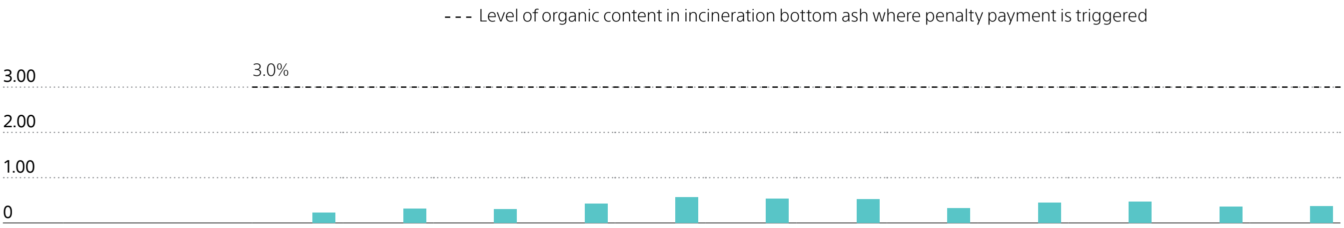
Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
0.32	0.25	0.25	0.27	0.21	0.29	0.33	0.30	0.21	0.29	0.21	0.22

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



Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
83.2	82.9	83.0	84.1	83.9	84.3	84.1	84.1	84.4	85.2	85.3	90.3

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



Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
0.23	0.32	0.31	0.43	0.57	0.54	0.53	0.33	0.45	0.47	0.36	0.37

Both plants achieved Tested Incineration Capacities (TIC) above their CICs. Senoko WTE Plant completed its eighth contract year on 31 August 2017, with a new TIC of 3,093 tonnes per day. Keppel Seghers Tuas WTE Plant completed its eighth contract year on 29 October 2017 with a new TIC of 1,024 tonnes per day.

Both plants also achieved a zero reportable incident rate with respect to health, safety and environmental issues in 2017.

SingSpring

Overview

SingSpring owns and operates the SingSpring Desalination Plant (SingSpring Plant). The plant is Singapore's first large-scale seawater desalination plant, which commenced commercial operations in December 2005. With a supply capacity of 136,380 m^3 of potable desalinated water per day, the SingSpring Plant is an essential service provider capable of meeting close to 10% of Singapore's water needs at time of its inauguration.

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 with one of the largest reverse osmosis trains in the world.

The SingSpring Plant contributes to 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 plays an important role in helping PUB maintain sufficient water resources for Singapore, especially during periods of low rainfall.

SingSpring ensures that both the quality and quantity of desalinated water it produces meet 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 uses 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 Operations and Maintenance (O&M) practices are in line with industry standards.

Operating Review

The SingSpring Plant has been operating for more than 12 years since commercial operations started in December 2005. The plant achieved 100% availability in 2017.

1.
Both Senoko WTE and Keppel Seghers Tuas WTE Plants met all obligations under their respective Incineration Services Agreements with NEA.

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 the actual water volume supplied to PUB, which enables SingSpring to generate long-term and predictable cash flows.

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

In 2017, the SingSpring plant achieved a zero reportable incident rate with respect to health, safety and environmental issues. The plant completed its annual Net Dependable Capacity Test in November 2017 and achieved all required benchmarks.

Keppel Seghers Ulu Pandan NEWater Plant

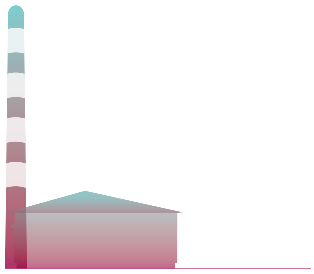
Overview

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.

Operating Review

Keppel Seghers Ulu Pandan NEWater Plant received full availability payment in 2017 as the available capacity was kept greater than or equal to the warranted level of 148,000 m^3 per day.

The plant also consistently achieved more than 98% plant availability in 2017 while fulfilling other requirements under the NWA, namely the required storage level, quality specifications of NEWater and residual waste produced.



Total Tested Incineration Capacity

4,117

tonnes per day.

Ulu Pandan Trust's cash flows fluctuate with the volume of water supplied and the power revenue (which is dependent on changes in electricity prices) received from PUB.

To mitigate the fluctuations in electricity price, the Trustee-Manager had taken measures to fix the electricity price in 2017.

The solar photovoltaic system on the rooftops of the plant generated close to 1.2 GWh of renewable energy in 2017. This helps to lower the carbon footprint of the plant, and contributes to the national effort to reduce dependency on traditional sources of energy.

The Ulu Pandan NEWater Plant achieved a zero incident rate with respect to health, safety and environmental issues in 2017.

Operations Review

Keppel Merlimau Cogen

The Keppel Merlimau Cogen Plant is the first independent power project to enter the Singapore electricity market.

Revenue

$129.9m

From $128.7 million in 2016

Funds from Operations

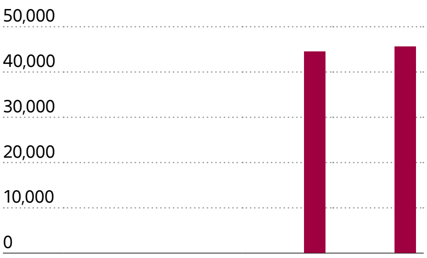
$45.7m

From $44.6 million in 2016

Key Developments in 2017

Achieved 100% contractual plant availability in 2017.

Funds from Operations ($'000)



	2016	2017
KMC	44,580	**45,717**

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 1 has a generation capacity of 500 MW, and commenced commercial operation in April 2007. The plant completed Phase 2 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 the plant's actual power production, and does not vary with electricity demand.

Contractual Availability

100.0%

From 98.5% in 2016.

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

Operating Review

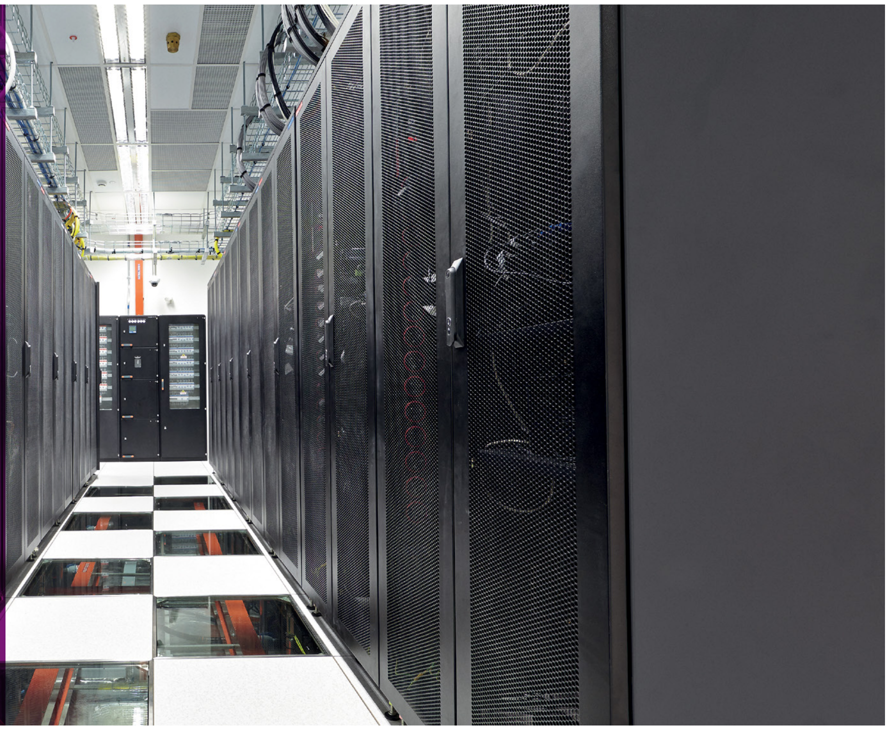
In 2017, the plant achieved a contractual availability of 100% (excluding planned maintenance and outage allowance) and received full capacity payments.

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

DataCentre One

The triple-net lease agreement for the data centre became effective on 12 April 2016.

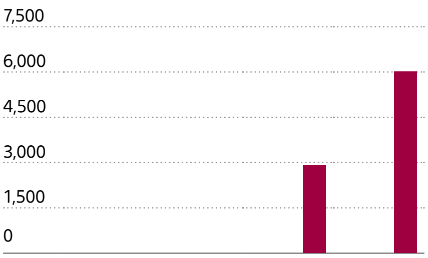
Revenue	Funds from Operations
$15.7m	$6.0m
From $8.2 million in 2016	From $2.9 million in 2016



Key Developments in 2017

Continued to achieve stable lease income following handover on 12 April 2016.

Funds from Operations ($'000)



	2016	2017
DataCentre One	2,916	**6,006**

Overview

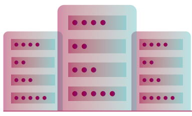
In June 2014, City DC Pte Ltd, a wholly-owned subsidiary of KIT, together with WDC Development Pte Ltd, a wholly-owned subsidiary of Shimizu Corporation, established a new joint venture company, DataCentre One, to develop, build and lease a data centre.

Construction of the Tier 3 (Uptime Institute-certified) and Threat Vulnerability Risk Assessment compliant data centre, 1-Net North, was completed at 18 Riverside Road in Singapore. The data centre 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 became effective for a period of 20 years, with an option for further extension.

Operating Review

DataCentre One achieved the Certificate of Statutory Completion from the Building and Construction Authority on 7 February 2017.



DataCentre One

The 20-year triple-net lease agreement from April 2016 provides stable lease income.

The data centre also obtained its Fire Certificate from the Singapore Civil Defence Force on 20 February 2017. All other relevant licences and contracts were attained and renewed in a timely manner.

In 2017, DataCentre One achieved a zero incident rate with respect to health, safety and environmental issues. A number of safety initiatives and enhancement projects, such as installation of additional safety features on the building's rooftop, were implemented during the year.

Operations Review

Basslink

Basslink is the only electricity interconnector between Tasmania and mainland Australia, enhancing availability and security of electricity supply.

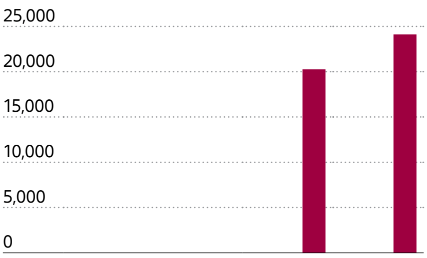
Revenue	Funds from Operations
$85.4m	$24.0m
From $47.0 million in 2016	From $20.2 million in 2016

Key Developments in 2017

Basslink achieved availability of 98.7% in 2017.

KIT announced a strategic review of its interests in the Basslink interconnector in November 2017.

Funds from Operations ($'000)



	2016	**2017**
Basslink	20,160	**23,999**

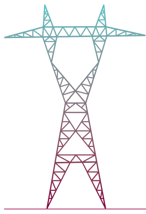
Overview

Basslink owns and operates a 370-km high-voltage, direct current (HVDC) 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 monthly facility fee for the operation of the interconnector, paid by HT. Payments are based on the interconnector's availability, regardless of actual power transmission capacity utilised. The facility fee 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%.



Basslink Operation

370km

High-voltage, direct current cable linking the electricity grids of the States of Victoria and Tasmania in Australia.

Operating Review

Basslink achieved an availability of 98.7%, while Basslink Telecoms achieved an availability of 99.9% in 2017.

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. The CRSM cap and floor are +12.5% (when payment is made from HT to Basslink) and -12.5% (when payment is made from Basslink to HT) respectively of the unadjusted facility fee. The CRSM was almost neutral at -1.9% in 2017, largely due to increased volatility in the energy market in Victoria.

On 20 December 2017, two years after the Basslink Interconnector failure in December 2015, HT announced that their appointed experts had identified the cause of the failure, and proposed an interim arrangement for the interconnector to be operated continuously at a rating of up to 500 MW. Basslink refutes HT's claims that the cause had been identified, as the findings of HT's experts were based on theoretical models, with no actual testing on the Basslink cable or any similar HVDC cables. Furthermore, as HT's own experts recognise, their reports do not conclude their answer is a proven cause of the cable failure. Basslink stands by the independent investigation undertaken by Cable Consulting International (CCI), one of the world's leading submarine power cable experts, who described the exact cause of the subsea cable fault as "cause unknown". Based on the findings of CCI, Basslink maintains the cable fault was a force majeure event.

Basslink has consistently operated and maintained the Basslink facilities in accordance with good electricity industry practices, as well as the instructions from the cable's manufacturers. The Basslink facilities are designed to be operated at the continuous rating of 500 MW, or at 630 MW for limited periods. As an interim measure and while not accepting the conclusions and recommendations in HT's experts' reports, Basslink will operate the interconnector at the continuous rating of 500 MW, while reviews of said reports are ongoing.

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

Basslink is firmly committed to maintain the high 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 2017, Basslink achieved a zero incident rate with respect to health, safety and environmental issues. Basslink has an Operations Environmental Management Plan (OEMP) to ensure that its operations are carried out with minimal impact on the environment. All employees and contractors are trained according to this plan. During the year, the Basslink OEMP was reapproved by the two state governments of Victoria and Tasmania. The OEMP requires resubmission and approval every five years.

1.
In November 2017, KIT announced a strategic review of its interests in the Basslink interconnector in response to interest from external parties.

Financial Review

Key Figures

KIT reported a rise in Group revenue and funds from operations in FY 2017.

Group Revenue

$632.5m

Group revenue for FY 2017 was $632.5 million, compared to $581.1 million in FY 2016.

Group Funds from Operations

$177.7m

Group funds from operations for FY 2017 were $177.7 million, compared to $177.2 million in FY 2016.

Group Distributable Cash Flows

$144.2m

Group distributable cash flows for FY 2017 were $144.2 million, compared to $149.5 million in FY 2016.

In FY 2017, the Group reported revenue of $632.5 million, 8.8% higher than FY 2016 Group revenue of $581.1 million. This was mainly due to higher contributions from City Gas as a result of higher town gas tariff and higher volume; higher revenue from Basslink as no facility fees were recognised during the cable outage which occurred between 20 December 2015 and 12 June 2016; and higher revenue from Keppel Merlimau Cogen (KMC).

The rise in Group revenue was partially offset by lower contribution from the Concessions, as the FY 2016 revenue included construction revenue recognised from the Senoko boiler upgrade, and lower revenue from CityNet upon cessation as trustee-manager of Netlink Trust with effect from 13 April 2017.

The higher profit attributable to Unitholders in FY 2017 as compared to FY 2016 mainly arose from higher contributions from Basslink and City Gas. These were partially offset by abortive expenses incurred in connection with a potential acquisition, professional fees incurred for the Basslink outage and lower contribution from CityNet.

FY 2017 distributable cash flows of $144.2 million were $5.3 million lower than FY 2016. This was mainly due to abortive expenses incurred by the Trust in connection with a potential acquisition, termination of CityNet as trustee-manager of Netlink Trust and one-off maintenance costs at its Ulu Pandan NEWater plant, partially offset by higher contributions from KMC and DataCentre One.

1

1.
Higher contributions from Keppel Merlimau Cogen contributed to higher Group revenue year-on-year.

2.
KIT's portfolio of core infrastructure assets continues to generate stable and predictable cash flows for investors.

The Group reported net current liabilities of $430.9 million as at 31 December 2017, 2.4% higher than net current liabilities of $420.6 million as at 31 December 2016. The net current liabilities position was due to a reclassification of $696.9 million in borrowings from non-current liabilities to current liabilities as explained below.

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 DSCR covenant in the project financing. 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 which has yet to be agreed upon as at 31 December 2017. Accordingly, Basslink's borrowings were classified as current liabilities as at 31 December 2017 in accordance with the Singapore Financial Reporting Standards.

Discussions have been ongoing with the banking syndicate on the subsisting defaults.

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, and KIT does not rely on Basslink's cash flows for its distributions.

Total Unitholders' funds stood at $1,152.9 million as at 31 December 2017, lower than $1,255.4 million as at 31 December 2016 due to distributions paid and marked-to-market movements of derivative financial instruments, partially offset by profit recognised for the year.

FY 2017 net cash generated from operating activities was $82.2 million, $2.0 million lower than FY 2016 due to timing difference in receipts and payments.

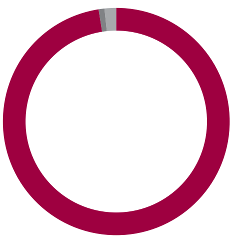
Financial Review

1.
Higher gas tariff and higher volume of gas consumption from City Gas resulted in higher profit attributable to Unitholders.

Net cash generated from investing activities of $3.3 million in FY 2017 arose mainly from receipt of dividend and repayment of advances from DataCentre One and proceeds from sale of inventories. In FY 2016, net cash used in investing activities related mainly to advances to DataCentre One and the construction cost for the Senoko boiler upgrade.

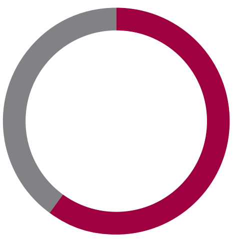
Net cash used in financing activities of $135.7 million and $50.2 million in FY 2017 and FY 2016 respectively, mainly relate to payment of distributions to Unitholders and non-controlling interests of subsidiaries, partially offset by net proceeds from borrowings.

Debt Repayment Profile (%)



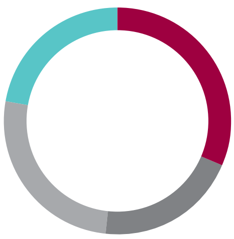
1 - 5 yrs	97.5
> 5 yrs	0.9
< 1 yr	1.6
Total	**100.0**

Debt Breakdown by Currency (%)



S$	60.2
A$	39.8
Total	**100.0**

FY 2017 Adjusted EBITDA[1] (%)



Concessions	31.6
City Gas	20.3
Basslink	26.0
KMC[2]	22.1
Total	**100.0**

Notes:
[1] Adjusted EBITDA includes reduction in concession receivables and excludes Trust/corporate expenses.
[2] Based on KIT's 51% stake in KMC.

Investor Relations

Timely disclosures and open channels of communication are integral to the Trustee-Manager's investor outreach efforts.

The Trustee-Manager is committed to regular and proactive engagement with the investment community. The Investor Relations (IR) team serves as the point of contact for institutional investors, potential investors, retail Unitholders and analysts.

Working closely with the finance, investment and asset management teams, the IR team communicates to the investment community Keppel Infrastructure Trust's (KIT) strategy and key investment merits, as well as provides regular updates on its business operations. This is achieved through one-on-one meetings, investor roadshows and conferences, conference calls, results updates and post-results engagements, as well as site visits. In 2017, KIT engaged a total of 61 Asian-based investors and analysts, mainly in Singapore and Hong Kong.

The Annual General Meeting (AGM) remains the primary platform for retail investors to interact with the Board of Directors and management of the Trustee-Manager. KIT's 10th AGM was held at the Suntec Convention and Exhibition Centre, on 18 April 2017, and was attended by over 300 Unitholders.

The IR team avails itself to respond to queries from investors throughout the year. Key contact details are provided on KIT's website at www.kepinfratrust.com, as well as appended to media releases issued by KIT.

All IR activities are guided by the principles and guidelines set out in the IR policy, which is regularly reviewed and available for viewing on KIT's website. The policy sets out guiding principles that ensure the timely, transparent, and accurate disclosures of material information.

KIT's website also contains up-to-date information on the Trustee-Manager, the assets in KIT's portfolio, as well as investor materials such as financial information, distribution details, annual reports and presentations. Investors can also sign up for email alerts through the website, to be notified whenever new announcements are uploaded.

In 2017, KIT registered a 21% and 36% year-on-year[1] rise in Unit price and average daily trading volume respectively. Total Unitholder return in 2017 was 28.9%[2]. In November 2017, KIT was included as one of the 56 constituent stocks in the MSCI Singapore Small Cap Index, which has enhanced and will continue to enhance KIT's visibility and liquidity.

KIT maintained a total distribution per Unit of 3.72 cents in 2017, demonstrating the stability of cash flows from KIT's portfolio of infrastructure assets. The Trust's distribution yield was 6.5% based on the closing price of $0.575 per Unit on 31 December 2017.

KIT will continue to provide timely disclosures on significant corporate developments, and maintain open channels of communication with investors.

1 Based on the last Unit trading price and one-year cumulative traded volume as at 31 December 2017, compared to 31 December 2016.
2 Based on the Unit price returns and distributions declared for the financial year 2017.

Unitholder Enquiries
For more information, please contact the IR team at:

Telephone:
+65 6803 1738

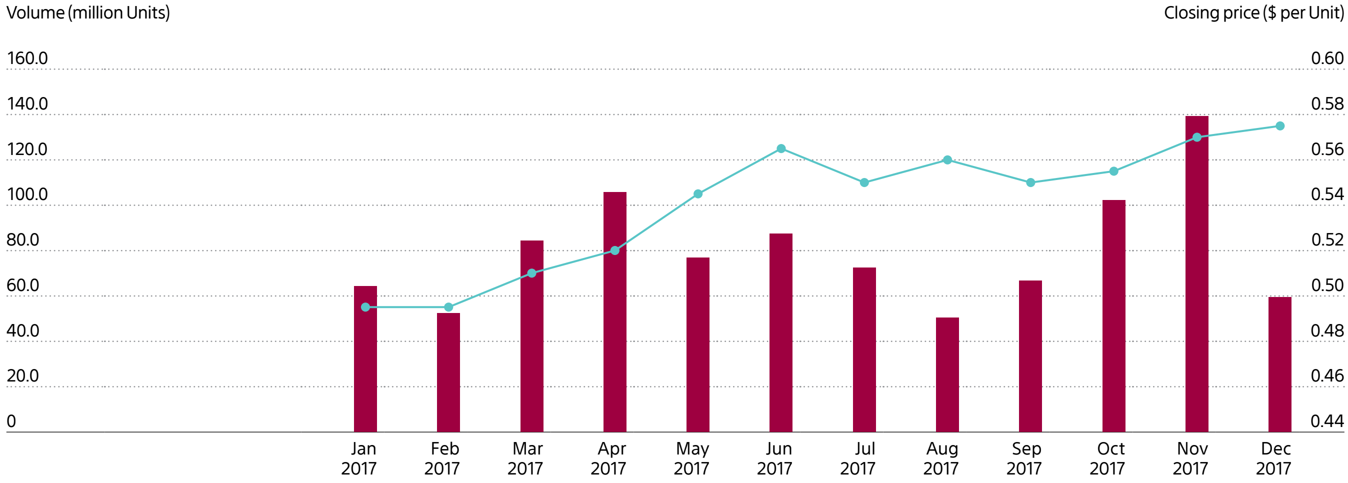
Email:
investor.relations@kepinfratrust.com

Website:
www.kepinfratrust.com

Unit Price Performance

KIT's Unit price increased steadily in FY 2017, with a total price appreciation of 21% over the course of the year. Total traded volume was approximately 963 million Units, translating to an average daily traded volume of approximately 3.8 million Units in FY 2017, an increase of 36% compared to FY 2016.

Monthly Trading Performance



	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Jun 2017	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017
Monthly trading volume (million Units)	64.4	52.5	84.4	105.9	77.0	87.5	72.6	50.5	66.9	102.4	139.4	59.6
Month-end closing Unit price ($ per Unit)	0.495	0.495	0.510	0.520	0.545	0.565	0.550	0.560	0.550	0.555	0.570	0.575

Unit Price Perfomance

	2017	2016
Highest price ($)	**0.585**	0.510
Lowest price ($)	**0.480**	0.450
Average closing price ($)	**0.538**	0.493
Closing price as at the last trading day of the year ($)	**0.575**	0.475
Trading volume (million Units)	**963.2**	706.4

Significant Events in 2017

Q1

Keppel Infrastructure Trust (KIT) declared and paid a distribution per Unit (DPU) of 0.93 cents to Unitholders for the period from 1 October 2016 to 31 December 2016.

Q2

KIT declared and paid a DPU of 0.93 cents to Unitholders for the period from 1 January 2017 to 31 March 2017.

Cessation of CityNet Infrastructure Management Pte Ltd (CityNet) as Trustee-Manager of NetLink Trust.

Commenced members' voluntary liquidation of CityNet.

Q3

KIT declared and paid a DPU of 0.93 cents to Unitholders for the period from 1 April 2017 to 30 June 2017.

Cessation of Dr Ong Tiong Guan and Mr Alan Tay Teck Loon as non-executive and non-independent Directors of Keppel Infrastructure Fund Management Pte Ltd.

City Gas secured its 800,000th customer.

Q4

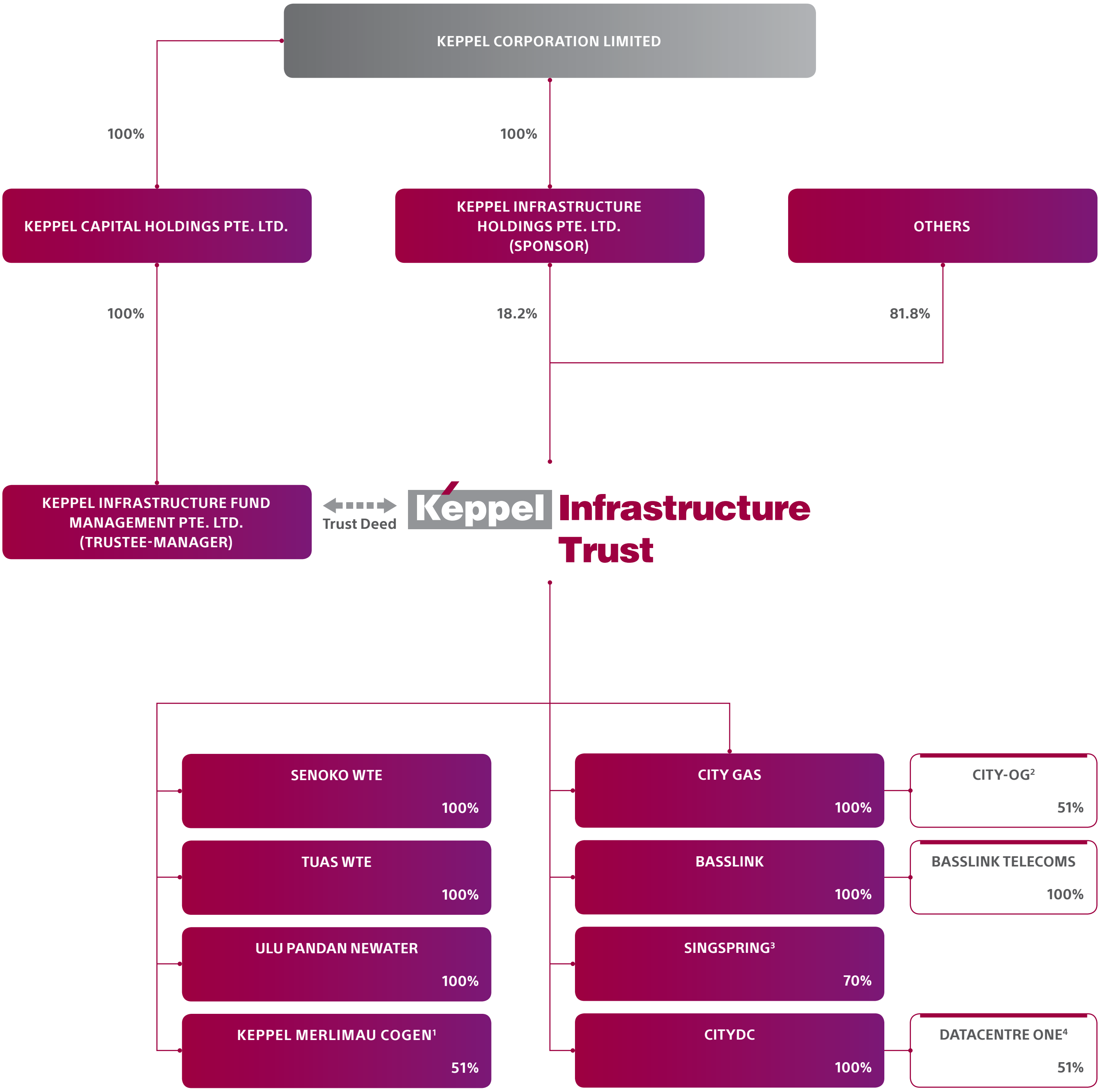
KIT announced and paid a DPU of 0.93 cents to Unitholders for the period from 1 July 2017 to 30 September 2017.

Announced strategic review of Basslink interconnector undertaken in response to a number of parties which had expressed interest in acquiring the asset.

KIT included in the MSCI Singapore Small Cap Index.

1.
KIT continued to maintain a stable distribution for its Unitholders, enjoying strong investor interest and support during the year.

Trust Structure



Notes:

[1] Keppel Energy Pte Ltd holds the remaining 49% equity interest in Keppel Merlimau Cogen.

[2] Osaka Gas Singapore Pte. Ltd. holds the remaining 49% equity interest in City-OG.

[3] Hyflux Ltd holds the remaining 30% equity interest in SingSpring.

[4] WDC Development Pte. Ltd. holds the remaining 49% equity interest in DataCentre One.

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

Investor Relations contact:
Phone: +65 6803 1738
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

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

Audit and Risk 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

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 Officer

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
Public Accountants and Chartered 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: p35-41**

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: p42-49**

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: p50-52**

Letter to Our Stakeholders

We continue to ensure that sustainability remains at the forefront of all aspects of our operations, and that as we do well, we contribute to communities wherever we operate.

Dear Stakeholders,

On behalf of Keppel Infrastructure Fund Management Pte Ltd (KIFM), the Trustee-Manager of Keppel Infrastructure Trust (KIT or the Trust), I am pleased to present the Trust's sustainability report for the financial year ended 31 December 2017.

Following our inaugural sustainability report last year, we have continued to ensure that sustainability remains at the forefront of all aspects of our operations. This includes environmental protection, workplace safety performance, employee well-being, best practices in corporate governance, and giving back to the community.

KIT's approach to sustainability is in line with the Keppel Group's Sustainability Framework – Sustaining Growth in our businesses, Empowering Lives of our people, and Nurturing Communities wherever we operate. These three pillars form the basis of our strategy and decision-making process, and guide us in our efforts to deliver long-term value to our Unitholders.

KIT's portfolio consists of a number of assets which provide sustainable environmental solutions. The Senoko Waste-to-Energy (WTE) and Keppel Seghers Tuas WTE Plants process more than 1.1 million tonnes of municipal solid waste per year. Incinerating this waste generates up to 550 GWh of green energy for the grid, and helps in landfill diversion by as much as 90%.

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

Despite the assets' inherent environmental benefits, there is always room to reduce our environmental impact. In 2017, KIT further lowered its carbon emission by about 1.6%, and recycled more than 10,000 tonnes of waste, including ferrous scrap metal.

During the year, the 1-Net North Data Centre maintained its Green Mark Gold^{Plus} certification under the Green Mark for Data Centres rating system. This is a testament of our efforts to align with best practices in sustainability.

People development is critical for the sustainable growth of the business, and we want to foster a culture that values, engages and develops our talent. At the same time, operational performance should never come at the expense of workplace safety. We share the Keppel Group's commitment that everyone who works in our plants, facilities, worksites and offices goes home safe every day. With additional efforts taken in 2017 to conduct more training, reduce site hazards and improve standards, the safety culture at KIT's plants has been strengthened even further. There were no fatal or major incidents in 2017.

As we do well, we also want to contribute to the communities where we operate. Through the Keppel Volunteers programme, the Trustee-Manager encourages its employees to participate in various community outreach and volunteer projects. City Gas continues to be a standard bearer through its myriad community engagement initiatives that positively impact the lives of stakeholders. Basslink has also been an active supporter of community efforts in both Victoria and Tasmania, Australia.

In 2017, the Singapore government made progress towards implementing a carbon tax regime. We are currently working with the various regulators and stakeholders in preparation for its final implementation come 2019. As an owner of key environmental assets, it is imperative for KIT to be a part of this initiative and help chart the future of Singapore's environmental sustainability.

We hope this sustainability report gives you an insight into KIT's commitment to build a strong platform for long-term and sustainable growth. We welcome any feedback that will help our efforts in this regard.

Yours sincerely,

Khor Un-Hun
Chief Executive Officer
21 February 2018

About this Report

As part of the Keppel Group, KIT considers sustainability an integral part of its business operations that comprise a diversified portfolio of infrastructure assets in Singapore and Australia. This portfolio includes WTE plants, water and wastewater treatment concessions, 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 2017 has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. 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 2017 to 31 December 2017. 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 subsequent reports.

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

Key Sustainability Accolades in 2017

Asset Name	Award
City Gas	Fire Safety Excellence Award (Industrial Premises) by National Fire and Civil Emergency Preparedness Council Singapore HEALTH Award 2017 – Certificate of Recognition by the Health Promotion Board Keppel Group Safety Convention Awards: - Supervisor Award - Executive Award - Individual Award
Keppel Merlimau Cogen Plant	Keppel Infrastructure HSE Innovation Convention: - Gold Award - Bronze Award Keppel Group Safety Convention Awards (Safety Innovation Project): - Gold Award - Bronze Award Singapore Manufacturing Federation Workplace Safety and Health Awards: - Supervisor Award - Innovation Award
SingSpring Desalination Plant	NS Mark (Gold) Accreditation by Ministry of Defence
Senoko WTE Plant	Keppel Infrastructure HSE Innovation Convention: - Gold Award Keppel Group Safety Convention Awards (Safety Innovation Project): - Platinum Award
Keppel Seghers Tuas WTE Plant	Keppel Infrastructure HSE Innovation Convention: - Silver Award Keppel Group Safety Convention Awards (Safety Innovation Project): - Silver Award
Ulu Pandan NEWater Plant	Keppel Group Safety Convention Awards: - Outstanding Individual Award - Bronze Award Keppel Infrastructure HSE Innovation Convention: - Bronze Award

Managing Sustainability

As a member of the Keppel Group, KIT aligns its overall sustainability framework with that of the Group. KIFM, Trustee-Manager of KIT, takes reference from the Group's approach and adopts its principles, management approaches and initiatives for synergy where appropriate.

Leadership and Management Involvement

KIT is committed to integrate sustainability in its operations. Adopting the core values of the Keppel Group, we firmly believe that while our businesses are driven by long-term, regular and sustainable distributions, we must do good as we do well, and strive to make a positive impact on society, the community, our employees and all our stakeholders. KIFM believes that commitment to good corporate governance is vital to the long-term viability and sustainability of the Trust's business and performance.

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

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 serve to guide stakeholders in their decision-making.

The identification of key material issues were based on the Accountability AA1000 Assurance Standards and GRI's four steps of materiality – identification, prioritisation, validation and review. External stakeholders' perspectives are considered in the identification of these material issues. The priorities of each issue, as seen by both internal and external stakeholders, are analysed using clearly defined criteria, and classified under one of two tiers, with Tier 1 as being critically important and Tier 2 as being of high importance.

The key material issues have been presented to the Board and CEO of the Trustee-Manager and validated.

KIT's key material issues are outlined below. We will continue to conduct periodic reviews of these material issues as part of our general review framework, and engage external stakeholders in the process when necessary.

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
Tier 1		
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
Tier 2		
Community Engagement & Development	Infrastructure Assets & Organisation-wide	External
Labour Practices	Infrastructure Assets & Organisation-wide	Internal
Security	Infrastructure Assets & Organisation-wide	Internal

Managing Sustainability

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. KIFM has identified its key stakeholders, objectives, forms of engagements and key topics of concern, and these are listed in the table below.

What follows in this report is an outline of the engagement KIFM had with KIT's stakeholders, combined with the insights gained through initiatives, forums, meetings and survey findings to strengthen understanding of the different stakeholder perspectives. This enables us to identify their interests and expectations and develop solutions to address their concerns wherever possible.

Membership in Associations

To further engage our stakeholders, we also participate as members of different industry 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 the Gas Association of Singapore, associate member of the Real Estate Developers' Association of Singapore and associate member of the Singapore Green Building Council.

The Keppel Group supports the Securities Investors Association (Singapore) in its initiatives to promote good corporate governance and empower the investment community through investor education.

The following are KIT's key 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 suppliers, contractors 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 licences and permits.

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

Keppel Infrastructure Trust is proud to own a number of assets which support environmental sustainability.

Service Excellence

Customer Satisfaction

Customer satisfaction is driven by the quality and reliability of products and services that KIT's assets provide to its customers. The management strives to engage key customers regularly to ensure that their concerns are adequately addressed. These include government agencies and regulatory authorities who oversee the provision of public utilities such as water and electricity, namely 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 Merlimau Cogen Plant, 1-Net as master tenant for DataCentre One and Hydro Tasmania as the sole customer of Basslink's undersea power transmission. Ongoing efforts to maintain quality and reliability in KIT's products and services include but are not limited to regular reporting, ad hoc audits and annual capacity tests.

Truck turnaround time is a key metric that is closely monitored and reported to the relevant authorities, in order to minimise queue time for the licensed Public Waste Collectors who deposit waste at KIT's two WTE plants. KIT has regular dialogue with customers to ensure that they are satisfied with our O&M effectiveness, equipment condition, safety record and readiness to respond to emergencies, including terror and cyber-attack threats.

City Gas, as the sole producer and retailer of town gas in Singapore, has a large customer base of more than 813,000 residential, commercial and industrial customers.

The majority of the gas installation works at City Gas are performed by contract workers. To ensure high work quality and standards, training and supervision are carried out to ensure consistent service quality across the entire value chain. By working closely with other stakeholders, like subcontractors for installation works, SP Services for billing and its joint venture 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 audits for its domestic and commercial customers. For domestic customers, this audit 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' average overall score remained constant in 2017, i.e. 3.30 out of 4 compared to its average overall score of 3.33 in 2016.

Supplier Management

The Keppel Group's 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 (KI), the Sponsor of KIT. As Trustee-Manager, KIFM ensures smooth asset operations by tapping on the strong technical, O&M and engineering, procurement and construction expertise of its Sponsor and subsidiaries.

KIFM employs Hyflux Engineering for O&M works at the SingSpring Desalination Plant. Hyflux Group designed and built 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.

KIFM evaluates contractors' performance and works with them to ensure satisfactory service quality and safety standards are achieved.

Key Policies

As a member of the Keppel Group, KIFM adopts a zero tolerance attitude towards bribery and corruption.

All new employees are briefed on key policies upon joining KIFM. Key policies include the Employee Code of Conduct, Anti-Bribery and Corruption Statement, Corporate Statement on Human Rights, Whistle-Blower Policy, Insider Trading Policy, Competition Law Manual, Conflict of Interests Policy, as well as policies on environment, health and safety matters.

In addition, policies have been put in place to govern the working relationships between KIFM and agents or other person(s) acting on behalf of KIFM and/or KIT. Such policies set out the standards of conduct to which KIFM or KIT's suppliers and their parent entities, subsidiary or affiliate entities and employees, are expected to adhere to.

In 2017, all employees completed an e-module training and an online assessment covering Code of Conduct, Whistle-Blower, Anti-Bribery, Conflict of Interest and Insider Trading policies. All of KIFM's direct employees have undergone and passed the training. Similar compliance training sessions were also conducted for the staff at KIT's various assets. There were no instances of non-compliance at KIFM and KIT in 2017.

Sustaining Growth

Security

Our assets City Gas, SingSpring Desalination Plant, Keppel Seghers Ulu Pandan NEWater Plant and Keppel Merlimau Cogen Plant are identified as Key Installations by the Singapore Government as they provide essential public goods and services, such as energy, water and town gas. The first three assets are gazetted under the "Protected Areas and Protected Places Act" under Singapore Law. These plants run on computer-based industrial control systems and are exposed to the risk of cyber-attacks. Regular security drills and exercises were jointly conducted with the Singapore Police Force and armed security services providers in 2017.

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

To counter the increasing prevalence and threat of cyber-terrorism, KIFM has begun formulating a strategy to manage IT and cybersecurity risks, in line with the Cybersecurity Bill which was passed in Parliament on 5 February 2018. This strategy will be further reviewed by the Board and management in due course.

In terms of physical security, there were no security breaches or cyber-attacks affecting availability at any of KIT's plants in 2017.

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 Singapore Standard on Occupational Safety and Health	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

1
1.
The Keppel Seghers Tuas WTE Plant is the first in Singapore to showcase proprietary WTE technology from a local company.

Energy Generated

550 GWh

KIT's WTE plants generate up to 550 GWh of green energy for the grid.

Waste Recycled

10,936 tonnes

KIT recycled 10,936 tonnes of waste in FY 2017.

Economic Performance (Business Growth)

KIT's economic performance has a positive impact on both internal and external stakeholders. The Trust's Singapore-based assets contribute to the local economy by creating jobs, paying taxes, and contributing to national energy and water needs, both of which are basic resources that are imperative for a functioning economy. Internally, the Trust's business growth and economic performance positively impact our Unitholders, who benefit from the regular payout of stable distributions, as well as our employees.

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), Basslink Interconnector, the Senoko WTE, Keppel Seghers Tuas WTE, Keppel Seghers Ulu Pandan NEWater, SingSpring Desalination and Keppel Merlimau Cogen Plants.

1-Net North is excluded as it is leased to a tenant and KIFM has no management control over the asset, except for a limited scope of facility management works.

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 contracted asset operators are certified to ISO 14001 standards and other green certifications. The Keppel Group's Energy Efficiency Committee has oversight on carbon management. The committee members comprise representatives 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 and supported by SCEM, SCEM Technicians, O&M Management, audit teams and third-party verifiers to monitor energy use and prepare business units to meet and exceed the legislated requirements.

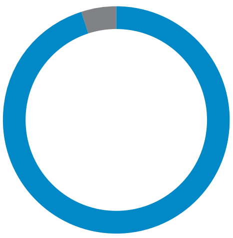
Energy Efficiency & Climate Change

KIT's sources of energy are both direct, referring to primary sources of energy consumed on site by our operations, and indirect, referring to electricity purchased from external suppliers.

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

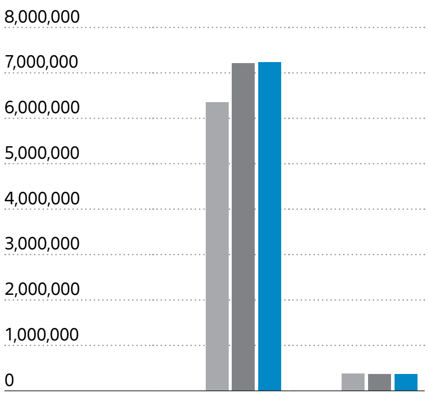
Sustaining Growth

Total Fuel Consumption for 2017 (%)



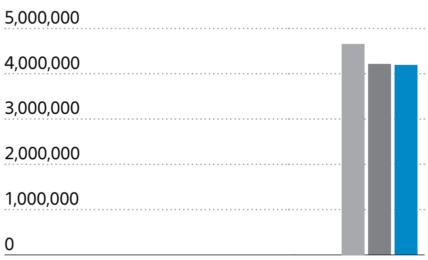
●	Non-Renewable	95.10
●	Renewable	4.90
	Total	**100.00**

Total Energy Consumption, by Fuel Type (GJ)



	Non-Renewable	Renewable
2015	6,364,043	382,236
2016	7,216,450	370,212
2017	**7,239,431**	**373,326**

Total Electricity Consumption (GJ)



	Non-Renewable
2015	465,742
2016	421,243
2017	**418,881**

KIT's sustainability targets for electricity consumption mainly relate to City Gas, Keppel Seghers Ulu Pandan NEWater Plant, and SingSpring Desalination Plant. The other plants (Senoko WTE, Keppel Seghers Tuas WTE, and Keppel Merlimau Cogen) are power producers. KIT works closely with the O&M contractors to ensure that the fuel energy consumption is in line with plant design, and examine ways of improving energy efficiency to minimise the carbon footprint of these plants' operations.

In 2017, KIT consumed 7,193,876 gigajoules (GJ) of direct energy and 418,881 GJ of indirect energy or electricity[1] , comparable to 2016. 1,404,695 GJ of electricity was sold (excluding Keppel Merlimau Cogen). Total energy consumption was 7,612,757 GJ. Energy intensity by asset value was 1,924 GJ per million SGD.

Harnessing Renewable Energy

The Keppel Seghers Ulu Pandan NEWater Plant features a 10,000 m^2 photovoltaic (PV) installation on its roof which is designed to generate up to 1 megawatt-peak (MWp) or approximately 1 to 1.2 GWh each year. The energy generated is equivalent to the needs of approximately 250 four-room HDB households per year. The conditions of the PV installation are periodically assessed to ensure its performance is in line with expectations.

The installation 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.

Green Buildings

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.

At our WTE plants, energy efficient lighting was installed to reduce electricity consumption. Energy efficiency projects such as compressor optimisation were also conducted at Keppel Merlimau Cogen. The roof design of SingSpring Desalination Plant was modified to bring in more natural lighting, which saves energy through the reduced use of electricity-powered illumination devices.

[1] Electricity consumption data from the Senoko WTE, Keppel Seghers Tuas WTE and Keppel Merlimau Cogen Plants is excluded as they are power producers.

1

1.
The Keppel Seghers Ulu Pandan NEWater Plant is one of Singapore's largest NEWater plants.

2.
Keppel Merlimau Cogen is well-positioned to support the surrounding industries in their electricity, steam supply and demineralised water requirements.

Water

KIT focuses on improving processes and optimising water efficiency across its businesses through initiatives such as promoting water-saving practices, and the adoption of water-efficient technologies and equipment.

All water consumed, including potable water and NEWater, is obtained from both the municipal water supply from PUB and product water from our water plants. No water source is significantly affected by our water consumption. KIT recognises that Singapore is a water-scarce country, and our responsible water practices are in line with PUB's stance that water should be treated as a critical resource and an economic asset.

In 2017, KIT's total water consumption was 1,046,933 m^3, compared to 978,346m^3 in 2016. The rise was mainly due to an increase in flushing water used at our water plants.

Water Recycling

During dry spells, treated effluent water from the refuse leachate and wastewater at the Senoko WTE Plant is further treated to be used for ash quenching and fire prevention by wetting dry refuse in the bunker, reducing the demand for NEWater. The Senoko WTE Plant recycled a significant amount of water in 2017.

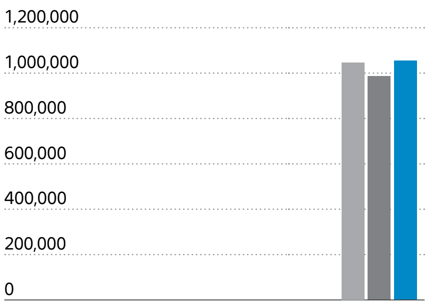
The Senoko WTE Plant was constructed with five catchment and two service water basins integrated within the facility.

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, requiring purchase of additional NEWater to sustain O&M activities of the plant. This was identified as an area for improvement, so the Senoko WTE Plant O&M team embarked on a project aimed at reducing the amount of NEWater required during dry spells to boost the plant's sustainability footprint. In the past, effluent water generated through various plant processes was treated and subsequently discharged into the sewers. Recognising 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, subsequently channeling it 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.

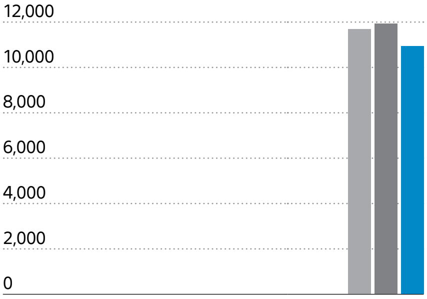
Total Water Used (m^3)



2015	1,038,800
2016	978,346
2017	**1,046,933**

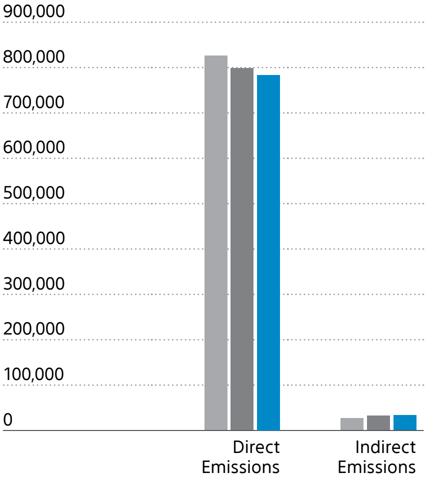
Sustaining Growth

Total Waste Recycled (tonnes)



2015	11,689
2016	11,944
2017	**10,936**

Direct and Indirect Emissions (CO_2)



	Direct Emissions	Indirect Emissions
2015	825,050	25,901
2016	797,691	31,578
2017	**782,857**	**32,859**

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, SingSpring Desalination Plant, Basslink)

- 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, SingSpring Desalination Plant, Basslink))

- Electricity

Waste

KIT strives to minimise waste generation and increase opportunities for reuse and recycling. As the owner of two WTE plants, KIT is in a unique position to directly reduce the amount of solid waste deposited at Singapore's landfills. This is an important consideration given Singapore's small land area and limited landfill capacity.

As part of WTE operations, scrap metal is collected for recycling to conserve natural resources. Hazardous waste is collected by licensed hazardous waste collectors, and burned at NEA designated plants, to ensure that it has minimal environmental impact.

In 2017, KIT recycled 10,936 tonnes of refuse, compared to 11,944 tonnes of refuse in 2016, including ferrous scrap metal. The reduction was due to a scheduled lifecycle overhaul at one of the WTE plants.

Compliance

In 2017, there were no reports by Singapore or overseas authorities of spillage 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 provides a basis for identifying, implementing, monitoring 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 adopting 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, KI, continues to actively manage the emissions from its operations. Nitrogen oxides and sulphur dioxide levels emitted by the three plants KI operates remain far below the applicable emission standards 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 2016 and 2017, dust and particulate matter emitted were 36 mg/Nm^3 and 38 mg/Nm^3 respectively, well below the NEA emission standard of 100 mg/Nm^3.

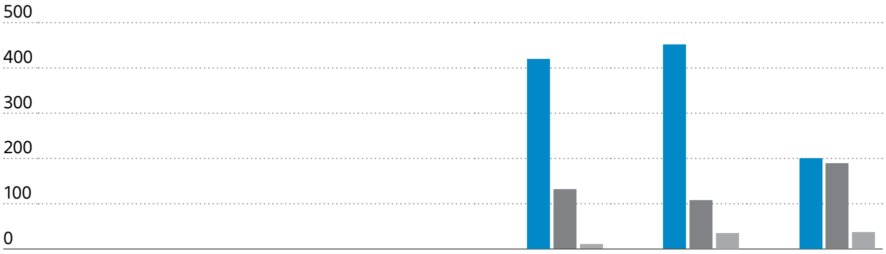
All effluent from our operations is treated and discharged to water courses or sewer systems in accordance with the applicable environmental discharge limits and effluent standards in the country of operation.

Carbon Emissions Intensity (CO_2/mil SGD)

2015	206.8
2016	201.3[1]
2017	**206.2**

[1] Adjusted from 199.2 after taking into account indirect carbon emission from SingSpring in 2016.

Air Emissions (mg/Nm^3)



	2015	2016	**2017**
NOx	420.0	451.0	**200.7**
SO_2	132.0	108.0	**190.0**
Particulate matter (PM)	11.0	36.0	**38.0**

1.
Both of KIT's WTE Plants have the combined capacity to treat half of Singapore's incinerable waste.

2.
The SingSpring plant is capable of meeting close to 10% of Singapore's water needs at time of its inauguration.

Empowering Lives

Average Training Hours per Employee

13.5hrs

The global average training hours per employee was approximately 13.5 hours.

Bargainable Employees Covered by CA

68%

Approximately 68% of our workforce are bargainable employees covered by Collective Agreements (CA).

KIFM and KIT consider their people as their most important asset, always looking out for their safety, well-being and development.

Health and Safety

Overview

Safety is a core value at Keppel, and 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, focusing 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.

In 2017, Vision Zero was reiterated at the 11th Keppel Group Safety Convention emphasising that "every incident is preventable".

Management Approach

We comply with the laws and regulations of the countries in which we operate, and our management systems are routinely audited by our health, safety and environment (HSE) personnel and 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 and align with global best practices.

KIT's key O&M team and service providers which include Keppel Seghers Engineering Singapore, KMC O&M, City Gas and Hyflux Engineering have their safety management systems certified to OHSAS 18001 and SS506 standards. A total of five KIT assets have attained the highest level of BizSAFE Star status from the WSH Council.

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. KIT's specific targets are zero fatal incidents, and for our Accident Severity Rate (ASR) and Accident Frequency Rate (AFR) to be below the industry average. The KIT Board regularly reviewed the 2017 safety performance against these targets.

KIFM benefits from the programmes, initiatives and efforts rolled out at the Group level that 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 engages its operators and contractors in safety initiatives and training including regular monthly meetings, joint site inspections, sharing near-miss incidents, annual safety roadshows, internal and external safety audits, safety improvement projects, and regular safety performance reviews.

Performance and Compliance

In 2017, the Keppel Merlimau Cogen Plant, SingSpring Desalination Plant, Keppel Seghers Ulu Pandan NEWater Plant, Senoko WTE Plant, Keppel Seghers Tuas WTE Plant, Basslink and DataCentre One achieved a zero reportable incident rate with respect to HSE performance. Keppel Seghers Tuas

The Keppel Safety & Health Strategy

Vision	Mission	Strategic Thrusts	Outcomes
A safe and healthy workplace where everyone goes home safe every day	To execute our business activities profitably, safely and responsibly, placing the highest priority on the safety and health of all stakeholders	• **Framework** Integrated safety framework for businesses worldwide, with common goals across the Keppel Group	• Strong safety culture
		• **System** Adopting best practices, systems, standards and processes	• Safety – an integral part of business
		• **Ownership** Strong safety ownership at all levels	• Reduction in incidents
		• **Partnerships** Engagement across all stakeholder groups	

WTE Plant and Keppel Merlimau Cogen Plant achieved the safety milestones of five and ten years of commercial operations respectively without any reportable lost-time incidents.

There was a HSE-reportable incident at City Gas involving a worker who sustained a cut on the nose while climbing a ladder. This resulted in a loss of eight man-days. Rectification works and targeted staff training were completed to prevent similar incidents.

Overall, KIT achieved an improvement in HSE performance in 2017 compared to 2016, due to proactive work safety measures, staff training, and execution of site safety improvement works that were carried out during the year. KIT's AFR and ASR for 2017 were 0.39 and 3.15 respectively, well below the national average.

1.
KIFM is committed to ensuring all personnel are kept updated on safety measures and best practices.

Driving Safety Culture and Behavior Change

We empower and train our stakeholders to ensure that all personnel are kept updated on safety measures and best practices. Some areas of emphasis are driving long-term safety culture and inculcating behavior change through training, effective incident root cause analysis and learning through sharing, so as to prevent similar incidents from recurring.

As part of our commitment to safety leadership, KIT Senior Management also regularly attends safety training sessions and site safety walkabouts.

KIT's O&M contractor KI and City Gas participated in the annual Keppel Group Safety Convention, a platform to reiterate the Group's commitment to foster a strong culture, and champion innovation. In 2017, the O&M contractor garnered a number of awards for innovation projects rolled out across KIT's assets. City Gas staff won three awards at the convention – the Individual Award, Supervisor Award and Executive Award. KI also clinched the coveted Chairman Safety Challenge trophy for its strong safety performance as well as innovative projects and initiatives.

O&M contractors also continually educate staff through safety initiatives. These include:

1. A team that looks into continuous improvement as part of Inspection for Safety Compliance Assurance (iSCA);
2. A Contractor HSE forum to discuss occupational health and safety issues and best practices;
3. Management of New Workforce Scheme as part of enhanced monitoring for new hires;
4. Monthly safety committee meetings and site inspections;
5. Regular refresher training, Safety Induction Courses and mass talks on High Impact Risk Activities (HIRA) subjects in line with Keppel Group HSE strategies.

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.

Keppel's 5 Key Safety Principles continue to guide all operations and inculcate safety awareness in all staff.

Group HSE Alerts were circulated to our O&M operators to 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.

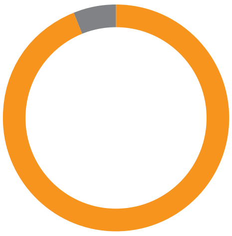
The 'Gear Up for Safety' programme by KIT's O&M Contractor KI has gained momentum over the years. New activities have been introduced at various sites and plants within KIT's portfolio.

	Group			Singapore			Australia		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Fatalities	**0**	1	0	**0**	1	0	**0**	0	0
Accident Frequency Rate (AFR) Reportable accidents per million man hours	**0.39**	0.53	0.92	**0.40**	0.53	0.92	**0**	0	0
Accident Severity Rate (ASR) Man-days lost per million man hours	**3.15**	1591.68	44.99	**3.19**	1604.87	44.56	**0**	0	0

Empowering Lives

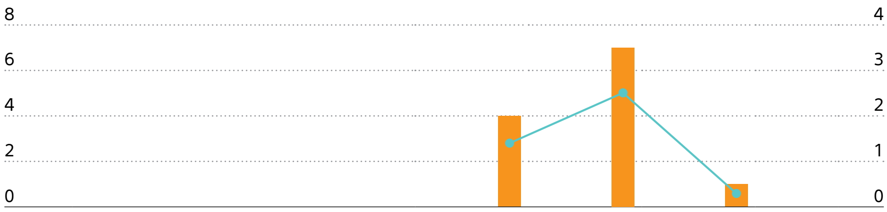
Global Workforce

Distribution by Region



	No. of Employees		
	Permanent	Temporary	Total
Singapore	221 | 82%	47 | 18%	**268 | 100%**
Australia	16 | 94%	1 | 6%	**17 | 100%**

New Hires by Age Group



	< 30 years	30-50 years	> 50 years	Total
No. of New hires	4	7	1	**12**
Rate of New hires (% of total employees)	1.4	2.5	0.3	**4.2**

New Hires by Gender

	Male	Female	Total
No. of New hires	8	4	**12**
Rate of New hires (% of total employees)	2.8	1.4	**4.2**

New Hires by Region

	Singapore	Australia	Total
No. of New hires	9	3	**12**
Rate of New hires (% of total employees)	3.1	1.1	**4.2**

People Matters

Recognising that people are its greatest asset, the Trustee-Manager strives to nurture and develop its talent pool to create value and drive further growth for the Trust.

We are committed to nurture a motivated, skilled and competent workforce through our human resource strategy, through which employees are developed to their fullest potential and are encouraged to harness innovation in their personal and professional growth. This strategy is three-pronged, focusing on career development, employee welfare and employee engagement.

Profile of Employees

In the beginning of 2017, there was a reorganisation of the workforce at Keppel Capital. Centralised functions were formed to support the various units within Keppel Capital, which include the Trustee-Manager. This is to provide opportunities for learning and career growth, as well as to build bench strength and ensure optimal use of resources.

KIT and KIFM's total workforce as at end 2017 comprised a total of 285 staff, of which 237 are permanent staff and 48 are temporary staff. All employees are full-time, and based in Singapore, with the exception of Basslink in Australia where 17 employees are located. Of the total workforce, 119 are executives and 166 are non-executives.

KIFM is supported by Keppel Capital's centralised functions, which have a total headcount of close to 200. The centralised functions that provide support to the Trustee-Manager include Asset Management, Investments, Compliance, Investor Relations, Finance, Research and Human Resources.

In 2017, we recruited eight male and four female employees. In the same period, 12 male and seven female employees left KIT and KIFM.

Out of the 12 new hires, four are below 30 years old and the others were 30 years old and above. Of the employees who left, two were below 30 years old, while the others were 30 years old and above.

Policy of Non-discrimination

The Trustee-Manager respects the values and cultures of the communities where it operates, and embraces workforce diversity.

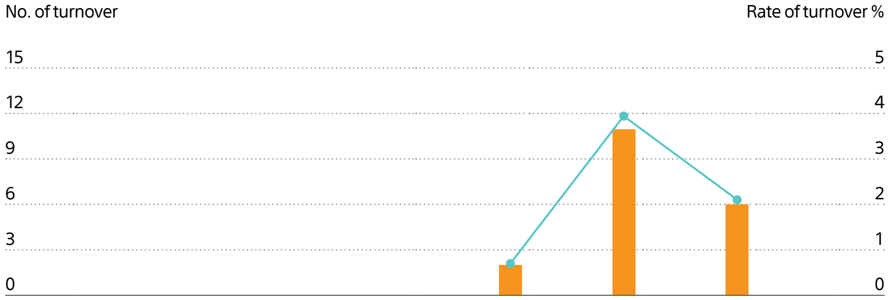
Across our Singapore operations, we adopt merit-based recruitment practices and emphasise diversity and inclusiveness.

Hiring selections are based on individual competencies as well as organisation and job fit. Our hiring policies ensure equal employment opportunities for all, regardless of race, religion, gender, marital status or age. In 2017, the gender breakdown of the workforce was 19% female and 81% male. KIFM's Board of Directors comprises six directors, one of whom is female. They are all above 50 years of age. Please refer to pages 8 and 9 for details.

The Trustee-Manager demonstrates its commitment to non-discrimination and equal opportunities by adhering to the Tripartite Alliance for Fair and Progressive Employment Practices and striving to uphold the Employer's Pledge of Fair Employment Practices, which are both guided by the following five principles:

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; and
5. Abide by labour laws and adopt Tripartite Guidelines which promote fair employment practices.

Employee Turnover by Age Group

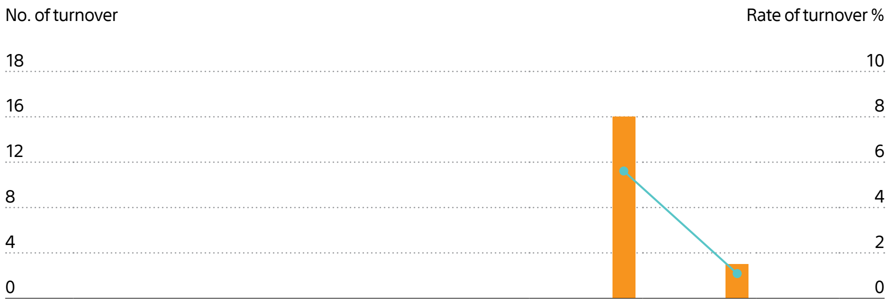


	< 30 years	30-50 years	> 50 years	**Total**
Voluntary (No. of turnover)	2	9	0	**11**
Non-voluntary (No. of turnover)	0	2	6	**8**
Total No. of turnover	2	11	6	**19**
Rate of turnover (%)	0.7	3.9	2.1	**6.7**

Employee Turnover by Gender

	Male	Female	**Total**
Voluntary (No. of turnover)	6	5	**11**
Non-voluntary (No. of turnover)	6	2	**8**
Total No. of turnover	12	7	**19**
Rate of turnover (%)	4.2	2.5	**6.7**

Employee Turnover by Region



	Singapore	Australia	**Total**
Voluntary (No. of turnover)	9	2	**11**
Non-voluntary (No. of turnover)	7	1	**8**
Total No. of turnover	16	3	**19**
Rate of turnover (%)	5.6	1.1	**6.7**

Empowering Lives

The Trustee-Manager's commitment to human rights is supported by its Employee Code of Conduct, which sets the tone of its 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. Its stand on human rights is aligned with that of the Keppel Group, articulated in the Corporate Statement on Human Rights which is made publicly available online.

Unions are our strategic partners and we place emphasis on maintaining a harmonious relationship with them. Approximately 68% of our workforce are bargainable employees covered by Collective Agreements.

Guidelines are in place for the appropriate management of grievance cases. For unionised companies under the Trust, employee grievances are resolved according to the grievance handling protocol spelt out in the respective Collective Agreements. All registered grievances are investigated and tracked through to final closure.
In the case of grievance, our management and the union will undertake every reasonable effort to resolve the employee's grievance promptly. In 2017, there were no reported incidences of discrimination raised by the employees.

Distribution by Employment Contract & Gender (%)

	Male	Female
Permanent employees	201 | 84.8	36 | 15.2
Temporary employees	29 | 60.4	19 | 39.6
Overall	230 | 80.7	55 | 19.3

Gender Diversity of Governance Bodies and Employees

	Male	Female
Individuals in Governance Bodies	14 | 87.5%	2 | 12.5%
Senior Management	12 | 100.0%	0 | 0.0%
Executives	83 | 77.6%	24 | 22.4%
Non-Executives	135 | 81.3%	31 | 18.7%

Age Diversity of Governance Bodies and Employees

	< 30 years	30-50 years	> 50 years
Individuals in Governance Bodies	0 | 0.0%	10 | 62.5%	6 | 37.5%
Senior Management	0 | 0.0%	9 | 75.0%	3 | 25.0%
Executives	7 | 6.5%	77 | 72.0%	23 | 21.5%
Non-Executives	16 | 9.6%	69 | 41.6%	81 | 48.8%


1

2

1.
Employees at KIFM are encouraged and enabled to pursue professional development opportunities.

2.
KIFM and KIT adhere to fair employment practices.

Recognising that people are its greatest asset, the Trustee-Manager strives to nurture and develop its talent pool to create value and drive further growth for the Trust.

Provision of Benefits

The Trustee-Manager complies with all statutory regulations relating to employment terms and benefits, and offers employees competitive and sustainable compensation. All permanent employees are provided with benefits like group insurance plans, medical entitlements, leave entitlement, and contributions to employees' local pension fund, the Central Provident Fund in Singapore.

In addition to the benefits mandated by local labour legislation, we also provide other benefits such as additional leave for marriage, examinations and on compassionate grounds.

Eligible female employees in Singapore are entitled to a maximum of 16 weeks of paid maternity leave, while eligible male employees are entitled to a maximum of two weeks of paid paternity leave, in accordance with the Ministry of Manpower's legislation. In 2017, four employees went on maternity leave and all returned to work.

Performance Management

The Trustee-Manager subscribes to a pay-for-performance philosophy, as it believes this drives ownership of collective goals and leads to a high-performance culture that creates long-term value for all stakeholders.

A robust performance management system ensures that permanent employees receive regular performance and career development reviews. Opportunities for advancement, promotion, recognition of achievements, compensation, training and other conditions of employment are provided based on merit. Supervisors and employees will jointly discuss performance goals based on targets in four key areas: Financial, Process, Customers & Stakeholders and People.

Empowering Lives

Succession Planning and Talent Management

Succession planning and talent management continue to be a key priority of the Trustee-Manager, to build and develop its bench strength in ensuring business continuity. The framework is reviewed at least twice a year by both the Board and senior management to ensure high potential employees are identified and groomed for leadership succession.

As part of the Keppel Group, we benefit from the talent management process that is centralised at the corporate level. Keppel Corporation's Group Human Resources department 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.

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 Leaders benefit from taking on projects beyond their regular job scope that help in harnessing the collective strength of the Group. There are also additional opportunities to network with peers in other Keppel business units and engage with senior management.

Established in 2015, the Keppel Leadership Institute aims to groom global Keppel Leaders who uphold Keppel's core values and are guided by its operating principles. The Institute exemplifies the Keppel Group's commitment to develop and equip leaders with capabilities to drive Keppel's businesses into the future.

Training and Development

We recognise the importance of investing in our people for their professional development. Employees are encouraged to participate in training and development programmes to expand their skillsets and keep pace with industry trends. In 2017, the average training hours per full-time employee was 13.5 hours.

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.

Average Training Hours by Employee Category (hours)

Senior Management	10.2
Executives	21.2
Non-Executives	8.7

Employee Engagement

The Trustee-Manager continually engages its employees to better understand their needs and expectations. Two-way feedback between the Trustee-Manager and employees is highly encouraged. All staff participated in the Keppel Group 2017 Employee Engagement Survey that measured employee satisfaction. The survey was administered by an external consultant and saw strong participation from employees. The Trustee-Manager, with the support of Keppel Capital, will review the results and implement appropriate measures and initiatives to address employees' concerns and continually engage them.

Health and Wellness

Employees participated in the Keppel Games, an annual Keppel Group-wide sporting competition organised to promote wellness and foster team spirit among the workforce.

Healthy snacks and fruits are distributed weekly to all employees to advocate good eating habits, and regular health screening programmes are also available. In addition, the Trustee-Manager's offices have an indoor air quality management system installed to measure air flow and quality. Ergonomic chairs and BCA Green Mark-certified system furniture together with purpose-built dining booths, a bistro-style café, as well as fun and relaxation zones within the office help create an environment that encourages collaboration and team bonding.

The Trustee-Manager organised various corporate activities during the year to promote staff well-being and forge closer ties among employees. In September 2017, the Trustee-Manager participated in Keppel Capital's inaugural staff day, which brought together approximately 200 employees from the four asset managers.

1.
KIT empowers and trains its personnel to keep them up to date on safety measures and best practices.

2.
KIFM and KIT adopt merit-based recruitment practices and emphasise diversity and inclusiveness.

2

Nurturing Communities

The Trustee-Manager is committed to contribute to the community and create positive impacts wherever we operate.

Community Relations

As a responsible corporate citizen, the Trustee-Manager proactively engages its stakeholders and supports initiatives that positively impact the community.

KIT's subsidiary, City Gas, supports the Singapore Civil Defence Force's CD Lionhearter Club, which engages tertiary students in programmes for civil defence, emergency preparedness and humanitarian missions. In line with the heightened security climate, and to ensure preparedness in dealing with threats, KIT works closely with law enforcement agencies and security services providers to carry out annual terrorism exercises at its various plants. This includes Red Teaming exercises conducted by Singapore Police Force, and exercises with the security providers at City Gas and SingSpring Deslination Plant.

As part of Keppel Capital, the Trustee-Manager adopted the Muscular Dystrophy Association of Singapore (MDAS) in 2017.

Community Investments ($)

	2017
Australia	11,000
Singapore	20,900
Total	31,900

MDAS is a self-help organisation committed to uplift the lives of people with muscular dystrophy. Together with Keppel Capital, the Manager took part in three outings organised for MDAS beneficiaries during the year.

1

2

1.
Led by CEO of KIFM, volunteers brought the children from Muscular Dystrophy Association of Singapore to spend a fun day at the Singapore Zoological Gardens.

2.
In August, volunteers from Keppel Capital spent a meaningful day baking brownies with children from the Muscular Dystrophy Association of Singapore.

Led by Mr Khor Un-Hun, the CEO of KIFM, volunteers brought the beneficiaries to the Singapore Zoological Gardens on 22 June 2017. Together, they participated in games such as the Amazing Race challenge, where they were required to deduce clues, navigate and race to the finishing line.

On 21 July 2017, 11 beneficiaries spent the day at Sentosa's KidZania. Accompanied by 44 volunteers, the beneficiaries tried their hand at various professions and accomplished challenging tasks at this educational theme park.

The team also bonded with the beneficiaries in a bake-off challenge, affectionately named Junior Master Chef Challenge. This baking session was held on 30 August 2017 at the Enabling Village, a community space for social businesses and partnerships that support people with different abilities.

Community Investment

$31,900

KIT contributed $31,900 to various community outreach initiatives in 2017.

In total, Keppel Capital volunteers spent 702 volunteer hours with MDAS beneficiaries.

To ignite the spirit of charity among employees, KIT's subsidiaries also collaborate closely with non-profit organisations to benefit the needy and underprivileged in society.

Nurturing Communities

More than 20 City Gas employees participated in a blood donation drive organised in the first quarter of 2017, a period where blood banks receive the lowest contribution.

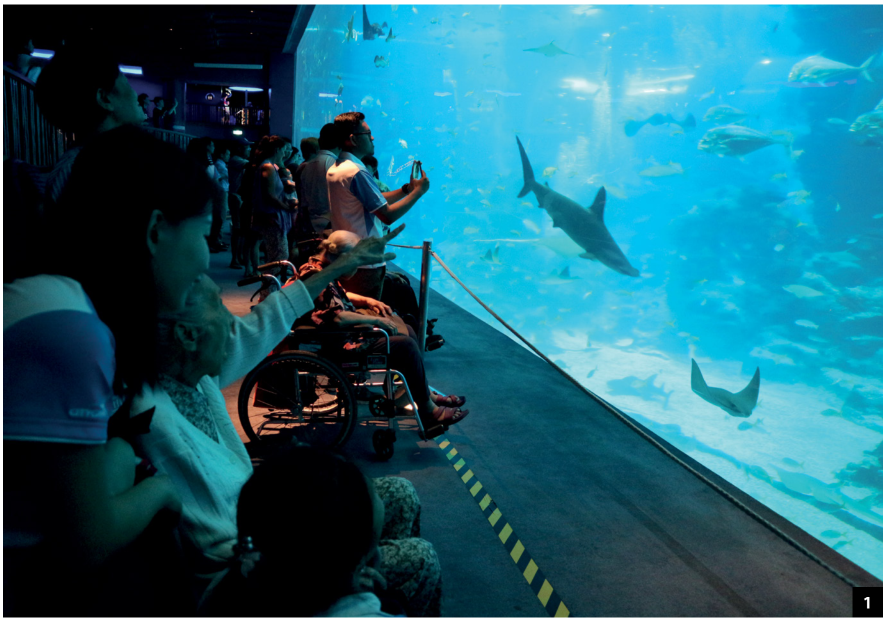
In July 2017, City Gas partnered with TOUCH Community Services to bring 20 wheelchair-bound senior citizens to visit the S.E.A. Aquarium at Resorts World Sentosa. The volunteers assisted the senior citizens throughout the day, including a rare treat of hawker delights at the Malaysian Food Street. Each beneficiary also took home a care package containing food items and necessities.

In November 2017, City Gas collaborated with a non-profit charity, Food from the Heart, to contribute toys to the annual Toy Buffet, a carnival organised for needy children. To prepare, a month-long toy drive was held at City Gas, rallying employees to purchase new toys or donate pre-loved toys that were still in good condition. More than 200 toys, such as dolls, puzzles, educational games, action figurines and badminton rackets, were collected, qualifying City Gas to adopt a booth at the main event at Nanyang Polytechnic. This initiative fostered closer ties and community spirit among employees as various divisions came together to sort and wrap toys. Employees also spent a day decorating and manning the booth. The event was a roaring success with all the toys from the City Gas booth snapped up by the children well before closing time.

In Australia, Basslink continued its ongoing support for the fishing and seafood industry through prize sponsorships at the 'Tasmanian Seafood Industry Council' and 'Seafood Industry Victoria' awards. Basslink has been a founding sponsor at both events since their inception in 2007.

In the sporting arena, Basslink continued its long-standing sponsorship of the North Gippsland Football and Netball Leagues in Victoria.

For the young, Basslink sponsored the Tasmanian Special Children's Party. This event is held every Christmas in Hobart, with the aim of providing festive cheer to over 1,600 children who are terminally ill, intellectually or physically handicapped.



1.
In July 2017, senior citizens from TOUCH Community Services enjoyed a day out at S.E.A. Aquarium with City Gas employees.

GRI Content Index

This report has been prepared in accordance with GRI standards: Core option.

GRI Standards	Disclosure Number	Disclosure Title	Disclosure Level	Page Reference
		Organisational Profile		
GRI 102: General Disclosure 2016	102-1	Name of the organisation	●	29
	102-2	Activities, brands, products, and services	●	12-21
	102-3	Location of headquarters	●	29
	102-4	Location of operations	●	12, 32
	102-5	Ownership and legal form	●	12
	102-6	Markets served	●	32-33
	102-7	Scale of the organisation	●	12, 44
	102-8	Information on employees and other workers	●	42-49
	102-9	Supply chain	●	35
	102-10	Significant changes to the organisation and its supply chain	●	12-21
	102-11	Precautionary Principle or approach	◑	31
	102-12	External initiatives	●	45
	102-13	Membership of associations	●	34
		Strategy		
	102-14	Statement from senior decision-maker	●	4-7, 31
	102-15	Key impacts, risks, and opportunities	●	4-7, 31
		Ethics & Integrity		
	102-16	Values, principles, standards, and norms of behavior	●	30, 33
	102-17	Mechanisms for advice and concerns about ethics	◑	33, 138-139
		Governance		
	102-18	Governance structure	◑	33, 135-137
	102-21	Consulting stakeholders on economic, environmental, and social topics	●	34
	102-22	Composition of the highest governance body and its committees	●	8-11
		Stakeholder Engagement		
	102-40	List of stakeholder groups	●	34
	102-41	Collective bargaining agreements	●	44
	102-42	Identifying and selecting stakeholders	●	34
	102-43	Approach to stakeholder engagement	●	34
	102-44	Key topics and concerns raised	◑	34
		Reporting Practice		
	102-45	Entities included in the consolidated financial statements	◑	32, 94-95
	102-46	Defining report content and topic Boundaries	●	33-34
	102-47	List of material topics	●	33
	102-48	Restatements of information	●	There are no restatements of information.
	102-49	Changes in reporting	●	There were no significant changes from previous reporting period in the list of material topics and topic Boundaries.

Legend ● Fully reported ◑ Partially reported

GRI Content Index

GRI Standards	Disclosure Number	Disclosure Title	Disclosure Level	Page Reference
		Reporting Practice		
GRI 102: General Disclosure 2016	102-50	Reporting period	●	32
	102-51	Date of most recent report	●	24 February 2017
	102-52	Reporting cycle	●	32
	102-53	Contact point for questions regarding the report	●	32
	102-54	Claims of reporting in accordance with the GRI Standards	●	32
	102-55	GRI content index	●	53-56
	102-56	External assurance	●	This report has not been externally assured.
		Category: Economic		
		Economic Performance		
GRI 201: Economic Performance 2016	103-1	Explanation of the material topic and its Boundary	●	33, 37
	103-2	The management approach and its components	●	4-7, 12-21, 35
	103-3	Evaluation of the management approach	●	6
	201-1	Direct economic value generated and distributed	◑	2-3, 12-24
		Business Integrity / Anti-Corruption		
GRI 205: Anti-Corruption 2016	103-1	Explanation of the material topic and its Boundary	◑	33, 35
	103-2	The management approach and its components	●	35
	103-3	Evaluation of the management approach	◑	35
	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	◑	35
	205-3	Confirmed incidents of corruption and actions taken	●	35
		Governance, Risk and Compliance		
GRI 419: Socioeconomic Compliance 2016	103-1	Explanation of the material topic and its Boundary	◑	33, 35, 128-130, 151-152
	103-2	The management approach and its components	●	35, 128-130, 151-152
	103-3	Evaluation of the management approach	●	35, 128-130, 151-152
	419-1	Non-compliance with laws and regulations in the social and economic area	●	There have been no incidences of non-compliance with laws and regulations in 2017.
		Category: Environmental		
		Energy		
GRI 302: Energy 2016	103-1	Explanation of the material topic and its Boundary	◑	33, 37-38
	103-2	The management approach and its components	●	37-38
	103-3	Evaluation of the management approach	◑	37-38
	302-1	Energy consumption within the organisation	◑	38
	302-2	Energy consumption outside of the organisation	●	KIT does not currently track this.
	302-3	Energy intensity	◑	38
	302-4	Reduction of energy consumption	◑	38

Legend ● Fully reported ◑ Partially reported

GRI Standards	Disclosure Number	Disclosure Title	Disclosure Level	Page Reference
		Category: Environmental		
		Water		
GRI 303: Water 2016	103-1	Explanation of the material topic and its Boundary	●	33, 39
	103-2	The management approach and its components	●	39
	103-3	Evaluation of the management approach	◑	39 KIT is working towards developing mechanisms to evaluate our management approach.
	303-1	Water withdrawal by source	◑	39
	303-2	Water sources significantly affected by withdrawal of water	◑	39
	303-3	Water recycled and reused	◑	39 Data on water recycled was not tracked in FY 2017.
		Emissions		
GRI 305: Emissions 2016	103-1	Explanation of the material topic and its Boundary	◑	33-34, 40-41
	103-2	The management approach and its components	●	40-41
	103-3	Evaluation of the management approach	◑	33-34, 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 oxides (SOx), and other significant air emissions	◑	41
		Effluents and Waste		
GRI 306: Effluents and Waste 2016	103-1	Explanation of the material topic and its Boundary	●	33, 40-41
	103-2	The management approach and its components	●	40-41
	103-3	Evaluation of the management approach	◑	40-41 KIT is working towards developing mechanisms to evaluate our management approach.
	306-1	Water discharge by quality and destination	◑	Water discharged is within regulatory limits. KIT is working towards measurement of water discharge data.
	306-2	Waste by type and disposal method	◑	40
		Environmental Compliance		
GRI 307: Environmental Compliance 2016	103-1	Explanation of the material topic and its Boundary	◑	33, 37-38, 40, 152
	103-2	The management approach and its components	●	37, 152
	103-3	Evaluation of the management approach	●	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 2017.
		Category: Social		
		Occupational Health and Safety		
GRI 403: Occupational Health and Safety 2016	103-1	Explanation of the material topic and its Boundary	◑	33, 42, 152
	103-2	The management approach and its components	●	42-43, 152
	103-3	Evaluation of the management approach	◑	42-43
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	◑	43

Legend ● Fully reported ◑ Partially reported

GRI Content Index

GRI Standards	Disclosure Number	Disclosure Title	Disclosure Level	Page Reference
		Category: Social		
		Training and Education		
GRI 404: Training and Education 2016	103-1	Explanation of the material topic and its Boundary	●	33, 44, 48
	103-2	The management approach and its components	●	48
	103-3	Evaluation of the management approach	◑	48 KIT is working towards developing mechanisms to evaluate our management approach.
	404-1	Average hours of training per year per employee	●	48
		Diversity and Equal Opportunity		
GRI 405: Diversity and Equal Opportunity 2016	103-1	Explanation of the material topic and its Boundary	●	33, 44-46
	103-2	The management approach and its components	●	45-46
	103-3	Evaluation of the management approach	◑	45-46 KIT is working towards developing mechanisms to evaluate our management approach.
	405-1	Diversity of governance bodies and employees	●	46-47
		Labour Practices		
GRI 406: Non-Discrimination 2016	103-1	Explanation of the material topic and its Boundary	●	33, 44-45
	103-2	The management approach and its components	●	45-46
	103-3	Evaluation of the management approach	◑	45-46 KIT is working towards developing mechanisms to evaluate our management approach.
	406-1	Incidents of discrimination and corrective actions taken	●	46
GRI 412: Human Rights Assessment 2016	412-1	Employee training on human rights policies or procedures	●	KIT has not conducted training on Human Rights for FY 2017.
		Community Engagement and Development		
	103-1	Explanation of the material topic and its Boundary	●	33, 50-52
	103-2	The management approach and its components	●	50-52
	103-3	Evaluation of the management approach	◑	50-52 KIT is working towards developing mechanisms to evaluate our management approach.
	413-1	Operations with local community engagement, impact assessments, and development programs	●	No impact assessments were carried out during FY 2017.
		Security		
Non-GRI Standard	103-1	Explanation of the material topic and its Boundary	●	33, 35
	103-2	The management approach and its components	●	35
	103-3	Evaluation of the management approach	◑	35 KIT is working towards developing mechanisms to evaluate our management approach.
	Non-GRI	Number of major security breaches affecting plant availability	●	There were no major security breaches affecting plant availability in 2017.

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, 2017.

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 65 to 116 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, 2017, 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, 2017 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
Christina Tan Hua Mui

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:

	Direct interest		Deemed interest	
Name of directors and corporation in which interests are held	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**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, 2018 were the same as those at December 31, 2017.

Unit Options

(a) Options to take up unissued units
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 units under options
At the end of the financial year, there were no unissued units of the Trust under options.

Audit and Risk Committee

The members of the Audit and Risk 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

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

The Audit and Risk 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 and Risk Committee met with the Trust's external and internal auditors to discuss the scope and results of their audits and the internal auditors' evaluation of the Group's internal accounting control system.

The Audit and Risk 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.

The Audit and Risk 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 and Risk Committee.

The Audit and Risk 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.

Auditors

The auditors, 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

Christina Tan Hua Mui
Director

Singapore
February 21, 2018

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 21, 2018

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 accompanying 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, 2017, 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 65 to 116.

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, 2017 and of 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, 2017 are as follows: • Property, plant and equipment (57.0% of Group's total assets); • Goodwill (11.1% of Group's total assets) • Finite-lived intangible assets (2.3% of Group's total assets) • Investments in and advances to subsidiaries, which are quasi-equity loans (50.6% of Trust's total assets) The key assumptions to the impairment tests 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 cash flow 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.
Basslink cable outage (the "outage") As detailed in Note 41 to the financial statements, the Basslink Interconnector experienced an unplanned outage on December 20, 2015. The Basslink operations represent the Group's Transmission segment, which is further disclosed in Note 40 to the financial statements.	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.

Independent Auditor's Report

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

Key Audit Matters

Basslink cable outage (the "outage") (continued)

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$697m (S$712m) has been classified as current liabilities as at December 31, 2017. 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 cash flow 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 41 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 for the period from September 2016 to August 2017 and had instead given "good faith payments" to Basslink from December 2016 to July 2017.

  In 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.

  From September 2017, HT had resumed the usual contractual payment of the full facility fees to Basslink.

  The Trustee-Manager is of the view that the carrying amount of Basslink's receivables as at December 31, 2017 approximates the recoverable amount.

Our audit performed and responses thereon

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 cash flow contribution of Basslink to the Group to corroborate the Trustee-Manager's view that the Group is not dependent on Basslink's cash flow 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 "good faith 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, 2017 approximates the recoverable amount to be reasonable.

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

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 2017, 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 2017, Trust Structure, Corporate Information, Sustainability Report, Trustee-Manager's Statement, Statement by the Chief Executive Officer, Corporate Governance, Risk Management and Financial Calendar, 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.

Independent Auditor's Report

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

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 on 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 21, 2018

Statement of Financial Position
December 31, 2017

	Note	Group 2017 $'000	Group 2016 $'000	Trust 2017 $'000	Trust 2016 $'000
Non-Current Assets					
Property, plant and equipment	6	2,255,920	2,379,600	–	–
Intangibles	7	527,145	537,165	–	–
Investment in subsidiaries	8	–	–	851,892	951,030
Investment in and advances to joint venture	9	20,752	23,432	–	–
Notes receivables	10	–	–	775,712	775,712
Amount receivable from a subsidiary	11	–	–	20,187	22,028
Service concession receivables	12	378,758	424,025	–	–
Finance lease receivables	13	105,139	114,823	–	–
Other assets	14	180,548	122,874	–	–
Total non-current assets		3,468,262	3,601,919	1,647,791	1,748,770
Current Assets					
Cash and bank deposits	15	213,956	266,859	31,054	51,969
Trade and other receivables	16	143,266	118,866	4,979	4,717
Service concession receivables	12	45,267	44,034	–	–
Finance lease receivables	13	9,684	9,319	–	–
Derivative financial instruments	17	–	1,055	–	–
Inventories	18	54,174	54,456	–	–
Other current assets	14	21,807	22,134	47	55
Total current assets		488,154	516,723	36,080	56,741
Current Liabilities					
Borrowings	19	722,377	752,106	–	–
Loan from a subsidiary	20	–	–	–	43,335
Trade and other payables	21	174,843	160,193	3,588	4,122
Derivative financial instruments	17	18,380	19,571	–	–
Income tax payable		3,410	5,454	10	19
Total current liabilities		919,010	937,324	3,598	47,476
Net Current (Liabilities)/Assets		(430,856)	(420,601)	32,482	9,265
Non-Current Liabilities					
Borrowings	19	1,071,904	1,058,576	145,500	122,612
Notes payable to non-controlling interests	23	260,000	260,000	–	–
Derivative financial instruments	17	100,551	85,976	859	986
Other payables	24	242,012	268,838	–	–
Provisions	22	32,886	31,280	–	–
Deferred tax liabilities	25	18,159	22,678	–	–
Total non-current liabilities		1,725,512	1,727,348	146,359	123,598
Net Assets		1,311,894	1,453,970	1,533,914	1,634,437
Represented by:					
Unitholders' Funds					
Units in issue	26	2,137,538	2,137,389	2,137,538	2,137,389
Hedging reserve	27	(210,861)	(204,478)	(859)	(986)
Translation reserve		(26,946)	(26,587)	–	–
Capital reserve	28	38,710	38,710	–	–
Accumulated losses		(785,506)	(689,644)	(602,765)	(501,966)
Total Unitholders' Funds		1,152,935	1,255,390	1,533,914	1,634,437
Non-controlling interests		158,959	198,580	–	–
		1,311,894	1,453,970	1,533,914	1,634,437

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial year ended December 31, 2017

	Note	2017 $'000	2016 $'000
Revenue	30	632,476	581,117
Other income	31	3,593	27,534
Other losses - net	32	(8,855)	(9,539)
Expenses			
Fuel and electricity costs		(126,008)	(97,775)
Gas transportation costs		(93,109)	(90,670)
Depreciation and amortisation		(104,969)	(113,712)
Staff costs	33	(26,717)	(25,971)
Operation and maintenance costs		(82,425)	(95,847)
Finance costs	34	(124,949)	(116,970)
Trustee-Manager's fees	35	(9,762)	(9,669)
Other operating expenses		(47,872)	(42,672)
Total expenses		(615,811)	(593,286)
Profit before joint venture		11,403	5,826
Share of results of joint venture		2,715	710
Profit before tax	36	14,118	6,536
Income tax expense	37	(342)	(415)
Profit for the year		13,776	6,121
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
- Fair value losses		(37,360)	(26,872)
- Transfer to profit or loss		28,877	20,058
- Share of net change in fair value of cash flow hedges of a joint venture		(1,080)	(430)
Currency translation differences relating to consolidation of foreign operations		(488)	549
Other comprehensive income, net of tax		(10,051)	(6,695)
Total comprehensive income		3,725	(574)
Profit/(Loss) attributable to:			
Unitholders of the Trust		47,613	41,188
Non-controlling interests		(33,837)	(35,067)
		13,776	6,121
Total comprehensive income attributable to:			
Unitholders of the Trust		40,871	39,017
Non-controlling interests		(37,146)	(39,591)
		3,725	(574)
Earnings per unit attributable to unitholders of the Trust, expressed in cents			
- basic and diluted	38	1.23	1.07

See accompanying notes to financial statements.

Statements of Changes in Unitholders' Funds

Financial year ended December 31, 2017

	Note	Units in issue (Note 26) $'000	Hedging reserve (Note 27) $'000	Translation reserve $'000	Capital reserve (Note 28) $'000	Accumulated losses $'000	Total unitholders' funds $'000	Non-controlling interests $'000	Total $'000
		Attributable to Unitholders of the Trust							
Group									
At January 1, 2017		**2,137,389**	**(204,478)**	**(26,587)**	**38,710**	**(689,644)**	**1,255,390**	**198,580**	**1,453,970**
Total comprehensive income									
Profit/(Loss) for the year		**–**	**–**	**–**	**–**	**47,613**	**47,613**	**(33,837)**	**13,776**
Other comprehensive income for the year		**–**	**(6,383)**	**(359)**	**–**	**–**	**(6,742)**	**(3,309)**	**(10,051)**
Total		**–**	**(6,383)**	**(359)**	**–**	**47,613**	**40,871**	**(37,146)**	**3,725**
Transactions with owners, recognised directly in equity									
Units issued	26	**149**	**–**	**–**	**–**	**–**	**149**	**–**	**149**
Unclaimed distributions written back		**–**	**–**	**–**	**–**	**15**	**15**	**–**	**15**
Distributions paid	29	**–**	**–**	**–**	**–**	**(143,490)**	**(143,490)**	**(2,475)**	**(145,965)**
Total		**149**	**–**	**–**	**–**	**(143,475)**	**(143,326)**	**(2,475)**	**(145,801)**
At December 31, 2017		**2,137,538**	**(210,861)**	**(26,946)**	**38,710**	**(785,506)**	**1,152,935**	**158,959**	**1,311,894**
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	26	67	–	–	–	–	67	–	67
Distributions paid	29	–	–	–	–	(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

See accompanying notes to financial statements.

Statements of Changes in Unitholders' Funds

	Note	Units in issue (Note 26) $'000	Hedging reserve (Note 27) $'000	Accumulated losses $'000	Total unitholders' funds $'000
Trust					
At January 1, 2017		**2,137,389**	**(986)**	**(501,966)**	**1,634,437**
Total comprehensive income					
Profit for the year		**–**	**–**	**42,676**	**42,676**
Other comprehensive income for the year		**–**	**127**	**–**	**127**
Total		**–**	**127**	**42,676**	**42,803**
Transactions with owners, recognised directly in equity					
Units issued	26	**149**	**–**	**–**	**149**
Unclaimed distributions written back		**–**	**–**	**15**	**15**
Distributions paid	29	**–**	**–**	**(143,490)**	**(143,490)**
Total		**149**	**–**	**(143,475)**	**(143,326)**
At December 31, 2017		**2,137,538**	**(859)**	**(602,765)**	**1,533,914**
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	26	67	–	–	67
Distributions paid	29	–	–	(143,482)	(143,482)
Total		67	–	(143,482)	(143,415)
At December 31, 2016		2,137,389	(986)	(501,966)	1,634,437

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended December 31, 2017

	Note	2017 $'000	2016 $'000
Operating activities			
Profit before tax		14,118	6,536
Adjustments for:			
Depreciation and amortisation		104,969	113,712
Finance costs	34	124,949	116,970
Interest income	31	(1,664)	(1,911)
Allowance for doubtful trade and other receivables	16	573	310
Fair value loss on derivative financial instruments	32	8,523	9,199
Property, plant and equipment written off	36	2	486
Gain on construction of assets		–	(773)
(Gain)/Loss on disposal of property, plant and equipment		(6)	17
Share of results of joint venture		(2,715)	(710)
Unrealised foreign exchange gain		(126)	(29)
Management fees paid in units		149	67
Operating cash flows before movements in working capital		248,772	243,874
Trade and other receivables		(82,524)	(115,847)
Service concession receivables		44,034	42,257
Finance lease receivables		9,319	8,995
Trade and other payables		(27,882)	21,170
Inventories		(341)	830
Cash generated from operations		191,378	201,279
Interest received		1,865	1,682
Interest paid		(105,602)	(110,236)
Income tax paid		(5,425)	(8,553)
Net cash from operating activities		82,216	84,172
Investing activities			
Dividend received from joint venture		2,177	–
Advances to joint venture		–	(2,738)
Repayment of advances from joint venture		2,138	1,020
Purchase of property, plant and equipment		(1,727)	(947)
Proceeds from sale of property, plant and equipment		56	7
Construction of assets		–	(17,487)
Proceeds from sale of inventories		623	704
Net cash from/(used in) investing activities		3,267	(19,441)
Financing activities			
Decrease/(Increase) in restricted cash		2,592	(8,774)
Proceeds from borrowings		44,807	122,848
Repayment of related parties' loans		–	(4,541)
Repayment of borrowings		(37,149)	(13,130)
Unclaimed distributions written back		15	–
Payment of loan upfront fees		–	(326)
Distributions paid to unitholders of the Trust	29	(143,490)	(143,482)
Distributions paid by subsidiaries to non-controlling interests		(2,475)	(2,827)
Net cash used in financing activities		(135,700)	(50,232)
Net (decrease)/increase in cash and cash equivalents		(50,217)	14,499
Cash and cash equivalents at beginning of year		214,513	200,064
Effects of currency translation on cash and cash equivalents		(94)	(50)
Cash and cash equivalents at end of year	15	164,202	214,513

See accompanying notes to financial statements.

Notes to the Financial Statements

December 31, 2017

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 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 21, 2018.

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 Financial Reporting Standards in Singapore ("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, 2017, the Group and Trust 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.

Adoption of a new financial reporting framework in 2018 - In December 2017, the Accounting Standards Council ("ASC") has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)"), which is to be adopted by Singapore Business Trusts listed on the Singapore Exchange ("SGX"), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Group and the Trust will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the Group and the Trust are to apply retrospectively, accounting policies based on each SFRS(I) effective as at the end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending December 31, 2018, an additional opening statement of financial position as at the date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for Unitholder's Funds as at the date of transition (January 1, 2017) and as at the end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Trust's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I) 1.

Management will be electing the following transition options that will result in material adjustments on transition to the new framework:

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

As a result, the Group expects to reclassify cumulative translation losses of $26,587,000 from foreign exchange translation account to revenue reserves as at January 1, 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of the current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact - The following SFRS(I) pronouncements are expected to have an impact to the Group and the Trust in the periods of their initial application under the new SFRS(I) framework:

<u>Effective for annual periods beginning on or after January 1, 2018</u>
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

<u>Effective for annual periods beginning on or after January 1, 2019</u>
- SFRS(I) 16 *Leases*

SFRS(I) 9 *Financial Instruments*
SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments 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 instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, 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, SFRS(I) 9 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, SFRS(I) 9 requires an expected credit loss model to be applied. 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. Under SFRS(I) 9, 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 adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

SFRS(I) 9 will take effect from financial years beginning on or after January 1, 2018. The Group plans to elect to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

SFRS(I) 9 *Financial Instruments* (continued)
The Group anticipates that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. The Group 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 SFRS(I) 9. 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 Group is currently finalising the transition adjustments.

SFRS(I) 15 *Revenue from Contracts with Customers*
SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 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 SFRS(I) 15, 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 SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

SFRS(I) 15 will take effect from financial years beginning on or after January 1, 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively.

The Group does not expect the adoption of the above SFRS(I) 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. The Group is currently finalising the transition adjustments.

SFRS(I) 16 *Leases*
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 exemptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I) 16 will take effect from financial years beginning on or after January 1, 2019.

The standard will affect primarily the accounting for the Group's operating leases. The future minimum rental expense payable under significant non-cancellable leases is disclosed in Note 39. The Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows. The Group does not plan to early adopt SFRS(I) 16 for financial year ending December 31, 2018.

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.

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 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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

BUSINESS COMBINATIONS (continued)
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.

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.

Loans and receivables
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.

Service concession arrangements
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.

Impairment of financial assets
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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

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.

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 borrowings 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 cash flow 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
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 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor
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 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 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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)
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.

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.

Decommissioning liabilities

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.

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.

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.

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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (continued)
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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

Where such indicators exist, 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
The Group completed the acquisition of the Crystal Assets on May 18, 2015 (see Note 8). 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 Transmission 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 Management

(a) Categories of financial instruments

	Group		Trust	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Financial Assets				
Loans and receivables (including cash, bank and deposit balances)	**896,145**	978,674	**831,722**	854,247
Derivative instruments:				
In designated hedge accounting relationships	**–**	5	**–**	–
Not designated in hedge accounting relationships	**–**	1,050	**–**	–
Total	**896,145**	979,729	**831,722**	854,247
Financial Liabilities				
Payables, at amortised cost	**2,214,395**	2,227,862	**149,215**	170,305
Fair value through profit or loss				
Derivative instruments:				
In designated hedge accounting relationships	**118,923**	105,547	**859**	986
Not designated in hedge accounting relationships	**8**	–	**–**	–
Total	**2,333,326**	2,333,409	**150,074**	171,291

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.

(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 2017 and 2016 as there were no distribution from its Australian subsidiaries during the year.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

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

(i) Foreign exchange risk management (continued)

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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Group				
USD	**3,115**	2,700	**2,279**	2,683
AUD	**–**	–	**1,158**	1,191
SGD	**660**	353	**6,044**	4,278
Trust				
AUD	**–**	–	**858**	884

Sensitivity analysis
The following table details the sensitivity to a 5% (2016 : 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% (2016 : 5%) against the functional currency of each Group entity, profit or loss will increase or decrease by:

	Increase/(Decrease) Profit or loss	
	2017 $'000	2016 $'000
Group		
USD	**(42)**	(1)
AUD	**58**	60
SGD	**269**	196
Trust		
AUD	**43**	44

A 5% (2016 : 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 risk management

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.

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 17. 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 or lower finance cost or fair value changes to derivative financial instruments. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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, 2017				
Borrowings at floating interest rate	**797**	**–**	**(797)**	**–**
Interest rate swaps accounted for under cash flow hedge	**–**	**(43,374)**	**–**	**43,374**
For the year ended December 31, 2016				
Borrowings at floating interest rate	1,327	–	(1,327)	–
Interest rate swaps accounted for under cash flow hedge	–	(58,648)	–	58,648

(iii) **Credit risk management**

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:

	2017		2016	
	$'000	%	$'000	%
Group				
By operating segments				
Gas [1]	**35,444**	**26**	31,147	35
Concessions [2]	**25,780**	**19**	25,478	28
Transmission [3]	**60,032**	**45**	28,991	32
Power [4]	**11,754**	**9**	2,815	3
Others	**1,190**	**1**	1,064	2
	134,200	**100**	89,495	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 21, is an amount of $36,028,000 (2016 : $34,785,000), 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 99% (2016 : 98%) of the total trade receivables from the Transmission segment. The higher balance in 2017 is because the customer did not pay the full facility fees from September 2016 to August 2017 and had instead given so-called "good faith payments" from December 2016 to July 2017. Since September 2017, the customer had resumed the contractual payment of the full facility fees (and accordingly discontinued the good faith payments).

4 There is a significant concentration of credit risk with its sole customer, which is a related party. Billing in arrears to its sole customer commenced from August 2017 after the prepaid tolling fees have been fully depleted.

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.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

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

(iv) Liquidity risk management

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						
2017						
Non-interest bearing	–	127,616	–	–	–	127,616
Variable interest rate instruments *	1.47 – 3.66	68,329	1,776,281	16,064	(59,112)	1,801,562
Fixed interest rate instruments	5.87 – 17.50	43,850	175,400	1,063,238	(997,271)	285,217
		239,795	1,951,681	1,079,302	(1,056,383)	2,214,395
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
Trust						
2017						
Non-interest bearing	–	3,588	–	–	–	3,588
Variable interest rate instruments	1.66	2,621	146,064	–	(3,058)	145,627
		6,209	146,064	–	(3,058)	149,215
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

* Included under the variable interest rate instruments category is the undiscounted cash flows of Basslink bank borrowings with a carrying amount of $711,955,000 (2016 :$741,688,000) as at December 31, 2017. 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).

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						
2017						
Non-interest bearing	–	170,264	–	–	–	170,264
Fixed interest rate instruments	0.34 – 4.68	258,998	287,898	284,231	(105,246)	725,881
		429,262	287,898	284,231	(105,246)	896,145
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
Trust						
2017						
Non-interest bearing	–	10,692	–	–	–	10,692
Fixed interest rate instruments	0.37 – 17.50	114,862	358,928	1,974,045	(1,646,991)	800,844
Variable interest rate instruments	1.66	335	1,340	20,748	(2,237)	20,186
		125,889	360,268	1,994,793	(1,649,228)	831,722
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

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

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

(iv) Liquidity risk management (continued)

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			
2017			
Net settled:			
Interest rate swaps	(26,864)	(78,519)	(103,163)
Foreign currency forward	(94)	–	–
2016			
Net settled:			
Interest rate swaps	(32,213)	(85,148)	(58,160)
Foreign currency forward	5	–	–
Commodity swap	1,050	–	–
Trust			
2017			
Net settled:			
Interest rate swaps	(947)	(158)	–
2016			
Net settled:			
Interest rate swaps	(1,267)	(1,710)	–

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 $430,856,000 (2016 : $420,601,000) as at the end of the reporting period as a result of the classification of Basslink bank borrowings of $711,955,000 (2016 : $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 cash flow 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 $107.3 million (2016 : $151.8 million) undrawn facilities as at end of the financial year.

(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, 2017 and 2016 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 2017 Assets $'000	2017 Liabilities $'000	2016 Assets $'000	2016 Liabilities $'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Group						
Interest rate swaps	–	(118,837)	–	(105,547)	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	–	(94)	5	–	Level 2	
Commodity swap	–	–	1,050	–	Level 2	
Trust						
Interest rate swaps	–	(859)	–	(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, 2017 and 2016.

(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.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(c) Capital 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 structured 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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Net borrowings	**1,580,325**	1,543,823	**114,446**	113,978
Total assets	**3,956,416**	4,118,642	**1,683,871**	1,805,511
Ratio	**40%**	37%	**7%**	6%

There are no externally imposed capital requirements for the financial years ended December 31, 2017 and 2016, 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	
		2017 $'000	2016 $'000
Sale of goods and services	(i)	**126,759**	130,023
Purchases of goods and services	(i)	**(268,699)**	(257,986)
Operating lease expense	(i)	**(2,651)**	(2,269)
Interest income	(i)	**439**	391
Professional fees	(i)	**(69)**	(81)
Trustee-Manager's fees	(ii)	**(9,762)**	(9,669)

(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 35.

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 January 1, 2016	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**
Additions	**–**	**–**	**–**	**–**	**–**	**902**	**608**	**217**	**1,727**
Written off	**–**	**–**	**–**	**(3)**	**–**	**(678)**	**(2,621)**	**–**	**(3,302)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**(127)**	**–**	**(127)**
Currency translation differences	**(57)**	**–**	**(66)**	**(40,690)**	**–**	**(2)**	**(65)**	**(7)**	**(40,887)**
Reclassification	**–**	**–**	**–**	**–**	**1**	**–**	**2**	**–**	**3**
Other movement [1]	**–**	**–**	**–**	**1,796**	**–**	**–**	**–**	**–**	**1,796**
At December 31, 2017	**1,457**	**10,870**	**1,686**	**1,037,550**	**1,623,701**	**80,457**	**9,567**	**13,099**	**2,778,387**
Accumulated depreciation:									
At January 1, 2016	–	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**
Depreciation charge	**–**	**563**	**45**	**17,517**	**75,465**	**1,756**	**823**	**–**	**96,169**
Written off	**–**	**–**	**–**	**(2)**	**–**	**(678)**	**(2,620)**	**–**	**(3,300)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**(78)**	**–**	**(78)**
Currency translation differences	**–**	**–**	**(18)**	**(9,829)**	**–**	**–**	**(54)**	**–**	**(9,901)**
At December 31, 2017	**–**	**6,127**	**451**	**250,223**	**188,573**	**68,768**	**8,325**	**–**	**522,467**
Carrying amount:									
At December 31, 2017	**1,457**	**4,743**	**1,235**	**787,327**	**1,435,128**	**11,689**	**1,242**	**13,099**	**2,255,920**
At December 31, 2016	1,514	5,306	1,328	833,910	1,510,592	12,545	1,516	12,889	2,379,600

[1] This relates to the movement in the provision for decommissioning costs during the financial year (Note 22).

[2] Included in this category is an amount of $3,828,000 (2016 : $4,827,000) 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 $9,117,000 (2016 : $10,292,000) 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 $806,862,000 (2016 : $854,815,000) are pledged as security for borrowings (Note 19).

Notes to the Financial Statements

7. Intangibles

	Group 2017 $'000	Group 2016 $'000
Goodwill arising on consolidation	**437,300**	437,300
Concession arrangements	**29,815**	33,074
Customer contracts	**60,030**	66,042
Customer relationship	**–**	749
	89,845	99,865
	527,145	537,165

Movements during the year are as follow:

	Goodwill $'000	Concession arrangements $'000	Customer contracts $'000	Customer relationship $'000	Total $'000
Cost:					
At January 1, 2016	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**
Currency translation differences	**–**	**–**	**(1,668)**	**–**	**(1,668)**
At December 31, 2017	**437,300**	**38,234**	**111,215**	**65,100**	**651,849**
Accumulated amortisation:					
At January 1, 2016	–	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**
Amortisation	**–**	**3,259**	**4,792**	**749**	**8,800**
Currency translation differences	**–**	**–**	**(448)**	**–**	**(448)**
At December 31, 2017	**–**	**8,419**	**51,185**	**65,100**	**124,704**
Carrying amount:					
At December 31, 2017	**437,300**	**29,815**	**60,030**	**–**	**527,145**
At December 31, 2016	437,300	33,074	66,042	749	537,165

(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 Transmission. Based on the relative fair value approach, the goodwill arising from the Crystal Assets Acquisition was allocated to the Gas and Transmission business segments.

Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Carrying amount $'000	Terminal growth rate %	Post-tax discount rate %
Group			
December 31, 2017			
Gas segment	**379,497**	**2.0**	**7.1**
Transmission segment	**57,803**	**N/A**	**5.6**
December 31, 2016			
Gas segment	379,497	2.0	7.7
Transmission segment	57,803	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 and ability to secure adequate banking facilities 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 Transmission business segments as its Gas business is currently the sole producer and retailer of town gas and its Transmission 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:

	2017		2016	
	Increase $'000	**Decrease $'000**	Increase $'000	Decrease $'000
Gas segment	**(98,094)**	**145,353**	(129,712)	143,681
Transmission segment	**(153,242)**	**203,565**	(176,230)	233,846

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 6.67 to 16.84 years (2016 : 7.67 to 17.84 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 7.96 to 28.35 years (2016 : 8.96 to 29.35 years).

Customer relationship relates to the value of customer loyalty and commitment from its broad base of customers and was fully amortised in FY2017 (2016 : 0.12 years).

Notes to the Financial Statements

8. Investment in Subsidiaries

	Trust 2017 $'000	Trust 2016 $'000
Investments, at cost	844,787	844,787
Advances to subsidiaries	540,605	542,743
Less: Allowance for impairment	(533,500)	(436,500)
	851,892	951,030
Movement in allowance accounts:		
Beginning of year	436,500	356,000
Charge for the year	97,000	80,500
End of year	533,500	436,500

Advances to subsidiaries are quasi-equity loans which represent an extension of investment in the subsidiaries. They are 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 2017 %	Proportion of ownership interest and voting power held 2016 %
(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 (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
	Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd [1]	Trustee of Tuas DBOO Trust (Singapore)	100	100

	Name of subsidiaries	Principal activities (Country of incorporation or residence)	Proportion of ownership interest and voting power held 2017 %	2016 %
	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) CityNet is undergoing liquidation

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 2017 %	2016 %
SingSpring Trust	Singapore	**30**	30
Keppel Merlimau Cogen Pte Ltd	Singapore	**49**	49

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

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

	2017 $'000	2016 $'000
Current assets	24,078	24,020
Current liabilities	(14,476)	(14,973)
Net current assets	9,602	9,047
Non-current assets	134,091	147,434
Non-current liabilities	(120,747)	(129,571)
Net non-current assets	13,344	17,863
Net assets	22,946	26,910
Equity attributable to unitholders of the Trust	16,062	18,837
NCI	6,884	8,073

Summarised statement of profit or loss and other comprehensive income

	2017 $'000	2016 $'000
Revenue	32,244	32,122
Profit before tax	5,397	4,089
Income tax expense	(922)	(700)
Profit after tax	4,475	3,389
Profit attributable to unitholders of the Trust	3,132	2,372
Profit attributable to NCI	1,343	1,017
Profit after tax	4,475	3,389
Other comprehensive income attributable to unitholders of the Trust	(133)	1,079
Other comprehensive income attributable to NCI	(57)	462
Other comprehensive income for the year	(190)	1,541
Total comprehensive income attributable to unitholders of the Trust	2,999	3,451
Total comprehensive income attributable to NCI	1,286	1,479
Total comprehensive income for the year	4,285	4,930
Dividends paid to NCI	2,475	2,430
Other summarised information		
Net cash from operating activities	18,430	18,184

Keppel Merlimau Cogen Pte Ltd

Summarised statement of financial position

	2017 $'000	2016 $'000
Current assets	68,798	136,261
Current liabilities	(28,712)	(29,090)
Net current assets	40,086	107,171
Non-current assets	1,624,092	1,645,554
Non-current liabilities	(1,353,675)	(1,362,173)
Net non-current assets	270,417	283,381
Net assets	310,503	390,552
Equity attributable to unitholders of the Trust	160,922	201,873
NCI	149,581	188,679

Summarised statement of profit or loss and other comprehensive income

	2017 $'000	2016 $'000
Revenue	129,949	128,714
Loss before tax	(76,706)	(76,971)
Income tax credit	3,036	3,067
Loss after tax	(73,670)	(73,904)
Loss attributable to unitholders of the Trust	(37,697)	(37,816)
Loss attributable to NCI	(35,973)	(36,088)
Loss after tax	(73,670)	(73,904)
Other comprehensive income attributable to unitholders of the Trust	(3,253)	(5,203)
Other comprehensive income attributable to NCI	(3,125)	(4,999)
Other comprehensive income for the year	(6,378)	(10,202)
Total comprehensive income attributable to unitholders of the Trust	(40,950)	(43,019)
Total comprehensive income attributable to NCI	(39,098)	(41,087)
Total comprehensive income for the year	(80,048)	(84,106)
Other summarised information		
Net cash used in operating activities	(72,718)	(84,028)

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")

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 Plant Pte Ltd, Tuas DBOO Trust and Keppel Seghers Tuas Waste-To-Energy 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 acquisition ("Crystal Assets Acquisition"). 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.

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.

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Impairment testing of investment in subsidiaries (continued)

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.

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 $32.5 million (2016 : $20.0 million), $8.5 million (2016 : $6.0 million), $4.5 million (2016 : $1.0 million) and $51.5 million (2016 : $53.5 million) were recognised in profit or loss 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% (2016 : 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 6.67 to 16.84 years (2016 : 7.67 to 17.84 years) for the subtrusts and 22.5 years (2016 : 23.5 years) for KMC based on the current contractual agreements with the major customers. The discount rates used were 5.10% (2016 : 4.90%) per annum for the subtrusts and 4.90% (2016 : 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:

	2017		2016	
	Increase $'000	**Decrease $'000**	Increase $'000	Decrease $'000
Senoko Trust	**(7,992)**	**8,416**	(9,836)	10,411
Ulu Pandan Trust	**(2,136)**	**2,279**	(2,798)	3,008
Tuas DBOO Trust	**(8,404)**	**9,378**	(9,092)	10,188
Keppel Merlimau Cogen Pte Ltd	**(123,624)**	**142,204**	(129,407)	149,396

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**	
		2017	2016
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
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	
	2017 **$'000**	2016 $'000
Cost of investment in joint venture [1]	**510**	510
Advances to joint venture [2]	**20,842**	22,980
	21,352	23,490
Share of post-acquisition reserves, net of dividend received	**(600)**	(58)
Total	**20,752**	23,432

[1] The Group has 51% (2016 : 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

	2017 **$'000**	2016 $'000
Current assets	**9,561**	9,793
Non-current assets	**111,037**	116,270
Current liabilities	**(9,536)**	(9,010)
Non-current liabilities	**(70,372)**	(71,108)
Net assets	**40,690**	45,945
Proportion of the Group's ownership	**51%**	51%
Group's share of net assets	**20,752**	23,432

The above amount of assets and liabilities include the following:

	2017 **$'000**	2016 $'000
Cash and cash equivalents	**7,866**	8,622
Current financial liabilities (excluding trade and other payables and provisions)	**(5,726)**	(5,414)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(69,733)**	(70,322)

Summarised statement of profit or loss and other comprehensive income

	2017 **$'000**	2016 $'000
Revenue	**15,682**	8,237
Profit before tax	**6,767**	2,090
Income tax expense	**(1,444)**	(698)
Profit after tax	**5,323**	1,392
Other comprehensive income	**(2,118)**	(843)
Total comprehensive income	**3,205**	549
The above profit for the year include the following:		
Interest income	**23**	5
Depreciation	**(4,845)**	(3,485)
Interest expense	**(3,006)**	(2,138)

Notes to the Financial Statements

10. Notes Receivables

	Trust	
	2017 $'000	2016 $'000
Notes issued by subsidiaries	**775,712**	775,712

(a) The notes receivable of $195,570,000 (2016 : $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% (2016 : 13.0%) per annum.

(b) The notes receivable of $35,000,000 (2016 : $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% (2016 : 6.5%) per annum.

(c) The notes receivables of $152,398,000 (2016 : $152,398,000), $91,473,000 (2016 : $91,473,000) and $46,271,000 (2016 : $46,271,000) from subsidiaries mature in Year 2024, 2028 and 2023 respectively. The fixed interest rate for the notes is 6.0% (2016 : 6.0%) per annum, payable semi-annually.

(d) The notes receivable of $255,000,000 (2016 : $255,000,000) from a subsidiary mature in Year 2040, with fixed interest rate of 17.5% (2016 : 17.5%) per annum, 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 1.50% (2016 : 1.21%) 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.

12. Service Concession Receivables

	Group	
	2017 $'000	2016 $'000
Service concession receivables	**424,025**	468,059
Less: Due within 12 months	**(45,267)**	(44,034)
Due after 12 months	**378,758**	424,025

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 subtrust 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 subtrust 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 subtrust 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 subtrust 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% (2016 : 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	
	2017 $'000	2016 $'000
Minimum finance lease receivables:		
Not later than one year	**13,147**	13,147
Later than one year but not later than five years	**52,622**	52,622
Later than five years	**38,984**	52,131
Total minimum lease receivables	**104,753**	117,900
Less: Future finance income	**(16,192)**	(20,020)
Present value of minimum lease receivables	**88,561**	97,880
Unguaranteed residual value	**26,262**	26,262
Net investment in finance lease	**114,823**	124,142
Less: Present value of finance lease receivables not later than one year	**(9,684)**	(9,319)
Non-current finance lease receivables	**105,139**	114,823

The present value of the finance lease receivables is analysed as follows:

	Group	
	2017 $'000	2016 $'000
Not later than one year	**9,684**	9,319
Later than one year but not later than five years	**42,715**	41,107
Later than five years	**36,162**	47,454
Present value of minimum lease receivables	**88,561**	97,880

The finance lease receivables relate 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% (2016 : 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).

Notes to the Financial Statements

14. Other Assets

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deposits	268	997	–	–
Prepayments	197,415	142,913	47	55
Deferred lease expenses	459	859	–	–
Others	4,213	239	–	–
	202,355	145,008	47	55
Less: Current portion	(21,807)	(22,134)	(47)	(55)
Non-current portion	180,548	122,874	–	–

Included in the prepayments balance is an amount of $194,476,000 (2016 : $139,758,000) 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.

15. Cash and Cash Equivalents

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash and bank deposits	213,956	266,859	31,054	51,969
Less: Restricted cash	(49,754)	(52,346)		
Cash and cash equivalents in the consolidated statement of cash flows	164,202	214,513		

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 (2016 : 2 months). The weighted average effective interest rate as at December 31, 2017 for the Group and Trust were 0.79% (2016 : 0.71%) and 0.67% (2016 : 0.53%) per annum respectively.

16. Trade and Other Receivables

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables:				
- Third parties	57,749	46,294	–	–
- Related parties	1,198	3,867	–	–
Unbilled receivables	76,451	43,201	–	–
Less: Allowance for impairment (third parties)	(979)	(867)	–	–
Trade receivables - net	134,419	92,495	–	–
Other receivables	8,507	25,729	507	226
Interest receivable	239	441	6	7
Amounts due from related parties (non-trade)	101	201	–	–
Amounts due from subsidiaries (non-trade)	–	–	4,466	4,484
	143,266	118,866	4,979	4,717

Trade receivables

Trade receivables are non-interest bearing and are generally receivable on 30 to 60 (2016 : 30 to 60) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables

In 2016, included in other receivables was an amount of $2,208,000 receivable from a government agency on behalf of a customer. A corresponding non-trade payable amount was recognised in Note 21 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	
	2017 $'000	2016 $'000
Past due but not impaired		
Past due 0 to 3 months	**5,473**	4,990
Past due 3 to 6 months	**149**	7,621
Past due over 6 months	**7,249**	95
	12,871	12,706

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	
	2017 $'000	2016 $'000
Beginning of year	**867**	908
Charge to profit or loss	**573**	310
Allowance utilised	**(461)**	(351)
End of year	**979**	867

The allowance for impairment of $573,000 (2016 : $310,000) was recognised in profit or loss and included in "other operating expenses".

Notes to the Financial Statements

17. Derivative Financial Instruments

	Average contracted rate	Notional contract amount	Asset $'000	Liability $'000
Group				
2017				
Cash flow hedges				
- Foreign currency forward	**US$1.3383**	**US$13.1 million**	**–**	**86**
- Interest rate swaps	**1.68% – 4.85%**	**$1,627.5 million**	**–**	**118,837**
			–	**118,923**
Less: Current portion			**–**	**(18,372)**
Non-current portion			**–**	**100,551**
Fair value through profit or loss				
- Foreign currency forward	**JPY82.35**	**JPY388.4 million**	**–**	**8**
Less: Current portion			**–**	**(8)**
Non-current portion			**–**	**–**
2016				
Cash flow hedges				
- Foreign currency forward	US$ 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			–	–
Trust				
2017				
Cash flow hedges				
- Interest rate swap	**1.70%**	**$145.6 million**	**–**	**859**
			–	**859**
Less: Current portion			**–**	**–**
Non-current portion			**–**	**859**
2016				
Cash flow hedges				
- Interest rate swap	1.70%	$100.8 million	–	986
			–	986
Less: Current portion			–	–
Non-current portion			–	986

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 2018 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 profit or loss.

Foreign currency forward

This relates to a 4-year forward contract to swap USD for SGD. The contract is entered into by a subsidiary to hedge its exposure to cash flow foreign currency risk against its USD service contract. Fair value gains and losses on the effective hedge portion of the forward contract is recognised in the hedging reserve and are transferred to profit or loss over the contract period.

18. Inventories

	Group	
	2017 $'000	2016 $'000
Fuel	**11,287**	11,968
Spare parts and accessories	**42,778**	42,380
Pipes and fittings	**109**	108
	54,174	54,456

Inventories written-down recognised as an expense and included in other operating expenses amounted to $44,000 (2016 : $65,000).

Inventories of $18,446,000 (2016 : $17,843,000) are pledged for certain borrowings (Note 19).

19. Borrowings

	Group		Trust	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Current	**722,377**	752,106	**–**	–
Non-current	**1,071,904**	1,058,576	**145,500**	122,612
Total borrowings	**1,794,281**	1,810,682	**145,500**	122,612

The weighted average effective interest rates at the end of the reporting period were as follows:

	Group		Trust	
	2017 %	2016 %	**2017 %**	2016 %
Borrowings	**4.40**	3.56	**2.35**	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 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 $711,955,000 (2016 : $741,688,000).

(b) A subsidiary has a term loan of $700 million. The term loan is repayable in 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 $698,785,000 (2016 : $698,312,000).

(c) Bank loans of $177,555,000 (2016 : $177,165,000) obtained by a subsidiary are secured by a first ranking charge over its assets and business undertakings and repayable in 2019.

(d) The bank loans of $60,486,000 (2016 : $70,905,000) 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 2007 and will continue until 2024.

Notes to the Financial Statements

19. Borrowings (continued)

(e) The Trust has a $200 million term loan and revolving credit facility. The bank loan of $145,500,000 (2016 : $122,612,000) is repayable in 2019 and is unsecured.

All borrowings impose certain covenants. These covenants include having to maintain sufficient funds to pay principal, interest and retention of additional amounts. Total assets of the Group with carrying amount of $1,577 million (2016 : $1,612 million) are pledged for certain borrowings.

As disclosed in Note 41, as a result of the Basslink cable outage, a subsidiary within the Basslink group 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, 2017. Accordingly, the bank borrowings of $711,955,000 has been classified as current liabilities as at December 31, 2017.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	January 1, 2017 $'000	Financing cash flows [1] $'000	Foreign exchange movement $'000	Other changes [2] $'000	December 31, 2017 $'000
Borrowings	1,810,682	7,658	(27,918)	3,859	1,794,281

[1] The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

[2] Other changes include unamortised upfront fee.

20. Loan from a subsidiary

The loan from a subsidiary was obtained in October 2015. Repayments commenced from February 2016 until May 2017. The loan was unsecured and bore effective interest at 2.36% (2016 : 2.36%) per annum.

21. Trade and other payables

	Group		Trust	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Trade payables:				
- Third parties	**19,255**	18,494	**–**	–
- Related parties	**5,203**	5,290	**–**	–
Other payables:				
- Third parties	**3,850**	8,477	**84**	–
- Trustee-Manager	**2,189**	2,600	**2,189**	2,569
- Subsidiaries	**–**	–	**1,078**	233
- Related parties	**6,660**	11,761	**12**	17
Accruals	**42,243**	40,388	**225**	75
Interest payable	**18,147**	5,096	**–**	1,228
Deferred income (Note 24)	**1,561**	1,622	**–**	–
Advance payments received	**39,696**	31,669	**–**	–
Refundable customer deposits	**36,039**	34,796	**–**	–
	174,843	160,193	**3,588**	4,122

Trade and other payables

Trade and other payables are non-interest bearing and are normally settled on 30 to 60 (2016 : 30 to 60) days' terms.

22. Provisions

	Group	
	2017 **$'000**	2016 $'000
Provision for decommissioning costs	**32,886**	31,280
Movements in the provision are as follows:		
Beginning of year	**31,280**	38,143
Addition/(Reversal) (Note 6)	**1,796**	(9,093)
Unwinding of discounts (Note 34)	**953**	1,147
Currency translation differences	**(1,143)**	1,083
End of year	**32,886**	31,280

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.

<u>Change in discount rate in provision for decommissioning costs</u>
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.

The effects of the revision on depreciation charge and finance costs are as follows:

	2018 **$'000**	**2019** **$'000**	**2020 and beyond** **$'000**
Increase in depreciation charge	31	31	1,630
Decrease in finance costs	(49)	(52)	(14,745)
Total	(18)	(21)	(13,115)

23. 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 (2016 : $15,000,000) mature in Year 2025 and bear interest payable quarterly in arrears at a fixed rate of 6.5% (2016 : 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-months Singapore Dollar Swap Offer Rate plus 2.5% per annum.

2. The notes of $245,000,000 (2016 : $245,000,000) mature in Year 2040, with a fixed rate of 17.5% (2016 : 17.5%) per annum, payable quarterly.

The notes are direct, unsecured, subordinated obligations of the subsidiaries and can be redeemed at par by the subsidiaries prior to their 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.

24. Other Payables (Non-Current)

	Group	
	2017 **$'000**	2016 $'000
Long term customer deposit	**25,218**	24,722
Deferred income	**19,181**	21,555
Advance payments received	**157,983**	167,849
Other payables	**39,630**	54,712
	242,012	268,838

Long term customer deposit and deferred income

Long term customer deposit represents the A$50 million (2016 : A$50 million) deposit equivalent to $51 million (2016 : $53 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.

Notes to the Financial Statements

24. Other Payables (Non-Current) (continued)

Long term customer deposit and deferred income (continued)

Deferred income represents the difference between the fair value of this liability and the amount of the A$50 million deposit to be repaid, computed based on the present value of future payment discounted at the applicable interest rate of 5.87% (2016 : 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 21.

Advance payments received

This relates to amounts that have been received but services have not yet been rendered.

25. 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 relate to the same fiscal authority.

	Group 2017 $'000	Group 2016 $'000
Movement in deferred tax account is as follows:		
Beginning of year	22,678	29,596
Credited to		
- Profit or loss (Note 37)	(3,048)	(4,546)
- Equity (Note 37)	(1,471)	(2,372)
End of year	18,159	22,678

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 January 1, 2016	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
Currency translation differences	(827)	(366)	–	(60)	(1,253)
(Credited)/Charged to					
- Profit or loss	3,769	(1,645)	–	1,092	3,216
At December 31, 2017	21,435	19,323	–	16,801	57,559

Deferred tax assets

	Allowances against assets $'000	Derivative financial instruments $'000	Recognised unutilised tax losses $'000	Others $'000	Total $'000
At January 1, 2016	(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)
Currency translation differences	–	–	917	336	1,253
Charged/(Credited) to					
- Profit or loss	1	–	(5,847)	(418)	(6,264)
- Equity	–	(1,471)	–	–	(1,471)
At December 31, 2017	(81)	(2,596)	(28,103)	(8,620)	(39,400)

Net deferred tax liabilities

	Total $'000
2017	18,159
2016	22,678

Unrecognised tax losses

The Group has unrecognised tax losses of approximately $323,137,000 (2016 : $374,792,000) 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 2017 and 2016 (Note 29).

26. Units in Issue

	Group and Trust			
	2017 Units	2016 Units	**2017 $'000**	2016 $'000
Beginning of year	**3,857,063,631**	3,856,931,931	**2,137,389**	2,137,322
Units issued at $0.475 (2016: $0.506) per unit as Trustee-Manager's fees	**315,100**	131,700	**149**	67
End of year	**3,857,378,731**	3,857,063,631	**2,137,538**	2,137,389

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.

27. 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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Beginning of year	**(204,478)**	(201,772)	**(986)**	–
Fair value loss:				
Fair value loss	**(41,791)**	(28,407)	**(1,113)**	(1,702)
Tax on fair value loss	**3,351**	1,366	**–**	–
	(38,440)	(27,041)	**(1,113)**	(1,702)
Transfer to profit or loss:				
Finance cost (Note 34)	**30,761**	21,903	**1,240**	716
Tax on transfers	**(1,886)**	(2,104)	**–**	–
	28,875	19,799	**1,240**	716
Non-controlling interests (net of tax)	**3,182**	4,536	**–**	–
	(210,861)	(204,478)	**(859)**	(986)

Notes to the Financial Statements

28. 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.

29. Distributions Paid to the Unitholders of the Trust

Tax exempt distributions paid during the financial year are as follows:

	Group and Trust	
	2017 $'000	2016 $'000
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
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
For the period from October 1, 2016 to December 31, 2016 - 0.93 cents per unit	**35,871**	–
For the period from January 1, 2017 to March 31, 2017 - 0.93 cents per unit	**35,873**	–
For the period from April 1, 2017 to June 30, 2017 - 0.93 cents per unit	**35,873**	–
For the period from July 1, 2017 to September 30, 2017 - 0.93 cents per unit	**35,873**	–
	143,490	143,482
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, 2016 to December 31, 2016	–	35,871
Distribution of 0.93 cents per unit for the period from October 1, 2017 to December 31, 2017	**35,873**	–

30. Revenue

	Group	
	2017 $'000	2016 $'000
Sale of goods	**313,544**	281,188
Service income	**250,582**	210,425
Finance income from service concession arrangements	**14,786**	15,633
Finance lease income	**3,827**	4,188
Operation and maintenance income	**48,566**	49,316
Construction revenue	–	16,231
Management fee income	**1,171**	4,136
	632,476	581,117

31. Other Income

	Group	
	2017 **$'000**	2016 $'000
Interest income	**1,664**	1,911
Other miscellaneous income	**1,929**	25,623
	3,593	27,534

In 2016, other miscellaneous income comprised mainly insurance compensation to cover the loss of income arising from business interruption in relation to the Basslink cable outage.

32. Other Losses - Net

	Group	
	2017 **$'000**	2016 $'000
Fair value loss on derivative financial instruments	**8,523**	9,199
Exchange differences	**338**	(163)
Others	**(6)**	503
	8,855	9,539

33. Staff Costs

	Group	
	2017 **$'000**	2016 $'000
Salaries and wages	**22,437**	21,626
Employer's contribution to defined contribution plans, including Central Provident Fund	**2,630**	2,502
Other short-term benefits	**1,650**	1,843
	26,717	25,971

34. Finance Costs

	Group	
	2017 **$'000**	2016 $'000
Interest expense		
- Bank borrowings	**47,785**	48,343
- Notes payable to non-controlling interests	**43,850**	43,972
- Related party	**–**	42
Unwinding of discounts		
- Provision for decommissioning costs (Note 22)	**953**	1,147
- Interest-free customer deposits	**1,485**	1,346
Cash flow hedges, transfer from hedging reserve (Note 27)	**30,761**	21,903
Others	**115**	217
	124,949	116,970

Notes to the Financial Statements

35. Trustee-Manager's Fees

	Group 2017 $'000	Group 2016 $'000
Base fee	2,566	2,767
Performance fee	7,196	6,902
	9,762	9,669

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, subtrusts 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.

36. Profit Before Tax

The following items have been included in arriving at profit before tax:

	Group 2017 $'000	Group 2016 $'000
Auditors' remuneration		
- auditors of the Group	379	398
Non-audit fees to		
- auditors of the Group	14	14
Property, plant and equipment written off (Note 6)	2	486

37. Income Tax Expense

Major components of income tax expense

The major components of income tax expense for the years ended December 31, 2017 and 2016 are:

	Group 2017 $'000	Group 2016 $'000
Consolidated profit or loss:		
Current tax	3,390	4,961
Deferred tax (Note 25)	(3,048)	(4,546)
Income tax expense recognised in profit or loss	342	415
Consolidated statement of other comprehensive income:		
Deferred tax expense related to other comprehensive income:		
- Fair value loss and reclassification adjustments on cash flow hedges (Note 25)	(1,471)	(2,372)

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, 2017 and 2016 are as follows:

	Group	
	2017 $'000	2016 $'000
Profit before tax	**14,118**	6,536
Tax calculated at a tax rate of 17%	**2,400**	1,111
Effect of:		
- Different tax rates in other countries	**(264)**	(1,468)
- Expenses not deductible for tax purposes	**6,519**	6,391
- Income not subject to tax	**(9,733)**	(8,094)
- Deferred tax assets not recognised	**6,555**	7,774
- Recognition of future deductible amounts allowable under overseas tax regime	**(4,950)**	(5,875)
- Adjustment recognised in the current year in relation to the current tax for prior year	**709**	447
- Tax relief	**(259)**	(136)
- Others	**(635)**	265
	342	415

38. 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	
	2017 $'000	2016 $'000
Profit for the financial year attributable to unitholders of the Trust ($'000)	**47,613**	41,188
Weighted average number of units during the financial year	**3,857,328,660**	3,857,044,200
Basic and diluted earnings per unit (cents)	**1.23**	1.07

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.

39. 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, 2017 amounted to $2,861,000 (2016 : $3,015,000). 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	
	2017 $'000	2016 $'000
Not later than one year	**3,960**	3,999
Later than one year but not later than five years	**9,922**	11,458
Later than five years	**64,628**	66,212
	78,510	81,669

Included in the future minimum lease payments under non-cancellable operating leases comprise future minimum lease payments with related parties which amounted to $14,324,000 (2016 : $16,284,000).

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 47 years (2016 : 1 to 48 years).

Notes to the Financial Statements

39. Operating Lease Arrangements and Capital Commitments (continued)

(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	
	2017 $'000	2016 $'000
Property, plant and equipment	**2,264**	2,756

40. 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;
- Transmission (previoulsy known as 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, 2017 and 2016 are set out below:

	Gas (Singapore) $'000	Concessions (Singapore) $'000	Power (Singapore) $'000	Transmission (Australia) $'000	Corporate (Singapore) $'000	Total Group $'000
2017						
Revenue	320,372	95,597	129,949	85,387	1,171	632,476
Profit/(Loss) before tax	41,515	20,952	(32,082)	(2,032)	(14,235)	14,118
Funds from operations [1]	40,669	75,758	45,717	23,999	(8,471)	177,672
Other segment items:						
Depreciation and amortisation	(3,477)	(7,052)	(75,598)	(18,842)	–	(104,969)
Fair value loss on derivative financial instruments	(1,058)	–	–	(7,465)	–	(8,523)
Allowance for trade and other receivables	(573)	–	–	–	–	(573)
Share of results of joint venture	–	–	–	–	2,715	2,715
Finance costs [2]	(4,889)	(3,649)	(62,964)	(50,174)	(3,273)	(124,949)

A reconciliation of funds from operations to profit before tax is provided as follows:

	2017 $'000
Funds from operations	177,672
Reduction in concession/lease receivables	(53,353)
Non-cash finance cost	(6,297)
Other non-cash items	(2,039)
Depreciation and amortisation	(104,969)
Maintenance capital expenditure	1,727
Finance cost attributable to NCI	(43,850)
Funds from operations of joint venture	(6,006)
Funds from operations attributable to NCI	51,233
Profit before tax	14,118

	Gas (Singapore) $'000	Concessions (Singapore) $'000	Power (Singapore) $'000	Transmission (Australia) $'000	Corporate (Singapore) $'000	Total Group $'000
2017						
Segment and consolidated total assets	**559,106**	**656,304**	**1,692,894**	**995,544**	**52,568**	**3,956,416**
Segment liabilities	**314,233**	**102,314**	**965,919**	**931,465**	**309,022**	**2,622,953**
Unallocated liabilities:						
Current tax liabilities						**3,410**
Deferred tax liabilities						**18,159**
Consolidated total liabilities						**2,644,522**
Other segment items						
Additions to non-current assets						
Capital expenditure - property, plant and equipment	**1,313**	**3**	**–**	**411**	**–**	**1,727**
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

Notes to the Financial Statements

40. Segment Information (continued)

	Gas (Singapore) $'000	Concessions (Singapore) $'000	Power (Singapore) $'000	Transmission (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

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 Transmission 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 *	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Singapore	**547,089**	534,135	**1,924,369**	2,011,858
Australia	**85,387**	46,982	**879,448**	928,339
	632,476	581,117	**2,803,817**	2,940,197

* Comprise property, plant and equipment, intangibles and investment in and advances to joint venture.

Revenue from Concessions segment of $95,597,000 (2016 : $113,303,000) was solely derived from the only customer of the respective subtrusts. For the Power segment, revenue of $129,949,000 (2016 : $128,714,000) was derived from its only customer. For Transmission segment, revenue from its major customer was $83,371,000 (2016 : $44,866,000).

41. 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 full facility fees from September 2016 to August 2017 as HT disagrees with Basslink that the outage was a force majeure event. In December 2016, an independent investigation undertaken by Cable Consulting International (CCI), one of the world's leading submarine power cable experts, was completed and CCI concluded that the cause of the cable fault is "cause unknown".

No legal claims have been received by the Group as at the date of this report.

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 2017 (FY 2017), all Directors have discharged this duty consistently well.

Board Committees: To assist the Board in the discharge of its oversight function, the Audit and Risk 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 135 to 137.

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.

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.

[1] The Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore on 2 May 2012.

Corporate Governance

The current Directors' appointments and details of membership on Board committees, number of Board and Board committee meetings held during FY 2017, as well as the attendance of each Board member at these meetings, are disclosed below.

Board and Board committee meetings for FY 2017:

	Board Meetings	Audit and Risk Committee Meetings	Nominating & Remuneration Committee Meetings	Conflicts Resolution Committee Meetings	Non-Executive Directors' Meeting (without presence of Management)
Koh Ban Heng	7	4	3	-	2
Thio Shen Yi	7	-	3	1	2
Daniel Cuthbert Ee Hock Huat	7	4	-	1	2
Mark Andrew Yeo Kah Chong	7	4	-	-	2
Kunnasagaran Chinniah	7	-	3	1	2
Ong Tiong Guan [2]	3 out of 3	-	3	-	0 out of 2
Alan Tay Teck Loon [3]	3 out of 3	-	-	-	2
Christina Tan Hua Mui	6	-	3	-	2
Number of Meetings Held in FY 2017	**7**	**4**	**3**	**1**	**2**

Nature of current Directors' appointments on the Board and the details of their membership on Board committees

	Board Membership	Audit and Risk 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
Christina Tan Hua Mui	Non-Executive and Non-Independent	-	Member	-

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.

[2] Dr Ong Tiong Guan retired from the Board with effect from 17 July 2017. Concurrently, Dr Ong ceased to be a member of the Nominating and Remuneration Committee.
[3] Mr Alan Tay Teck Loon retired from the Board with effect from 17 July 2017.

BOARD COMPOSITION AND GUIDANCE
Principle 2: Strong and independent element on the Board

Board Composition: Presently, the Board consists of six members, five of whom are independent non-executive Directors. The other Director is a non-independent non-executive Director. 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 or her 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). Keppel Infrastructure Holdings Pte. Ltd. (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 2018 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.

Corporate Governance

(e) although Mr Kunnasagaran Chinniah is strictly not considered to be independent from Temasek, a deemed substantial shareholder of the Trustee-Manager according to the BTR, nonetheless, the Board considers that Mr Chinniah is an independent Director. Mr Chinniah is a director of certain subsidiaries of Temasek, including Azalea Asset Management Pte Ltd, Azalea Investment Management Pte Ltd and Astrea III Pte Ltd. Mr Chinniah is also advisor to Temasek International Advisors Pte Ltd and consultant to Pavilion Capital International Pte Ltd, both subsidiaries of Temasek. After review, the Board is satisfied that the above relationships will not interfere with Mr Chinniah'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 Chinniah is an independent non-executive director of certain subsidiaries of Temasek, (ii) Mr Chinniah is joining the Board in his personal capacity, not as Temasek's representative, (iii) Mr Chinniah has declared that he does not act in accordance with the instructions of Temasek, and (iv) Mr Chinniah has declared that he does not derive any compensation from Temasek other than remuneration received for his service as a director, advisor or consultant to certain subsidiaries of Temasek. Mr Chinniah has also shown independent judgment in his deliberation of the interests of KIT. Mr Chinniah's participation in the Board will benefit KIT given his expertise. Mr Chinniah will however, abstain from the Board's decisions in relation to any matter which involves Temasek and its subsidiaries.

(f) 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 six 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 six 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 118 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 2017, there was one female Director out of a total of six Directors on the Board.

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 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 four Directors, majority of whom are independent, namely:

Mr Thio Shen Yi	Chairman
Mr Koh Ban Heng	Member
Mr Kunnasagaran Chinniah	Member
Ms Christina Tan Hua Mui	Member

The responsibilities of the NRC are disclosed at page 136 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. The Board assesses the suitability of Directors based on independence, diversity of skills and gender amongst other criteria. 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.

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 119 and 120 herein on the basis of the NRC's determination as to whether a Director should or should not be deemed independent.

Corporate Governance

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 and 9: 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 58: unitholding in KIT as at 21 January 2018.

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. A Tax Advisor Pte Ltd, was appointed for this role. A Tax Advisor Pte Ltd does not have any business relationships or any other connections with KIT or any of the Directors which may affect its independent judgment.

The evaluation of the Board and of the individual Directors was carried out by the Independent Coordinator in the last quarter of 2017 and presented to the Board in January 2018.

The evaluation processes are disclosed on page 137 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 had 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 on page 121. The NRC's responsibilities are set out at page 136 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 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 and grant of units) and the specific remuneration packages for each Director and the key management personnel. 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 2017, 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 Non-Executive Directors' remuneration
Each non-executive Director's remuneration comprises a basic fee and an additional fee for services performed on Board committees. The Chairman of the Board and of each Board committee are paid a higher fee compared with members of the Board and of each Board committee in view of the greater responsibility carried by that office. The non-executive Directors participated in additional ad-hoc meetings with Management during the year and are not paid for attending such meetings.

The NRC, in consultation with Aon Hewitt, conducted a review of the non-executive Directors' fees in 2017. The review took into account a variety of factors, including prevailing market practices and referencing Directors' fees against comparable benchmarks, as well as the roles and responsibilities of the Board and Board committees. Recognising that Directors have ongoing oversight responsibilities towards the Trustee-Manager, a revised Directors' fee was developed to include payment of units in KIT (KIT Units) to Directors. The incorporation of an equity component in the total remuneration of the Directors is intended to achieve the objective of aligning the interests of the Directors with those of Unitholders and the long term interests of KIT.

Corporate Governance

The Directors' fee structure is as follows:

Main Board	Chairman	S$75,000 per annum
	Director	S$46,000 per annum
Audit and Risk Committee	Chairman	S$30,500 per annum
	Member	S$14,500 per annum
Nominating and Remuneration Committee	Chairman	S$14,500 per annum
	Member	S$7,500 per annum
Conflicts Resolution Committee	Chairman	S$14,500 per annum
	Member	S$7,500 per annum

Each of the Directors (including Chairman) will receive 80% of his/her total Director's fees in cash and 20% in the form of KIT Units. The Director's fees for Dr Ong Tiong Guan and Mr Alan Tay will be paid in cash to KI. The Director's fees for Ms Christina Tan will be paid in cash to Keppel Capital.

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, KIT's and the individual employee's performance.

In designing the remuneration 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 remuneration and between cash versus equity incentive remuneration.

In 2016/2017, the NRC undertook a comprehensive review of the total remuneration structure. With the assistance of Aon Hewitt, the NRC revised the total remuneration structure reflecting four key objectives:

(a) Unitholder Alignment: To incorporate performance measures that are aligned to Unitholders' interest
(b) Long-term Orientation: To motivate employees to drive sustainable long-term growth
(c) Simplicity: To ensure that the remuneration structure is easy to understand and communicate to stakeholders
(d) Synergy: To facilitate talent mobility and enhance collaboration across businesses

The revised total remuneration mix comprises three components; that is – annual fixed cash, annual performance bonus, and KIFM Unit Plans. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances which the Trustee-Manager benchmarks against the relevant industry market median. The size of the Trustee-Manager's annual performance bonus pot is tied to KIT's financial and non-financial performance, and is distributed to employees based on their individual performance. The KIFM Unit Plans are in the form of two unit plans, the KIFM Restricted Unit Plan (RUP) and KIFM Performance Unit Plan (PUP). A portion of the annual performance bonus is granted in the form of deferred units that are awarded under the KIFM RUP. The KIFM PUP comprises performance targets determined on an annual basis which vest over a longer term horizon. The KIFM RUP and KIFM PUP are long-term incentive plans. Executives who have a greater ability to influence Group outcomes have a greater proportion of their overall remuneration at risk.

The NRC exercises broad discretion and independent judgment in ensuring that the amount and mix of remuneration are aligned with the interests of Unitholders and promote the long-term success of KIT. The mix of fixed and variable rewards is considered appropriate for the Trustee-Manager and for each individual role.

The remuneration structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performance. This link is achieved in the following ways:

1. by placing a significant portion of executive's remuneration at risk (at-risk component) and, 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 and Business Drivers;
        (ii) Process;
        (iii) Stakeholders; and
        (iv) People.

    Some of the key-sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and controls measures, corporate social responsibility activities, employee engagement, talent development and succession planning;

(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 for the KIFM PUP 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.

The NRC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore in determining the remuneration structure, the NRC had taken into account the risk policies and risk tolerance of the Trustee-Manager as well as the time horizon of risks, and incorporated risk-adjustments into the remuneration structure through several initiatives, including but not limited to:

(a) prudent funding of annual performance bonus;
(b) granting a portion of the annual performance bonus in the form of deferred units, to be awarded under the KIFM RUP;
(c) vesting of contingent unit award under the KIFM PUP being subject to KPIs and/or performance conditions being met; and
(d) potential forfeiture of variable incentives in any year due to misconduct.

In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions, set forth above, have been met. The NRC is of the view that remuneration is aligned to performance during FY 2017.

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 123 to 127.

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. The range of performance targets to be set under the PUP emphasise stretched 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 in misconduct resulting in restatement of financial statements or financial losses to KIT or the Trustee-Manager. Outstanding performance bonuses under the KIFM Unit Plans are also subject to the NRC's discretion before further payment or vesting can occur.

Corporate Governance

Level and mix of remuneration of Directors, CEO and Key Management Personnel for FY 2017

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	-	-	97,000	-
Thio Shen Yi	-	-	68,000	-
Daniel Cuthbert Ee Hock Huat	-	-	75,000	-
Mark Andrew Yeo Kah Chong	-	-	76,500	-
Kunnasagaran Chinniah	-	-	61,000	-
Ong Tiong Guan [2]	-	-	28,875	-
Alan Tay Teck Loon [3]	-	-	24,827	-
Christina Tan Hua Mui [4]	-	-	49,452	-

Notes:
1 Each of the Directors will receive 80% of his/her total Director's fee in cash and the balance 20% in the form of KIT Units.
2 Dr Ong Tiong Guan retired from the Board with effect from 17 July 2017. Concurrently, Dr Ong ceased to be a member of the Nominating and Remuneration Committee. Fees are pro-rated accordingly. His Director's fee will be paid 100% in cash to KI.
3 Mr Alan Tay Teck Loon retired from the Board with effect from 17 July 2017. Fees are pro-rated accordingly. His Director's fee will be paid 100% in cash to KI.
4 Ms Christina Tan Hua Mui's was appointed a member of the Nominating and Remuneration Committee with effect from 17 July 2017. Fees are pro-rated accordingly. Ms Tan's Director's fee will be paid 100% in cash to Keppel Capital.

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	41%	19%	n.m. [5]	21%	18%	1%
Above S$500,000 to S$750,000						
Tan Chuan Huat, Kenny	69%	19%	n.m. [5]	-	12%	-
Above S$250,000 to S$500,000						
Foo Chih Chi	70%	23%	n.m. [5]	-	7%	-
Chua Lionel	67%	25%	n.m. [5]	-	8%	-
Below S$250,000						
Liu Lei, Marc	73%	21%	n.m. [5]	-	6%	-

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 FY2017 were met.
3 Units awarded under the KIFM PUP are subject to pre-determined performance targets set over a three-year performance period. As at 28 April 2017 (being the grant date), the estimated value of each unit granted in respect of the contingent awards under the KIFM PUP was $0.37. As at 23 February 2018 (being the grant date for the contingent deferred units under the KIFM RUP), the estimated value of each unit granted in respect of the contingent awards under the KIFM RUP was $0.53. For the KIFM PUP, the figures were 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 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 2021. 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 28 April 2017 (being the grant date), the estimated value of each KCL share granted in respect of the contingent award under the PSP-TIP was $0.87. 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.

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 2017. "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 and Risk Committee
The Audit and Risk Committee (ARC) 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 ARC have accounting or related financial management expertise or experience.

The ARC'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 ARC's responsibilities are set out on page 135 of the Appendix hereto.

The ARC 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 2017, 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 ARC. KIT had obtained Unitholders' approval on 18 April 2017 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 ARC met with the external auditor and internal auditor during ARC meetings. At least one of the meetings with each of the external auditor and internal auditor was held without the presence of Management. The ARC 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 statement 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 ARC. Significant issues were discussed at these meetings.

In addition, the ARC 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 2017, aggregate fees of approximately S$393,000, comprising audit fees of approximately S$379,000 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 ARC 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 ARC 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.

Corporate Governance

Changes to accounting standards and issues which have a direct impact on the financial statements were reported to the ARC by the Trustee-Manager and highlighted by the external auditor in their report to the ARC. In addition, the ARC 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 ARC reviewed the "Whistle-Blower 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 ARC 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 ARC reviews the Whistle-Blower Policy yearly to ensure that it remains current. The details of the Whistle-Blower Policy are set out on pages 138 and 139 of the Appendix hereto.

On a quarterly basis, Management reported to the ARC 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 ARC meetings.

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 11: Sound system of risk management and internal controls

The Board, supported by the ARC, oversees the Trustee-Manager's and KIT's system of risk management and internal controls. It is guided by a set of Risk Tolerance Guiding Principles as detailed under the "Risk Management" section at page 151 of this Annual Report.

The ARC 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 ARC 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 timely and effectively are essential to the business of KIT and to protecting Unitholders' interests and value. KIT operates within overall guidelines and specific parameters set by the Board. Responsibility for managing risk lies with the Trustee-Manager, working within the overall strategy outlined by the Board. 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 auditor and external auditor 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 ARC. The ARC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditor and external auditor.

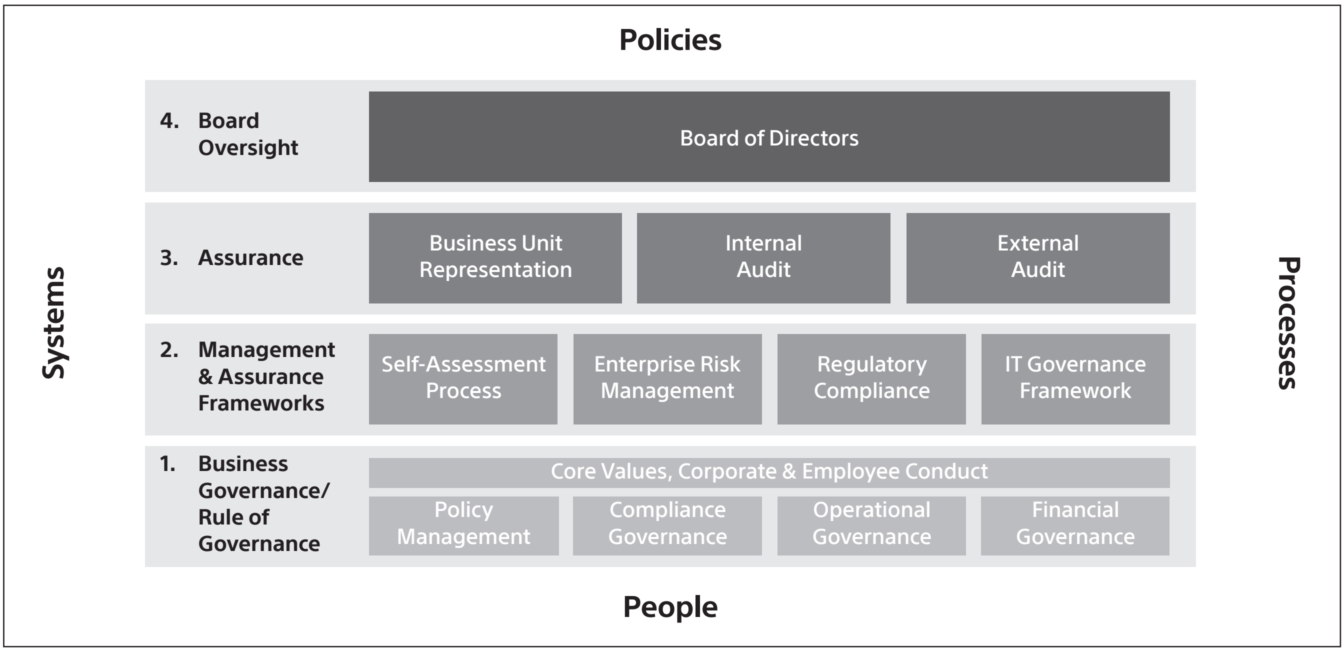
The Board met four times in FY 2017 to review the financial performance of KIT during FY 2017. During FY 2017, the Board also discussed the key business risks in KIT and the risk management policies and procedures that Management had put in place.

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 page 151 of this Annual Report.

The Trustee-Manager uses an assessment framework to facilitate the Board's assessment on the adequacy and effectiveness of the Trustee-Manager's and KIT's risk management systems (the Assessment Framework). The Assessment Framework identifies the governing policies, processes and systems (collectively "systems") pertaining to each of the identified business risk areas; assessments are made on the adequacy and effectiveness of each of these systems in addressing and managing the identified risk areas. The Board reviews both the assessments and the framework and opines on any gaps or areas of improvement.

The Risk Tolerance Guiding Principles and Assessment Framework are reviewed and updated annually.

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 and KIT'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 the Trustee-Manager's and 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 Group's 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 and KIT's system of internal controls and risk management. Such assurances are sought from the internal auditor and external auditor 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 and KIT 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 and KIT's risk management system is adequate and effective.

Based on the review of the Trustee-Manager's and KIT's governing framework, systems, policies and processes in addressing the key risks under the Group's Enterprise Risk Management Framework, the monitoring and review of KIT's overall performance and representation from Management, the Board, with the concurrence of the ARC, is of the view that, as at 31 December 2017, the Trustee-Manager's and KIT's risk management system is adequate and effective.

Corporate Governance

Based on the Trustee-Manager's and KIT'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 auditor and external auditor, the Board, with the concurrence of the ARC, is of the opinion that, as at 31 December 2017, the Trustee-Manager's and KIT'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 and KIT 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 Trustee-Manager's and KIT's internal audit function is outsourced to Group Internal Audit. The role of Group Internal Audit is to provide independent assurance to the ARC 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 ARC, and conducting regular in-depth audits of high risk areas.

Staffed by suitably qualified executives, Group Internal Audit has unrestricted direct access to the ARC 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 ARC.

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 2016 and the results reaffirmed that the internal audit activity conforms to the Standards.

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 ARC 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 ARC 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 ARC.

The ARC 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.

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 results conference calls. In addition, the Trustee-Manager meets with investors regularly to solicit and understand the views of the investment community. In 2017, the Trustee-Manager engaged a total of 61 local and foreign investors through meetings, conference calls, site visits and conferences in Singapore and Hong Kong.

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 pages 136 and 137 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.

Corporate Governance

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, 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 or officer of the Trustee-Manager 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 or officer of the Trustee-Manager 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 and officer of the Trustee-Manager 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 or officer of the Trustee-Manager should learn of a Potential Conflict of Interest, then that Director or officer of the Trustee-Manager 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 on page 137 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 and officers of the Trustee-Manager 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 or officer of the Trustee-Manager 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 ARC (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 Ms Christina Tan shall abstain from voting in view of their directorship or employment (where applicable) with Keppel Corporation, Keppel Capital, KI and/or their subsidiaries. In respect of matters of KIT which Temasek and/or its subsidiaries have an interest, direct or indirect, Mr Kunnasagaran Chinniah shall abstain from voting in view of his directorship with and in his capacity as advisor or consultant to certain subsidiaries of Temasek. In such matters, the quorum will comprise a majority of the rest of the independent Directors of the Trustee-Manager. Such matters will fall also within the purview of the ARC.

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.

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 2017, 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 18 April 2017, 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 2017 (and its comparison against the previous financial year) are as follows.

Interested Person Transactions Transacted for FY 2017

Name of interested person/ Nature of transaction	Aggregate value of all interested person transactions during FY 2017 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 2017 under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	FY17 S$'000	FY 16 S$'000	**FY17 S$'000**	FY 16 S$'000
1. Temasek Holdings (Private) Limited and its Associates				
General Transaction				
(a) Sales of Goods and Services	-	-	**6,261**	2,380
(b) Management Fee Income	-	-	**1,170**	4,136
(c) Reimbursement of Expenses [1]	-	-	**32,941**	6,635
(d) Purchases	-	-	**274,309**	162,445
(e) Rental Expense	-	-	**2,115**	3,400
Total	-	-	**316,796**	178,996
2. Keppel Corporation Group				
General Transaction				
(a) Sales of Goods and Services	-	-	**298**	-
(b) Management Fee Expense	-	-	**9,828**	9,689
(c) Purchases	-	-	**43,618**	68,207
(d) Reimbursement of expenses	-	-	**232**	-
(e) Treasury Transactions	-	-	**119,788**	55,583
Total	-	-	**173,764**	133,479

[1] The IPT values for FY 2017 are disclosed based on total contract value from 2017 to 2021, whereas FY 2016 are disclosed on an annual basis.

MATERIAL CONTRACTS

For FY 2017, 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.

Corporate Governance

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 131 to 133, 136 and 137.

(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 ARC (comprising entirely of independent Directors). The ARC 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 2017 are set out at page 133.

(e) the Trustee-Manager has adopted a Whistle-Blower 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 112.

(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.

Appendix

BOARD COMMITTEES – TERMS OF REFERENCE

A. Audit and Risk 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 and Risk 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 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 and Risk Committee may deem fit;

(19) Review the Audit and Risk 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 and Risk Committee in accordance with Regulation 13(6) of the Singapore Business Trusts Regulations.

Corporate Governance

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 KIT'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.

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 and Risk 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 or she 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 questionnaires relating to the Board's and individual Board member's performance and send these questionnaires 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 NRC 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 preparation 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.

Corporate Governance

WHISTLE-BLOWER POLICY

The Whistle-Blower Policy (the Policy) was established to encourage 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 of the Trustee-Manager 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 Trustee-Manager or Group or contract worker appointed by the Trustee-Manager, 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:

a. is dishonest, including but not limited to theft or misuse of the resources owned by or under the management of the Trustee-Manager;
b. is fraudulent;
c. is corrupt;
d. is illegal;
e. constitutes serious improper conduct;
f. constitutes an unsafe work practice; or
g. constitutes any other conduct which may cause financial or non-financial loss to the Trustee-Manager or Group or damage to the Trustee-Manager's or Group's reputation.

A person who files a report or provides evidence which he or she 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 or she 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 who may be called as a witness, to any form of reprisal which would not have occurred if he or she did not intend to, or had not made the report or be a witness.

The General Manager of Group Internal Audit is the Receiving Officer for the purposes of the Policy, who is responsible for the administration, implementation and overseeing ongoing compliance with the Policy, and reports directly to the ARC Chairman on all matters arising under the Policy.

Reporting Mechanism

The Policy emphasises that the role of the Whistle-Blower is a reporting party, and that Whistle-Blowers are not to investigate, or determine the appropriate corrective or remedial actions that may be warranted.

Employees of the Trustee-Manager 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 ARC Chairman, of any such report. The supervisor must not start any investigation in any event. If any of the persons in the reporting line prefer not to disclose the matter to the supervisor and/or Receiving Officer (as the case may be), he or she may make the report directly to the ARC Chairman.

Other Whistle-Blowers (other than employees) may report a suspected Reportable Conduct to either the Receiving Officer or the ARC Chairman.

All reports and related communications 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. Whistle-Blowers are strongly encouraged to provide their names, phone numbers and addresses so that the Receiving Officer or ARC Chairman may, if need be, contact them for more information.

Investigation

Every report received (whether oral or written, and anonymous or otherwise) will be assessed by the Receiving Officer, who will review the information disclosed, interview the Whistle-Blower(s) when required and if contactable and, either exercising his or her own discretion or in consultation with the whistle-blower committee, make recommendations to the ARC Chairman as to whether the circumstances warrant an investigation. If the ARC Chairman or, if the ARC Chairman consults the ARC, the ARC, determines that an investigation should be carried out, the ARC Chairman or, as the case may be, the ARC, shall determine the appropriate investigative process to be employed. The ARC 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 of the Trustee-Manager 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 ARC Chairman that it would be in the best interests of the employee, the Trustee-Manager 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-Blowers, 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; and / or
g. current or future bias.

Any reprisal suffered may be reported to the Receiving Officer (who shall refer the matter to the ARC Chairman) or directly to the ARC Chairman. The ARC 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 ARC 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.

Corporate Governance

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 where the Nominating and Remuneration Committee (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, Keppel Capital, regarding the appointment, election and re-appointment of Directors; and (ii) the guidelines on disclosure of remuneration where the Trustee-Manager has disclosed the information under the Annual Remuneration Report in pages 123 to 127 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 KIT.
	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 NRC has put in place a formal process for the renewal of the Board and the selection of new Directors. Following the Board's discussion and seeking the views and approval of the sole shareholder of the Trustee-Manager, a decision will be made to appoint or re-appoint any Director. The information under the Annual Remuneration Report in pages 123 to 127 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 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.

	(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. The Board assesses the suitability of the Directors based on independence, diversity of skills and gender, amongst other criteria. 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.
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.

Corporate Governance

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 122 and 137 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 and Mr Kunnasagaran Chinniah are 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 Keppel Infrastructure Holdings Pte. Ltd. (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. Mr Kunnasagaran Chinniah is an advisor, consultant and/or director of certain subsidiaries of Temasek, a deemed substantial shareholder of 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 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. Although Mr Kunnasagaran Chinniah is strictly not considered to be independent from Temasek, a deemed substantial shareholder of the Trustee-Manager according to the BTR, nonetheless, the Board considers that Mr Chinniah is an independent Director. Mr Chinniah is a director of certain subsidiaries of Temasek, including Azalea Asset Management Pte Ltd, Azalea Investment Management Pte Ltd and Astrea III Pte Ltd. Mr Chinniah is also advisor to Temasek International Advisors Pte Ltd and consultant to Pavilion Capital International Pte Ltd, both subsidiaries of Temasek. After review, the Board is satisfied that the above relationships will not interfere with Mr Chinniah'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 Chinniah is an independent non-executive director of certain subsidiaries of Temasek, (ii) Mr Chinniah is joining the Board in his personal capacity, not as Temasek's representative, (iii) Mr Chinniah has declared that he does not act in accordance with the instructions of Temasek, and (iv) Mr Chinniah has declared that he does not derive any compensation from Temasek other than remuneration received for his service as a director, advisor or consultant to certain subsidiaries of Temasek. Mr Chinniah has also shown independent judgment in his deliberation of the interests of KIT. Mr Chinniah's participation in the Board will benefit KIT given his expertise. Mr Chinniah will however, abstain from the Board's decisions in relation to any matter which involves Temasek and its subsidiaries.
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 page 126 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.

Corporate Governance

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 page 126 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 123 to 127.
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 remuneration structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performance. This link 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 and Business Drivers; (ii) Process; (iii) Stakeholders; and (iv) People. Some of the key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and control measures, corporate social responsibility activities, employee engagement, talent development and succession planning.

(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 for KIFM PUP 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.

The NRC also recognises the need for a reasonable alignment between the risk tolerance of the company as well as the time horizon of risk, and incorporated risks-adjustment into the remuneration structure through several initiatives, including but not limited to:

(a) prudent funding of annual performance bonus;

(b) granting a portion of the annual performance bonus in the form of deferred units, to be awarded under the KIFM RUP;

(c) vesting of contingent units award under the KIFM PUP being subject to KPIs and/or performance conditions being met; and

(d) potential forfeiture of variable incentives in any year due to misconduct.

In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions, set forth above, have been met. The NRC is of the view that remuneration is aligned to performance during FY 2017.

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 123 to 127 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 2017, the internal audit function of KIT and the Trustee-Manager was performed by Keppel Corporation's Group Internal Audit.
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 and Risk Committee, oversees the Trustee-Manager's and KIT's system of risk management and internal controls. It is guided by a set of Risk Tolerance Guiding Principles as detailed under the "Risk Management" section at pages 151 and 152 of this Annual Report. The Board's view on the adequacy and effectiveness of the Trustee-Manager's and KIT's risk management systems is based on the review of the Trustee-Manager's and KIT's governing framework, systems, policies and processes in addressing the key risks under the Group's Enterprise Risk Management Framework, the monitoring and review of KIT's overall performance and representation from Management. The Audit and Risk Committee has concurred with this view. The Board's view on the adequacy and effectiveness of the Trustee-Manager's and KIT's internal controls is based on the Trustee-Manager's and KIT'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 auditor and external auditor. The Audit and Risk 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 and KIT'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 2017 are approximately S$379,000 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 Audit and Risk Committee 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 2017, the Trustee-Manager engaged a total of 61 local and foreign investors through meetings, conference calls, site visits and conferences in Singapore and Hong Kong.
	(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 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 117 and 118
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 118
Guideline 1.5 The type of material transactions that require board approval under guidelines	Page 118
Guideline 1.6 The induction, orientation and training provided to new and existing directors	Page 118
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 119 and 120
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 121, 122 and 136
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	Page 122
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Page 121
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 118 to 120
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 122 and 137
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 121, 123 and 136
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 123
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 123 to 127

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 123 to 127
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	Page 126
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	Page 126
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 127
Guideline 9.5 Details and important terms of employee share schemes	Pages 124 to 126
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 123 to 127
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 128 to 130
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 127 and 135
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 127
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Pages 138 and 139
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 127 and 128

Corporate Governance

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 130 and 131
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, which is a component of KIT's System of Management Controls provides a holistic and structured approach towards assessing, monitoring and mitigating risks. The Board has in place the three risk tolerance guiding principles for the Trustee-Manager and 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's and KIT's 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 and KIT.

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.

The Trustee-Manager adopts a five-step risk management process comprising risk identification, risk assessment, formulation of risk mitigation measures, communication and implementation as well as monitoring and review. A robust ERM framework enables the Trustee-Manager and 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.

5-STEP RISK MANAGEMENT PROCESS

Step 1	Step 2	Step 3	Step 4	Step 5
Identify Understand strategy, identify value drivers and risk factors.	**Assess** Prioritise risk factors by assessing their potential impact and likelihood of occurrence.	**Mitigate** Develop action plans to mitigate risks and identify key risk indicators (KRI) to monitor risks.	**Implement** Communicate and implement action plans.	**Monitor** Monitor mitigation results and KRI.

The risk assessment takes into account both the impact and likelihood of occurrence, and covers the investment, financial, operational and reputational aspects of KIT's business. Tools such as a risk rating matrix, key risk indicators and risk register assist the Trustee-Manager in its risk management process.

The Board, supported by ARC, 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 ARC provide valuable advice to the Trustee-Manager in formulating various risk policies and guidelines. For FY 2017, the Board, with the concurrence of ARC, 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 128 to 130 under Principle 11 (Risk Management and Internal Controls).

The risk management assessment framework also determines the adequacy and effectiveness of the risk management system within KIT. In 2017, the Board has assessed and deemed KIT's risk management system to be adequate and effective in addressing the key risks identified below:

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.

Risk Management

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.

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

KIT's 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 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.

The Trustee-Manager, 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 are tested, reviewed and refined regularly to ensure the assets are ready to respond to these threats. In 2017, various drills were conducted to address threats such as pandemic flu, chemical spillage, fire, IT disaster recover, terrorist attack and power outage. The Trustee-Manager will continue to enhance the robustness of KIT's assets' 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. The Trustee-Manager does not condone safety breaches or lapses. The Trustee-Manager, 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 the operations of KIT's assets.

Compliance Risk

The Trustee-Manager and 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 applicable laws and regulations.

Statistics of Unitholdings

As at 2 March 2018

Issued and Fully Paid Units

3,858,157,565 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	552	1.29	18,973	0.00
100 - 1,000	9,363	21.88	6,212,254	0.16
1,001 - 10,000	17,328	40.49	73,681,878	1.91
10,001 - 1,000,000	15,423	36.03	1,011,866,373	26.23
1,000,001 and above	132	0.31	2,766,378,087	71.70
Total	**42,798**	**100.00**	**3,858,157,565**	**100.00**

Twenty Largest Unitholders

No.	Name	No. of Units	%
1.	Keppel Infrastructure Holdings Pte Ltd	702,361,054	18.20
2.	Citibank Nominees Singapore Pte Ltd	423,229,619	10.97
3.	DBS Nominees (Private) Limited	405,685,637	10.52
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	108,842,994	2.82
7.	Napier Investments Pte. Ltd.	95,396,538	2.47
8.	United Overseas Bank Nominees (Private) Limited	52,204,741	1.35
9.	HSBC (Singapore) Nominees Pte Ltd	48,574,486	1.26
10.	DBSN Services Pte. Ltd.	40,726,255	1.06
11.	KGI Securities (Singapore) Pte Ltd	23,361,100	0.61
12.	OCBC Nominees Singapore Private Limited	15,643,208	0.41
13.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	15,314,267	0.40
14.	DBS Vickers Securities (Singapore) Pte Ltd	13,273,580	0.34
15.	HL Bank Nominees (Singapore) Pte Ltd	13,202,500	0.34
16.	Phillip Securities Pte Ltd	11,645,462	0.30
17.	Teh Lip Bin	11,029,181	0.29
18.	UOB Kay Hian Private Limited	10,480,075	0.27
19.	DB Nominees (Singapore) Pte Ltd	9,567,953	0.25
20.	Heng Siew Eng	9,171,000	0.24
Total		**2,526,257,539**	**65.49**

Substantial Unitholders

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Trustee-Manager as at 2 March 2018, 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	18.20	-	-
Keppel Corporation Limited [1]	-	-	702,361,054	18.20
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 2018, approximately 65.89% of the issued Units in Keppel Infrastructure Trust are 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 are at all times held by the public.

As at 2 March 2018, there are no treasury units held.

Financial Calendar

FY 2017

Financial year-end	31 December 2017
Announcement of 2017 1Q results	17 April 2017
Announcement of 2017 2Q results	17 July 2017
Announcement of 2017 3Q results	16 October 2017
Announcement of 2017 full year results	22 January 2018
Distribution payout to Unitholders for the period 1 January 2017 to 31 March 2017	
- Books closure date	25 April 2017
- Payment date	19 May 2017
Distribution payout to Unitholders for the period 1 April 2017 to 30 June 2017	
- Books closure date	25 July 2017
- Payment date	18 August 2017
Distribution payout to Unitholders for the period 1 July 2017 to 30 September 2017	
- Books closure date	25 October 2017
- Payment date	17 November 2017
Distribution payout to Unitholders for the period 1 October 2017 to 31 December 2017	
- Books closure date	30 January 2018
- Payment date	23 February 2018
Despatch of Annual Report to Unitholders	26 March 2018
Annual General Meeting	17 April 2018

FY 2018

Financial year-end	31 December 2018
Announcement of 2018 1Q results	April 2018
Announcement of 2018 2Q results	July 2018
Announcement of 2018 3Q results	October 2018
Announcement of 2018 full year results	January 2019

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 Level 3, Heliconia Main Ballroom (3403-6 & 3503-6) Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956 on Tuesday, 17 April 2018 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 2017 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:

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 (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 (as calculated in accordance with sub-paragraph (2) below);

(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 shall be calculated based on the total number of issued Units 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;

Notice of Annual General Meeting

(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 26 March 2018 (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 and Risk 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)

5. That:

Extraordinary Resolution 5

(a) approval be and is hereby given to amend the Trust Deed to, inter alia, include provisions regarding the repurchase of the units of KIT in the manner set out in the Appendix (the "**Proposed Unit Buy-Back Trust Deed Supplement**"); and

(b) the Trustee-Manager and any of its Directors 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 may consider expedient or necessary or in the interest of KIT to give effect to the Proposed Unit Buy-Back Trust Deed Supplement and/or this Resolution.

(Please see Explanatory Note 3)

6. That subject to and conditional upon the passing of Extraordinary Resolution 5: **Ordinary Resolution 6**

(a) the exercise of all the powers of the Trustee-Manager to repurchase issued Units for and on behalf of KIT not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Trustee-Manager from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST and/or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted; and/or

(ii) off-market purchase(s) (which are not market purchase(s)) in accordance with any equal access scheme(s) as may be determined or formulated by the Trustee-Manager as it considers fit in accordance with the Trust Deed,

and otherwise in accordance with all applicable laws and regulations including the rules of the SGX-ST or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, be and is hereby authorised and approved generally and unconditionally (the "**Proposed Unit Buy-Back Mandate**");

(b) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred on the Trustee-Manager pursuant to the Proposed Unit Buy-Back Mandate may be exercised by the Trustee-Manager at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of KIT is held;

(ii) the date by which the next annual general meeting of KIT is required by applicable laws and regulations or the Trust Deed to be held; or

(iii) the date on which repurchases of Units pursuant to the Proposed Unit Buy-Back Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of the Units over the last five Market Days, on which transactions in the Units were recorded, immediately preceding the date of the market purchase or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days;

"**date of the making of the offer**" means the date on which the Trustee-Manager makes an offer for an off-market purchase, stating therein the repurchase price (which shall not be more than the Maximum Price for an off-market purchase) for each Unit and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Market Day**" means a day on which the SGX-ST and/or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, is open for trading in securities;

"**Maximum Limit**" means that number of Units representing 5% of the total number of issued Units as at the date of the passing of this Resolution; and

"**Maximum Price**" in relation to a Unit to be repurchased, means the repurchase price (excluding brokerage, stamp duty, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Unit, 105.0% of the Average Closing Price of the Units; and

(ii) in the case of an off-market purchase of a Unit, 120.0% of the Average Closing Price of the Units; 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 Proposed Unit Buy-Back Mandate and/or this Resolution.

(Please see Explanatory Note 4)

Notice of Annual General Meeting

7. That: **Extraordinary Resolution 7**

(a) approval be and is hereby given to amend the Trust Deed to, inter alia, include:

(i) the flexibility, in so far as it complies with the relevant laws, regulations and guidelines, for the Trustee-Manager to determine the cut-off time prior to a meeting of Unitholders of when (a) the Trustee-Manager is entitled to accept and/or reject an instrument of proxy of the depositor and (b) the Unitholders are considered as depositors as shown in the records of The Central Depository (Pte) Limited (the "**CDP**") for the purposes of meetings of Unitholders (the "**Cut-Off Time Amendment**"); and

(ii) provisions to facilitate the multiple proxies regime (the "**Multiple Proxies Amendment**"),

in the manner as set out in the Appendix (collectively, the "**Proposed Communications Trust Deed Supplement**"); and

(b) the Trustee-Manager and any of its Directors 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 may consider expedient or necessary or in the interest of KIT to give effect to the Proposed Communications Deed Supplement and/or this Resolution.

(Please see Explanatory Note 5)

(C) AS OTHER BUSINESS

8. 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
26 March 2018

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.

   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 also 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 18 April 2017, 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 further details.

3. **Extraordinary Resolution 5**

   Extraordinary Resolution 5 above, if passed, will approve the Proposed Unit Buy-Back Trust Deed Supplement.

   The Proposed Unit Buy-Back Trust Deed Supplement is necessary for the proposed adoption of the Proposed Unit Buy-Back Mandate as it would amend the Trust Deed to provide the Trustee-Manager with the ability and the flexibility to undertake repurchases of Units, under a Unit buy-back mandate, during the period such mandate is in force and in accordance with the provisions of the Trust Deed and all applicable laws and regulations, including but not limited to the Listing Manual.

   (See the Appendix for further details on the Proposed Unit Buy-Back Trust Deed Supplement.)

4. **Ordinary Resolution 6**

   Ordinary Resolution 6, if passed, will empower the Trustee-Manager from the date of the AGM of KIT until (i) the date on which the next annual general meeting of KIT is held, (ii) the date by which the next annual general meeting of KIT is required by applicable laws and regulations or the Trust Deed to be held, or (iii) the date on which the repurchases of Units pursuant to the Proposed Unit Buy-Back Mandate are carried out to the full extent mandated, whichever is the earliest, to exercise all the powers to repurchase issued Units for and on behalf of KIT not exceeding in aggregate 5% of the total number of Units as at the date of the passing of this Resolution, whether by way of market purchase(s) or off-market purchase(s), on the terms of the Proposed Unit Buy-Back Mandate set out in the Appendix unless such authority is revoked or varied by the Unitholders in a general meeting.

   As the Proposed Unit Buy-Back Trust Deed Supplement is required for the proposed adoption of the Proposed Unit Buy-Back Mandate, Ordinary Resolution 6 is conditional upon the passing of Extraordinary Resolution 5.

5. **Extraordinary Resolution 7**

   Extraordinary Resolution 7 above, if passed, will approve the Proposed Communications Trust Deed Supplement.

   Cut-Off Time Amendment

   The Cut-Off Time Amendment is intended to allow the Trustee-Manager the flexibility, in so far as it complies with the relevant laws, regulations and guidelines, to determine the cut-off time prior to a meeting of Unitholders of when (i) the Trustee-Manager is entitled to accept and/or reject an instrument of proxy of the depositor and (ii) the Unitholders are considered as depositors as shown in the records of the CDP for the purposes of the meeting of Unitholders.

   Pursuant to Section 56(1)(c) of the Business Trusts Act ("**BTA**"), any provision in the Trust Deed shall be void in so far as it would have the effect of requiring the instrument appointing a proxy to be received by the Trustee-Manager more than 48 hours before a meeting. Although the Companies Act was amended to extend the cut-off time for the submission of proxy forms from 48 hours to 72 hours, it should be noted that the Companies Act does not govern KIT. Therefore, the Trustee-Manager proposes to amend the Trust Deed such that if the BTA is amended to be in line with the Companies Act, it would be able to adopt the new provisions immediately.

   Multiple Proxies Amendment

   The Multiple Proxies Amendment is intended to allow the Trustee-Manager to, as it may determine and in so far as it complies with the relevant laws, regulations and guidelines, allow Unitholders who are relevant intermediaries [1] to appoint more than two proxies in order to facilitate the extension of the multiple proxies regime.

   The current position under the Trust Deed is that a Unitholder (regardless of whether it is a relevant intermediary or not) may not appoint more than two proxies at a meeting of Unitholders. The Companies Act was recently amended by way of the Companies (Amendment) Act 2014 to allow certain members of companies in Singapore to appoint more than two proxies, so as to enable indirect investors who hold shares through a nominee company or custodian bank or through CPF agent banks to attend and vote at shareholder meetings.

   Although KIT is not bound by the Companies Act, the Trustee-Manager proposes to amend the Trust Deed to allow it to, as it may determine and in so far as it complies with the relevant laws, regulations and guidelines, effect the multiple proxies regime to allow for a Unitholder who is a relevant intermediary to appoint more than two proxies at a meeting of Unitholders. For the avoidance of doubt, subject to the relevant laws, regulations and guidelines, whether the multiple proxies regime will be effected at a meeting of Unitholders is subject to the discretion of the Trustee-Manager.

   (See the Appendix for further details on the Proposed Communications Trust Deed Supplement.)

[1] "**relevant intermediaries**" means (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity; (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act and who holds shares in that capacity; or (iii) (if applicable) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under the Central Provident Fund Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Notice of Annual General Meeting

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 26 March 2018.

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 Level 3, Heliconia Main Ballroom (3403-6 & 3503-6) Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956 on Tuesday, 17 April 2018 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 2017, and the Independent Auditor's Report thereon. (Ordinary Resolution 1)		
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. (Ordinary Resolution 2)		
	Special Business		
3.	To authorise the Trustee-Manager to issue Units and to make or grant convertible instruments. (Ordinary Resolution 3)		
4.	To approve the renewal of the Unitholders' Mandate. (Ordinary Resolution 4)		
5.	To approve the Proposed Unit Buy-Back Trust Deed Supplement. (Extraordinary Resolution 5)		
6.	To approve the Proposed Unit Buy-Back Mandate. (Ordinary Resolution 6) (Conditional upon Extraordinary Resolution 5 being passed)		
7.	To approve the Proposed Communications Trust Deed Supplement. (Extraordinary Resolution 7)		

* 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 ____________________ 2018

Total Number of Units held	

____
Signature(s) of Unitholder(s)/Common Seal of Corporate Unitholder

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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 Banks/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

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