Dubai Electricity and Water Authority

Consolidated financial statements for the year ended 31 December 2012

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Independent auditor's report to the Board of Directors of Dubai Electricity and Water Authority

Report on the financial statements

We have audited the accompanying consolidated financial statements of Dubai Electricity and Water Authority ("the Authority") which comprise the consolidated balance sheet as of 31 December, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these consolidated financial statements in accordance with internationally acceptable accounting principles as set out in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Independent auditor's report to the Board of Directors of Dubai Electricity and Water Authority (continued)

Opinion

In our opinion, the accompanying consolidated financial statements have been prepared, in all material respects, in accordance with internationally acceptable accounting principles as set out in Note 2 of the consolidated financial statements.

PricewaterhouseCoopers
7 February 2013

Amin Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

Dubai Electricity and Water Authority

Consolidated balance sheet

	Note	As at 31 December 2012 AED'000	2011 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	87,727,806	85,646,483
Intangible assets	6	13,589	19,821
Investment in joint ventures	7	53,020	53,020
Total non-current assets		87,794,415	85,719,324
Current assets			
Trade and other receivables	8	3,548,875	3,514,934
Inventories	9	3,036,867	2,814,264
Cash and bank balances	10	768,353	768,979
Total current assets		7,354,095	7,098,177
Total assets		95,148,510	92,817,501
EQUITY			
Capital and reserves attributable to equity holders			
Government of Dubai account		29,817,517	29,492,113
General reserve		21,570,616	17,815,123
		51,388,133	47,307,236
Non-controlling interests		538,800	481,221
Total equity		51,926,933	47,788,457
LIABILITIES			
Non-current liabilities			
Borrowings	11	16,942,000	21,407,806
Retirement benefit obligations	12	368,693	328,251
Government grant	13	408,778	429,550
Other liabilities and charges	14	14,678,822	13,246,315
Total non-current liabilities		32,398,293	35,411,922
Current liabilities			
Trade and other payables	15	6,605,541	7,597,066
Borrowings	11	4,214,971	2,017,284
Government grant	13	2,772	2,772
Total current liabilities		10,823,284	9,617,122
Total equity and liabilities		95,148,510	92,817,501

These consolidated financial statements were approved by the Board of Directors on 7th FEBRUARY 2013 and signed on its behalf by:

....
Managing Director & Chief Executive Officer

....
Chairman

....
Chief Financial Officer

....
Director

The notes on pages 7 to 38 form an integral part of these consolidated financial statements.

Dubai Electricity and Water Authority

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2012 AED'000	2011 AED'000
Revenue	16	15,714,673	14,704,045
Cost of sales	17	(9,110,399)	(8,397,749)
Gross profit		6,604,274	6,306,296
Other income	20	594,624	618,785
Administrative expenses	18	(949,108)	(726,661)
Operating profit		6,249,790	6,198,420
Finance income		8,259	85,926
Finance costs		(1,607,215)	(1,910,223)
Finance costs – net	21	(1,598,956)	(1,824,297)
Profit for the year		4,650,834	4,374,123
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		4,650,834	4,374,123
Profit for the year and total comprehensive income for the year attributable to			
- Government of Dubai		4,595,705	4,337,504
- Non-controlling interests		55,129	36,619
Profit and total comprehensive income for the year		4,650,834	4,374,123

The notes on pages 7 to 38 form an integral part of these consolidated financial statements.

Dubai Electricity and Water Authority

Consolidated statement of changes in equity

	Government of Dubai account AED'000	General reserve AED'000	Retained earnings AED'000	Non-controlling interests AED'000	Total AED'000
At 1 January 2011	29,448,511	14,322,716	-	419,602	44,190,829
Profit for the year	-	-	4,337,504	36,619	4,374,123
Transfer to general reserve	-	3,492,407	(3,492,407)	-	-
Transfer to Government of Dubai account*	845,097	-	(845,097)	-	-
Other movements during the year	(845,097)	-	-	-	(845,097)
Capital contribution by Government of Dubai – value of land	43,602	-	-	-	43,602
Transactions with non-controlling interests	-	-	-	25,000	25,000
At 31 December 2011	29,492,113	17,815,123	-	481,221	47,788,457
At 1 January 2012	29,492,113	17,815,123	-	481,221	47,788,457
Profit for the year	-	-	4,595,705	55,129	4,650,834
Transfer to general reserve	-	3,755,493	(3,755,493)	-	-
Transfer to Government of Dubai account*	840,212	-	(840,212)	-	-
Other movements during the year	(840,212)	-	-	-	(840,212)
Capital contribution by Government of Dubai – value of land (net)	325,404	-	-	-	325,404
Transactions with non-controlling interests	-	-	-	2,450	2,450
At 31 December 2012	29,817,517	21,570,616	-	538,800	51,926,933

*The Authority transfers an amount to the Government of Dubai account, as an appropriation of retained earnings, which is equivalent to the amount owed by the Government of Dubai to the Authority.

Dubai Electricity and Water Authority

Consolidated statement of cash flows

	Notes	Year ended 31 December 2012 AED'000	2011 AED'000
Cash flows from operating activities			
Cash generated from operations	22	7,490,967	7,396,291
Cash flows from investing activities			
Purchase of property, plant and equipment, net of movement in retentions, trade payables for capital projects and adjustments	5,14,15	(3,649,854)	(4,988,512)
Proceeds from disposal of property, plant and equipment	5,20	415	18,906
Purchase of intangibles		(1,069)	(6,071)
Investment in a joint venture		-	(3,020)
Interest received		8,030	124,299
Net cash used in investing activities		(3,642,478)	(4,854,398)
Cash flows from financing activities			
Capital contribution from non-controlling interests		2,450	25,000
Proceeds from term loans		593,650	1,608,843
Repayment of term loans		(2,546,820)	(9,775,256)
Fixed Deposit with maturity of more than three months		-	406,045
Interest paid		(1,523,205)	(1,913,930)
Net cash used in from financing activities		(3,473,925)	(9,649,298)
Net increase / (decrease) in cash and cash equivalents		374,564	(7,107,405)
Cash and cash equivalents, beginning of the year		241,201	7,348,606
Cash and cash equivalents, end of the year	10	615,765	241,201

Dubai Electricity and Water Authority

Notes to the consolidated financial statements for the year ended 31 December 2012

1 Establishment and operations

Dubai Electricity and Water Authority ("DEWA" or "the Authority") was incorporated on 1 January 1992 in the Emirate of Dubai by a decree ("the Original Decree") issued by H.H., the Ruler of Dubai, effective 1 January 1992, as an independent public authority having the status of a body corporate, and financially and administratively independent from the Government.

In accordance with the Original Decree, all rights, property and assets of Dubai Electricity Company ("the Company") and Dubai Water Department ("the Department") belonging to the Government, were vested in the Authority, and the Authority was held responsible for all liabilities and debts of the Company and the Department, of any kind whatsoever. Together, the Company and the Department formed DEWA from the effective date of the original decree.

The Authority is wholly owned by the Government of Dubai. The principal activities of the Authority, in accordance with the Original Decree and Decree No. 13 of 1999 which amended some of the provisions of the Original Decree, comprise water desalination and distribution and the generation, transmission and distribution of electricity, throughout the Emirate of Dubai. The registered address of the Authority is P.O. Box 564, Dubai, United Arab Emirates.

Emirates Central Cooling Systems Corporation ("EMPOWER") was established on 23 November 2003 as a corporate entity in accordance with Article 3 of Law No. (10) "Emirates Central Cooling Systems Corporation Incorporation Law for the year 2003" and commenced commercial operations on 15 February 2004. EMPOWER was initially established as a joint venture between the Authority and the Technology Electronic Commerce and Media Free Zone ("TECOM"). On 23 November 2009, the Authority acquired the majority shareholding of EMPOWER.

The principal activities of EMPOWER are provision of district cooling services by acquisition, management, operation and maintenance of central cooling plants and related distribution networks. The registered address of EMPOWER is PO Box 8081, Dubai Health Care City, Dubai, United Arab Emirates.

Empower Logstor LLC is registered as a limited liability company under UAE Federal Law No. (8) of 1984, as amended. Its principal activity is manufacturing of pre-insulated pipes, mainly for district cooling. The Authority has acquired significant control in Empower Logstor LLC through EMPOWER.

In 2011, the Authority and EMPOWER incorporated a joint venture named Utility Management Company (L.L.C) ("UMC"). The principal activity of which is the operation and maintenance of district cooling services, desalination and sewage treatment plant operations and maintenance.

In 2009, the Authority invested in a 25% equity stake in Ducab HV Cable Systems("Ducab HV"), established by Law No. (17) of the year issued by His highness, The ruler of Dubai. In 2010 the Authority invested an additional AED 25 million in Ducab HV.

1 Establishment and operations (continued)

The Authority has incorporated special purpose entities ("SPE") for the purpose of facilitating its borrowings programme. In 2007, the Authority incorporated a SPE named Thor Assets Purchase Company Limited in the Cayman Islands for the purpose of its securitisation programme. In 2008, the Authority incorporated a SPE named DEWA Funding Limited in the Cayman Islands for the purpose of its Sukuk bonds issue and listing of the bonds in Dubai International Financial Exchange ("DIFX"). As the SPEs are incorporated for the benefit of the Authority, they are consolidated in the financial statements of the Authority. On 26 October, 2011 the Authority incorporated a SPE named Thor II Asset Purchase Company Limited in the Cayman Islands for the purpose of its securitisation programme.

DEWA, its subsidiaries and SPE's are collectively referred to as "the Group".

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention in accordance with Internationally Acceptable Accounting Principles ("DEWA GAAP").

The preparation of these financial statements in conformity with DEWA GAAP requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions require management to exercise its judgement in the process of applying the Group's accounting policies. Where such judgements are made, they are indicated within the accounting polices below. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Authority has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Authority controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Authority. They are de-consolidated from the date that control ceases. The Authority applies the acquisition method of accounting to account for business combinations.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Authority.

The principal subsidiaries that are consolidated in these financial statements are as follows:

	Country of Incorporation	Effective % of Holding
Emirates Central Cooling Systems Corporation	UAE	70%
Empower Logstor LLC	UAE	67.90%
Utilities Management Company	UAE	85%

EMPOWER has 97% equity stake in Empower Logstor LLC. The Authority has significant control in Empower Logstor LLC through EMPOWER while the beneficial interest is 67.90%. Hence, Empower Logstor LLC is consolidated in these consolidated financial statements.

(b) Transactions with non-controlling interests

The Authority applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Authority.

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment

Property, plant and equipment, other than land and capital work in progress, are stated at historical cost less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Cost of assets acquired under contracts is reduced by the amount of any liquidated damages recovered on the purchase of such assets during the year.

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, or to improve its operational performance is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced asset is subsequently derecognised.

Cost of other repairs and renewals are charged to the statement of comprehensive income as incurred. Expenditure to improve safety or in order to meet increased regulatory standards is also capitalised. Expenditure on major inspection and overhauls of production plant is capitalised, within other plant and equipment, when it meets the asset recognition criteria and is depreciated over the period until the next outage. All other repair and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Generation and desalination plants, supply lines and substation equipment are capitalised from the date noted on the take-over certificate issued by an independent consulting or supervising engineer on the specific project, after satisfactory completion of trial and reliability runs.

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Group's policies.

Land is not depreciated. Depreciation is calculated using the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their estimated useful lives. The useful lives of property, plant and equipment are as follows:

Description	**Years**
Buildings	10 to 30 years
Generation and desalination plants	10 to 30 years
Transmission and distribution networks	30 years
Others	2 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

Gains and losses on disposals are included in operating profit and determined as the difference between proceeds and asset's carrying amount.

2.4 Intangible assets

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight line method over their estimated useful lives (3 to 5 years). Costs directly associated with the development of computer software programmes that are expected to generate economic benefits over a period in excess of one year are also capitalised and amortised over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.5 Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease.

2.6 Research costs

Expenditure on research activities is written off to the statement of comprehensive income in the year in which it is incurred. Other than software development noted above, the Group does not carry out any other development activity that would give rise to an intangible asset.

2.7 Investment in joint ventures

A joint venture is an entity jointly controlled by two or more parties by means of contractual arrangement. The results of operations, assets and liabilities of the Authority's joint ventures are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held for sale. Under the equity method, investments in jointly controlled entities are carried at cost plus subsequent changes in the Authority's share of net assets of the jointly controlled entity, net of any accumulated impairment losses.

The consolidated statement of comprehensive income reflects the Authority's share of the results of operations of the jointly controlled entity (based on the equity method). Losses of a joint venture in excess of the Authority's interest in that joint venture are not recognised unless the Authority has a legal or constructive obligation to fund those losses.

2 Summary of significant accounting policies (continued)

2.8 Inventories

Inventories comprise of consumables and repair spares, operating stock of fuel and goods in transit.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises of direct materials, and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade receivables

Trade receivables are recognised initially at fair value, which is the original invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within administrative expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the statement of comprehensive income.

2.10 Advance received for new connections and security deposits

(a) New Connections

The Authority receives the advances from customers in respect of construction and installation of equipment at customer's project site. These advances are received on the basis of an estimate of total expense to be incurred on the respective jobs and will be recognised as deferred revenue to the extent of cost incurred by the Authority on the respective jobs.

(b) Security Deposits

The Authority receives security deposits against the new electricity and water consumer accounts. These deposits are refunded only at the time of disconnection.

2 Summary of significant accounting policies (continued)

2.11 Deferred revenue

(a) New Connections

Deferred revenue represents amounts billed to customers towards costs incurred to provide them with new connections. Deferred revenue on new connections is credited to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful life of the related assets.

(b) Inventory

Deferred revenue represents the fair value of inventory received free of cost on release of future contractual rights. Deferred revenue on inventories is credited to the consolidated statement of comprehensive income when the inventory is consumed.

2.12 Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions on the instrument.

2.13 Derivative financial instruments

Derivative financial instruments are accounted on a cash basis.

2.14 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash and cheques on hand, current and call accounts with the banks and deposits held with banks with original maturities of three months or less excluding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2 Summary of significant accounting policies (continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Since 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately.

2.17 Retirement benefit obligations

(a) Pension obligations

Prior to 1 January 2003, the Authority operated a defined benefit pension scheme to provide benefits to eligible UAE national employees. The cost of providing pensions was charged to the statement of comprehensive income on the basis of actuarial advice. Actuarial valuations are performed every three years and any resultant difference is charged to the statement of comprehensive income.

Effective 1 January 2003, the Authority joined the pension scheme operated by the Federal Pension General and Social Security Authority. The contributions for eligible UAE National employees are made in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law and charged to the statement of comprehensive income.

(b) Other post-employment obligations

A provision is made for the full amount of end of service benefits, using actuarial techniques, due to expatriate employees in accordance with the Dubai Government Human Resource Management Law No. (220) 2006 for their period of service up to the balance sheet date. This provision is disclosed under non-current liabilities. Actuarial valuations are performed every three years and any resultant difference is charged to the statement of comprehensive income.

(c) Accrual for staff benefits

Accrual for staff benefits comprise of annual leave entitlement. A provision is made for the estimated liability for annual leave for services rendered by eligible employees as at the balance sheet date. This provision is disclosed as a current liability within other payables.

2 Summary of significant accounting policies (continued)

2.18 Trade payables

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

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, that has been reliably measured, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the Group's best estimate of the outflow of resources required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services provided in the ordinary course of business, net of discounts and rebates.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates to recognise revenue on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Electricity and water supply

Revenue from the supply of electricity and water is recognised on the basis of electricity and water supplied during the period on an accruals basis with reference to meter readings of electricity and water supplied. A management estimate is included for the value of units supplied to customers between the date of their last meter reading and the accounting period end. The estimate is calculated using historical consumption patterns and is included in trade receivables.

The additional cost incurred on the fuel compared to the cost incurred in 2010 is billed to the customers as fuel surcharge.

Other revenue includes income from new connections which is recognised on completion of the installation of the necessary equipment for the supply of electricity and water.

(b) Meter rental

Meter rental income is recognised on a time proportion basis over the period during which the meter is provided to the customer.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2 Summary of significant accounting policies (continued)

2.21 Foreign currencies

(a) Functional and presentation currency

Items included in these consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirham ('AED'), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2.22 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially measured at fair value and carried at amortised cost less provision for impairment. The amortised cost is computed using the effective interest method. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprises of 'trade and other receivables' and 'cash and bank balances'.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group's foreign currency exposure arises mainly from borrowings made in Euro.As at 31 December 2012, if the AED had weakened/strengthened by 1% against Euro with all other variables held constant, the profit for the year would have been higher/lower by AED 21 million (2011: AED 20 million). Foreign exchange risk also arises from future commercial transactions and recognised assets and liabilities in foreign currencies. To manage this foreign exchange risk, the Group either purchases the relevant foreign currency or enters into forward exchange contracts.

(ii) *Price risk*

The Group has no exposure to equity securities price risk as the Group holds no such investments. The Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The interest bearing assets of the Group include bank deposits which are exposed to interest rate risk earned on these. The interest rates on these deposits range from 0.5% to 2% (2011: 0.50% to 5.07%) per annum, for periods of one week or more (2011: one week or more).

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to the customers, including outstanding receivables and committed transactions.

The Group has a wide customer base in the Emirate of Dubai with no significant concentration of credit risk in relation to consumer and other receivables. The cash deposits are held with local and international banks of strong credit ratings and therefore does not expose to any credit risk.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statement of financial position.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitors a rolling forecast of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents on the basis of the Group's expected cash flows).

Summarised below is the maturity profile of financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows representing principal amounts.

	Less than 1 year AED'000	2 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2012				
Borrowings	4,232,643	9,940,074	7,197,177	21,369,894
Trade and other payables*	5,895,225	1,452,508	-	7,347,733
	10,127,868	11,392,582	7,197,177	28,717,627
2011				
Borrowings	2,040,681	14,593,238	7,041,756	23,675,675
Trade and other payables*	6,473,329	1,381,016	-	7,854,345
	8,514,010	15,974,254	7,041,756	31,530,020

* Deferred borrowing costs, advances for new connections, discount factor of retention, security deposits, retirement benefit obligations and deferred revenue are non-financial liabilities.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide adequate returns to its owners and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The net debt to total capital at the reporting date was as follows:

	2012 AED'000	2011 AED'000
Borrowings (Note 11)	21,369,894	23,675,675
Less: Cash and cash equivalents (Note 10)	(768,353)	(768,979)
Net debt	20,601,541	22,906,696
Total equity	51,926,933	47,788,457
Total capital	72,528,474	70,695,153
Net debt to total capital ratio	28.40%	32.40%

3.3 Fair value estimation

All financial assets and liabilities, except derivative financial instruments, are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or amortised cost, as the case may be.

The carrying value of financial assets and financial liabilities approximates their fair value.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future, and other key sources of estimating uncertainty at the balance sheet date, 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:

(a) Revenue recognition – unread electricity and water meters

Revenue for electricity and water supply activities includes an assessment of electricity and water supplied to customers between the date of the last meter reading and the year end (unread). Unread electricity and water supplied is estimated by using historical consumption patterns by customer. Management applies judgement to the measurement of the estimated electricity and water supplied to customers and to the valuation of that electricity and water consumption. The judgements applied, and the assumptions underpinning these judgements are considered to be appropriate. However, a change in these assumptions would impact the amount of revenue recognised.

5 Property, plant and equipment

	Land and buildings AED'000	Generation and desalination plants AED'000	Transmission and distribution networks AED'000	Other equipment and assets AED'000	Capital work in progress AED'000	Total AED'000
At 31 December 2010						
Cost or valuation	24,705,583	21,511,896	27,630,303	2,151,012	23,747,135	99,745,929
Accumulated depreciation	(1,436,822)	(8,266,399)	(7,323,910)	(841,031)	-	(17,868,162)
Net book amount	23,268,761	13,245,497	20,306,393	1,309,981	23,747,135	81,877,767
Year ended 31 December 2011						
Opening net book amount	23,268,761	13,245,497	20,306,393	1,309,981	23,747,135	81,877,767
Additions	51,925	1,012,627	434,374	84,500	4,416,072	5,999,498
Transfers	96,622	8,211,484	3,465,635	17,631	(11,791,372)	-
Net disposals	-	(13,527)	(56,844)	(155)	-	(70,526)
Depreciation charge	(90,264)	(1,086,408)	(865,543)	(118,041)	-	(2,160,256)
Closing net book amount	23,327,044	21,369,673	23,284,015	1,293,916	16,371,835	85,646,483
At 31 December 2011						
Cost or valuation	24,854,130	30,722,480	31,456,861	2,241,614	16,371,835	105,646,920
Accumulated depreciation	(1,527,086)	(9,352,807)	(8,172,846)	(947,698)	-	(20,000,437)
Net book amount	23,327,044	21,369,673	23,284,015	1,293,916	16,371,835	85,646,483
Year ended 31 December 2012						
Opening net book amount	23,327,044	21,369,673	23,284,015	1,293,916	16,371,835	85,646,483
Additions	309,468	195,953	926,946	78,134	3,099,924	4,610,425
Transfers	75,717	2,701,306	3,262,545	37,696	(6,077,264)	-
Net disposals		-	(767)	(152)	-	(919)
Depreciation charge	(91,595)	(1,056,849)	(1,303,329)	(76,410)	-	(2,528,183)
Closing net book amount	23,620,634	23,210,083	26,169,410	1,333,184	13,394,495	87,727,806
At 31 December 2012						
Cost or valuation	25,239,315	33,619,739	35,637,637	2,361,545	13,394,495	110,252,731
Accumulated depreciation	(1,618,681)	(10,409,656)	(9,468,227)	(1,028,361)	-	(22,524,925)
Net book amount	23,620,634	23,210,083	26,169,410	1,333,184	13,394,495	87,727,806

5 Property, plant and equipment (continued)

a) The Authority has an interest in jointly controlled assets pertaining to the Emirates National Grid Corporation ("ENGC"). The Authority's share in the carrying amount of ENGC's net assets as at 31 December 2012 is AED 241 million (2011: AED 241 million) and is included under transmission and distribution networks.

b) During 2008, by way of Decree issued by H.H., the Ruler of Dubai, all existing land held by the Authority was transferred to the Authority and is considered as its assets. Any future land to be held by the Authority will also be transferred to the name of the Authority. Based on the decree, up to 31 December 2012, the Authority has capitalised certain plots of land amounting to AED 21,256 million (31 December 2011: AED 20,953 million), on the basis of valuations obtained from the Land Department of Dubai and the same amount is treated as a capital contribution by the Government of Dubai. The total number of plots valued up to 31 December 2012 was 2,666 comprising a total of 72.93 million Sq.m (2011: 3,494 plots comprising a total of 31.90 million Sq.m) out of a total estimated 3,137 plots totalling 73.13 million sq.m. Capitalisation of the remaining plots of land is pending renewal of site affection plans and subsequent valuations from the Land Department of Dubai. As at the year end, the Authority was in the process of obtaining the title deeds of the plots of land which have been capitalised and for the remaining plots, the process will be undertaken based on renewal of site affection plans and valuations.

c) The carrying value of property, plant and equipment, pledged as collateral on borrowings, amounts to AED 4,635 million (2011: AED 4,635 million) (Note 11).

d) Capital work in progress as at 31 December 2012 mainly comprises construction of additional electricity generation and water desalination facilities and distribution networks.

e) During the year, the Authority capitalised interest costs relating to specific borrowings on construction of capital projects of AED 71 million (2011: AED 87 million). Further, deferred borrowing costs of AED 20 million (2011: 22 million) have also been capitalised.

6 Intangible assets

	Computer software AED'000
At 31 December 2010	
Cost	33,330
Accumulated amortisation	(13,766)
Net book amount	19,564
Year ended 31 December 2011	
Opening net book amount	19,564
Additions	6,071
Amortisation charge	(5,814)
Closing net book amount	19,821
At 31 December 2011	
Cost	39,401
Accumulated amortisation	(19,580)
Net book amount	19,821
Year ended 31 December 2012	
Opening net book amount	19,821
Additions	1,069
Amortisation charge	(7,301)
Closing net book amount	13,589
At 31 December 2012	
Cost	40,470
Accumulated amortisation	(26,881)
Net book amount	13,589

7 Investment in joint ventures

	2012 AED'000	2011 AED'000
At 1 January	53,020	50,000
Additions during the year	-	3,020
As at 31 December	53,020	53,020

8 Trade and other receivables

	2012 AED'000	2011 AED'000
Consumer receivables	3,189,371	3,043,950
Less: provision for impairment of receivables	(96,004)	(83,240)
Consumer receivables – net	3,093,367	2,960,710
Other receivables and advances	272,550	296,564
Loan to suppliers	-	63,625
Due from related parties	163,179	181,490
Prepayments	19,779	12,545
	3,548,875	3,514,934

8 Trade and other receivables (continued)

As at 31 December 2012, trade receivables of AED 1,329 million (2011: AED 1,160 million) were fully performing. Trade receivables of AED 1,569 million (2011: AED 1,642 million) were past due but not impaired. These balances relate to a number of independent customers for whom there is no history of default. Trade receivables which are past due by more than 12 months are considered for impairment and are reviewed by management and provided for accordingly. The ageing analysis of trade receivables along with the respective provision for impairment is as follows:

	2012 AED'000	2011 AED'000
Fully performing – up to 30 days	1,329,593	1,160,306
Past due - 1 to 6 months	1,093,614	933,800
Past due - 6 to 12 months	475,375	708,193
Past due - above 12 months	194,785	158,411
Impaired receivables more than 12 months	96,004	83,240
	3,189,371	3,043,950

Movement in the provision for impairment of trade receivables are as follows:

	2012 AED'000	2011 AED'000
At 1 January	83,240	55,666
Charge for the year	12,764	27,574
At 31 December	96,004	83,240

The other classes within trade and other receivables do not contain impaired assets.

The receivables amounting to AED 124 million (2011: 204 million) are pledged as collateral security under the securitisation programme (Note 11).

The carrying amount of the Group's trade and other receivables are primarily denominated in AED and approximates its fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group holds security deposits of AED 1,339 million (2011: AED 1,200 million) as collateral against consumer receivables.

9 Inventories

	2012 AED'000	2011 AED'000
Consumables and repair spares	2,255,968	2,125,494
Less: provision for slow moving and obsolete inventory	(255,767)	(183,604)
	2,000,201	1,941,890
Fuel	672,219	638,210
Goods in transit	364,447	234,164
	3,036,867	2,814,264

The cost of inventory recognised as expense and included in the cost of sales amounts to AED 272 million (2011: AED 229 million).Impairment charge of AED 72 million (2011: AED 5.8 million) is charged to administrative expenses.

10 Cash and cash equivalents

	2012 AED'000	2011 AED'000
Term deposits with banks	367,234	469,985
Current and call accounts with banks	400,629	298,494
Cash and cheques on hand	490	500
	768,353	768,979
Less:		
Bank overdraft (Note 11)	(152,588)	(527,778)
Cash and cash equivalents for statement of cash flows	615,765	241,201

Current / call accounts with banks include AED 7 million (2011: AED 18 million) in foreign currencies held for settlement of existing and anticipated liabilities denominated in foreign currencies.

Cash at bank in current/call accounts and term deposits are held with reputed local and international banks.

11 Borrowings

	2012 AED'000	2011 AED'000
Non-current		
GMTN Loan	11,019,000	11,019,000
Securitisation of receivables	3,122,435	4,168,886
Export Credit Agency loans ("ECA")	2,644,456	2,694,694
Syndication loan	351,360	518,695
Other loans	-	33,719
Sukuk bond	-	3,200,000
Less: Deferred borrowing cost	(195,251)	(227,188)
	16,942,000	21,407,806
Current		
Sukuk bond	3,200,000	-
Securitisation of receivables	413,213	1,045,892
Export Credit Agency loans	289,521	265,971
Bank overdrafts (Note 10)	152,588	527,778
Syndication loan	167,321	167,321
Other loans	10,000	33,719
Less: Deferred borrowing cost	(17,672)	(23,397)
	4,214,971	2,017,284
	21,156,971	23,425,090

Borrowings are denominated in the following currencies:

	2012 AED'000	2011 AED'000
US Dollars	15,943,934	17,157,312
UAE dirham	3,218,722	4,230,647
Euro	1,994,315	2,037,131
	21,156,971	23,425,090

11 Borrowings (continued)

(i) GMTN loan

In 2010, DEWA set up a Global Medium Term Note programme for an amount of USD 3 billion (AED 11.02 billion). On 22 April 2010, DEWA issued notes amounting to USD 1 billion (AED 3.673 billion) which will be due for repayment in 2015. On 21 October 2010, DEWA issued notes amounting to USD 0.5 billion (AED 1.836 billion) repayable in 2016 and USD 1.5 billion (AED 5.51 billion) repayable in 2020. The notes carry a fixed interest rate.

(ii) Securitisation of receivables

In 2007, the Authority established a USD 4 billion (AED 14.69 billion) 29 year commercial paper securitisation programme ("the programme"), pursuant to which it has sold and undertaken to assign utility receivables resulting from certain identified customer accounts to a SPE, to fund the Authority's expanding capital expenditures programme. As part of the structure, the Authority holds a seller note issued by the SPE which entitles the Authority to receive part of the collections from the sold and transferred receivables during the first nine years of the transaction. The first nine years represent interest payments on the principal amount. The remaining period until maturity comprises repayment of both principal and interest.

Pursuant to certain amendments initiated by the Authority and agreed by the lenders on 11 July 2011, the entire principal amount is now repayable in 5 equal annual instalments starting from 2011. During 2012, the Authority repaid USD 535 million (AED 1,965 million) under the programme (2011: USD 268 million (AED 982 million)). In January 2013, the Authority pre paid the last instalment amounting to USD 268 million (AED 982 million) under the same programme.

The programme bears an interest rate calculated on the basis of the conduit banks' monthly commercial paper interest rate plus a fixed margin. At 31 December 2012, the carrying amount of the assigned receivables that has been pledged as collateral amounts to AED 83 million (2011: AED 160 million).

In October 2011, the Authority entered into another securitization program, pursuant to which it has sold and undertaken to assign utility receivables resulting from certain identified customer accounts to SPE, to fund the Authority's capital expenditure programme. The Authority received loans of USD 350 million (AED 1,286 million) during 2011 and USD 100 million (AED 367 million) during 2012. The loan is repayable in equal monthly instalments and bears interest at one month LIBOR plus a fixed margin.

At 31 December 2012, the carrying amount of assigned receivables that has been pledged as collateral amounted to AED 41 million (2011: AED 44 million)

Under the securitisation program USD 113 million (AED 413 million) is repayable in 2013.

11 Borrowings (continued)

(iii) Export credit agency loan

On 14 May 2009, the Authority entered into a framework agreement, with a consortium of banks and export credit agencies to finance certain eligible capital expenditure. The facility is for an aggregate amount of USD 1 billion (AED 3.673 billion) with a tenure of 13 years. Up to 31 December 2012, the Authority had received an amount of USD 301 million (AED 1,106 million) and EUR 488 million (AED 2,345 million) under the facility. The facility carries interest at LIBOR/EURIBOR plus a fixed margin and is repayable in 24 equal instalments, after six months from the commencement of credit.

On 27 March 2012, the Authority entered into another framework agreement, with a consortium of banks and export credit agencies to finance certain eligible capital expenditure. The facility is for an aggregate amount of USD 500 million (AED 1.387 billion) with a tenure of 13 years. Up to 31 December 2012, the Authority had received an amount of EUR 31 million (AED 145 million) under the facility. The facility carries interest at EURIBOR plus a fixed margin and is repayable in 24 equal instalments, after six months from the commencement of credit.

Under the ECA loan, USD 25 million (AED 92 million) and EUR 41 million (AED 197 million) is repayable during 2013.

(iv) Syndication loan

On 6 December 2010, EMPOWER refinanced a three year syndicated revolving facility amounting to AED 642.8 million with a long term syndication loan with a tenure of 5 years, which will be amortised over the tenure of 5 years starting from December, 2011 until December, 2015. In 2012 EMPOWER repaid USD 45 million (AED 167 million). The loan is a conventional loan facility which carries an interest rate at LIBOR plus a fixed margin.

(v) Others

Others comprise loans which are repayable over two to five years. These loans bear an interest rate of three months EIBOR/DIBOR plus margin.

(vi) Sukuk bond

On 16 September 2008, the Authority received an amount of AED 3.2 billion from DEWA Funding Ltd ("DFL"), a SPE funded through trust certificates that are listed on the Dubai Stock Exchange ("DIFX"). The trust certificates were issued by way of a Shari'a compliant Ijara (sale and leaseback of certain fixed assets owned by the Authority aggregating to AED 4.6 billion) agreement between DEWA and DFL. The total lease period is 5 years and carries varying lease rental for each lease period at EIBOR plus a fixed margin payable semi annually. The carrying value of property, plant and equipment, pledged as collateral on Sukuk bond, amounts to AED 4,635 million (2011: AED 4,635 million) (Note 5).

11 Borrowings (continued)

(vii) Overdraft
The bank overdraft of AED 152 million carries an interest rate of EIBOR/LIBOR/EURIBOR plus an increasing margin based on the outstanding overdraft amount. (Note 10)

Interest rate risk exposure

In 2007, the Authority entered into interest rate swap contracts with notional amounts aggregating to AED 5.51 billion. In 2008 the contracts were restructured to a notional value aggregating to AED 5.55 billion to give quarterly/semi annual interest settlements linked to 3/6 month USD LIBOR and other variable swap rate resets. In 2009, the contracts were further restructured to align with changes in the market and have semi annual settlement terms linked to 3/6 months USD LIBOR and other variable swap rate resets. As at 31 December 2012, the interest rate swap contracts had a negative fair value of AED 877 million (2011: AED 1,156 million) which the Authority will endeavour to mitigate in future by monitoring and renegotiating the swap contracts, if so necessitated by market conditions, on terms to be mutually agreed by the individual counter parties.

12 Retirement benefit obligations

	2012 AED'000	2011 AED'000
Non-current	368,693	328,251
Current (Note 15)	7,159	5,945
	375,852	334,196
Provision for employees' end of service benefits (Note 12.1)	346,561	302,673
Provision for pension (Note 12.2)	29,291	31,523
	375,852	334,196

12 Retirement benefit obligations (continued)

12.1 Provision for end of service benefits

In 2010 an actuarial valuation was performed to ascertain the present value of the obligation relating to the end of service benefits payable to expatriate employees in accordance with the Dubai Government Human Resources Management Law No. 220 of 2006. The principal actuarial assumptions used were as follows:

- expected salary increase to be 4% per annum
- the average rate of mortality and withdrawal is not significantly different from the trends noted at the valuation date.

The actuarial valuation indicated that the present value of the existing obligation for the end of service benefits was not significantly different from the provision existing at the valuation date.

Movements in the provision for end of service benefits are analysed below:

	2012 AED'000	2011 AED'000
At 1 January	302,673	278,182
Provision made during the year (Note 19)	56,320	48,734
Payments made during the year	(12,432)	(24,243)
At 31 December	346,561	302,673

12.2 Provision for pension

On 1 January 2003, the Authority joined the Federal General Pension and Social Security fund. Effective from that date, pension contributions for eligible UAE National employees are made in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law.

For eligible employees who resigned before 31 December 2002, the Authority funds the pension cost based on the previous defined pension plan scheme.

In 2010 an actuarial valuation was performed to ascertain the present value of the obligation relating to the pension cost for the eligible employees who resigned before 31 December 2002.

12 Retirement benefit obligations (continued)

12.2 Provision for pension (continued)

Movements in the provision for the pension are analysed below:

	2012 AED'000	2011 AED'000
As at 1 January	31,523	34,008
Adjustment for actuarial valuation	-	-
Pensions paid	(2,232)	(2,485)
As at 31 December	29,291	31,523

The above provision includes both past service cost that the Authority has to contribute under the Federal General Pension and Social Security Law and the pension cost for the eligible employees who resigned before 31 December 2002 which the Authority contributed based on the previous defined pension plan scheme.

13 Government grant

	2012 AED'000	2011 AED'000
At 1 January	432,322	435,094
Released during the year	(20,772)	(2,772)
At 31 December	411,550	432,322
Less: current portion	(2,772)	(2,772)
Non-current portion	408,778	429,550

Government grant is recognized as income over the useful life of plant constructed on granted land.

14 Other liabilities and charges

	2012 AED'000	2011 AED'000
Advance for new connections	6,461,411	6,403,233
Deferred revenue	5,791,950	4,598,440
Retentions payable – non-current	1,343,914	1,272,422
Consumer security deposits (Note 15)	1,081,547	972,220
	14,678,822	13,246,315

15 Trade and other payables

	2012 AED'000	2011 AED'000
Retentions payable - current	2,218,379	2,862,441
Capital projects payables and accruals	1,337,944	1,578,732
Trade payables	1,068,325	1,093,441
Advances for new connections	717,935	711,472
Consumers' security deposits – current	257,125	227,633
Deferred revenue	226,545	178,677
Accrual for staff benefits	57,146	33,280
Due to related parties	3,764	3,737
Provision for pension	7,159	5,945
Other payables	711,219	901,708
	6,605,541	7,597,066

Movement in consumers' security deposits is analysed below:

	2012 AED'000	2011 AED'000
At 1 January	1,199,853	1,062,780
Net deposits received during the year	138,819	137,073
At 31 December	1,338,672	1,199,853
Less: Consumers' security deposits - current	(257,125)	(227,633)
Consumers' security deposits - non current	1,081,547	972,220

16 Revenue

Electricity	11,561,625	10,930,582
Water	3,451,246	3,103,939
District cooling charges	701,802	669,524
	15,714,673	14,704,045

	2012 AED'000	2011 AED'000

17 Cost of sales

	2012 AED'000	2011 AED'000
Purchase of water	28,813	27,270
Generation and desalination expenditure (Note 17.1)	7,206,194	6,655,333
Transmission and distribution expenditure (Note 17.2)	1,875,392	1,715,146
	9,110,399	8,397,749

17.1 Generation and desalination expenditure

	2012 AED'000	2011 AED'000
Fuel costs	5,345,189	4,975,324
Depreciation (Note 5)	1,312,204	1,118,650
Staff costs (Note 19)	337,617	327,817
Repairs and maintenance	160,967	157,968
Others	50,217	75,574
	7,206,194	6,655,333

17.2 Transmission and distribution expenditure

	2012 AED'000	2011 AED'000
Depreciation (Note 5)	1,189,477	1,027,417
Staff costs (Note 19)	603,086	597,267
Repairs and maintenance	55,132	71,493
Others	27,697	18,969
	1,875,392	1,715,146

18 Administrative expenses

	2012 AED'000	2011 AED'000
Staff costs (Note 19)	581,962	461,296
Insurance	39,981	38,880
Depreciation (Note 5)	26,502	14,189
Amortization (Note 6)	7,301	5,814
Provision for slow moving and obsolete inventory	72,163	5,753
Repairs and maintenance	56,223	22,489
Others	164,976	178,240
	949,108	726,661

19 Staff costs

	2012 AED'000	2011 AED'000
Salaries	1,163,375	1,063,702
Bonus	66,700	62,700
Employees' end of service indemnity (Note 12)	56,320	48,734
Other benefits	236,270	211,244
	1,522,665	1,386,380

In addition to the above costs, eligible employees of the Authority are provided with free electricity and water in accordance with their employment contracts.

20 Other income

	2012 AED'000	2011 AED'000
Amortisation of deferred income	225,146	160,894
Net income from consumer installations	148,981	131,633
Meter rental	62,056	57,415
Meter reconnection, testing and service charges	26,875	30,194
Reversal of provision for bonus	-	73,466
Sale of scrap	54,344	27,305
Income from damage claims	4,814	7,324
Profit on disposal of property, plant and equipment	(504)	7,513
Miscellaneous	72,912	123,041
	594,624	618,785

21 Finance costs – net

	2012 AED'000	2011 AED'000
Interest expense:		
- Bank borrowings	(1,163,462)	(1,397,052)
- On settlement of interest rate SWAP deals	(383,118)	(369,767)
- Amortisation of borrowing cost	(38,057)	(101,047)
- Foreign currency translation loss	(22,578)	-
- Amortisation impact of financial liabilities	-	(42,357)
Total finance cost	(1,607,215)	(1,910,223)
Finance income:		
- Foreign currency translation gain	-	9,730
- Interest income on short term bank deposits	8,259	76,196
Total finance income	8,259	85,926
Net finance costs	(1,598,956)	(1,824,297)

22 Cash generated from operations

	Notes	Year ended 31 December 2012 AED'000	2011 AED'000
Cash generated from operations			
Profit for the year		4,650,834	4,374,123
Adjustments for:			
Depreciation	17,18	2,528,183	2,160,256
Amortisation of intangible assets	18	7,301	5,814
Provisions for:			
Slow moving and obsolete inventory	9,18	72,163	5,753
Impairment of receivables	8	12,764	27,574
Employees' end of service benefits	19	56,320	48,734
Exchange loss/(gain) on foreign currency loans	21	22,578	(9,730)
Amortization impact of financial liabilities	21	-	42,357
Interest income	21	(8,259)	(76,196)
Loss/ (profit) on disposal of property, plant and equipment	20	504	(7,513)
Deferred income	20	(225,146)	(160,894)
Interest expenses	21	1,163,462	1,397,052
Amortization of borrowing cost	21	38,057	101,047
Government grant		(2,772)	(2,772)
Interest expense on settlement of swap deals	21	383,118	369,767
Operating cash flows before changes in operating assets and liabilities		8,699,107	8,275,372
Payment of employees' end of service benefits	12.1	(12,432)	(24,243)
Payment of employees' pension plan	12.2	(2,232)	(2,485)
Net consumers' security deposits received during the year	15	138,819	137,073
Movement in Govt. of Dubai Account		(840,212)	(845,097)
Changes in operating assets and liabilities:			
Trade and other receivables before provision for impairment and amounts written off		(46,476)	(147,825)
Inventories before movement in provision		(294,766)	450,289
Trade payable and accruals excluding trade payable for capital projects, retentions, consumers' security deposits and deferred revenue		(150,841)	(446,793)
Cash generated from operations		7,490,967	7,396,291

23 Commitments

	2012 AED'000	2011 AED'000
Future commitments including capital expenditure authorised by the management net of amounts already provided for on continuing projects	4,658,891	5,165,000

24 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	
	2012 AED'000	2011 AED'000
Assets		
Trade and other receivables (excluding prepayments)	3,529,096	3,502,389
Cash and bank balances	768,353	768,979
	4,297,449	4,271,368

	Other financial liabilities	
	2012 AED	2011 AED
Liabilities as per balance sheet		
Trade and other payables (excluding advances for new connections, security deposits, retirement benefit obligations, retention payable and deferred revenue)	7,347,733	7,854,345
Borrowings	21,369,894	23,675,675
	28,717,627	31,530,020

25 Comparatives

The following corresponding figures have been reclassified to conform the current year presentation:

The value of completed consumer jobs, against which deposits from customers have been received, has been classified as part of capital work in progress amounting to AED 1,862,559,000 which was previously offset against advances from new connections as at 31 December 2011.

26 Proposed dividend

A dividend in respect of the year ended 31 December 2012, amounting to AED 500,000,000, has been approved by the Board of Directors at their annual meeting on 7 February 2013. These financial statements do not reflect this dividend payable.