Dubai Electricity and Water Authority

Consolidated financial statements for the year ended 31 December 2014

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

Report on the consolidated 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 2014, 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 consolidated 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 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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)

Report on the consolidated financial statements (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 to the consolidated financial statements.

PricewaterhouseCoopers
8 February 2015

Douglas O' Mahony

Douglas O' Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

Dubai Electricity and Water Authority

Consolidated balance sheet

	Note	As at 31 December 2014 AED'000	2013 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	91,278,468	90,703,439
Intangible assets	6	43,133	21,381
Investment in joint ventures	7	18,015	53,170
Total non-current assets		91,339,616	90,777,990
Current assets			
Trade and other receivables	8	4,109,661	3,895,256
Inventories	9	2,936,754	2,685,665
Short term investments	10	1,341,843	-
Cash and cash equivalents	11	3,550,912	1,325,776
Total current assets		11,939,170	7,906,697
Total assets		103,278,786	98,684,687
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to equity holders			
Government of Dubai account		31,090,622	30,618,789
General reserve		28,949,066	24,831,736
		60,039,688	55,450,525
Non-controlling interests		818,559	728,139
Total equity		60,858,247	56,178,664
LIABILITIES			
Non-current liabilities			
Borrowings	12	14,391,913	18,124,520
Retirement benefit obligations	13	595,807	569,944
Other long term liabilities	14	16,573,554	15,406,968
Total non-current liabilities		31,561,274	34,101,432
Current liabilities			
Trade and other payables	15	6,546,567	7,397,600
Borrowings	12	4,312,698	1,006,991
Total current liabilities		10,859,265	8,404,591
Total liabilities		42,420,539	42,506,023
Total equity and liabilities		103,278,786	98,684,687

These consolidated financial statements were approved by the Board of Directors on 8 February 2015 and signed on its behalf by:

....
Managing Director &
Chief Executive Officer

....
Chairman

....
Chief Financial Officer

....
Director

The notes on pages 7 to 44 form an integral part of these consolidated financial statements.

Dubai Electricity and Water Authority

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2014 AED'000	2013 AED'000
Revenue	16	17,804,659	16,492,106
Cost of sales	17	(10,491,810)	(9,776,667)
Gross profit		7,312,849	6,715,439
Other income	20	706,567	1,091,359
Administrative expenses	18	(1,363,203)	(1,263,543)
Operating profit		6,656,213	6,543,255
Loss from joint ventures	7	(35,155)	-
Finance income		258,376	9,888
Finance costs		(1,399,586)	(1,693,081)
Finance costs – net	21	(1,141,210)	(1,683,193)
Profit for the year		5,479,848	4,860,062
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		5,479,848	4,860,062
Profit and total comprehensive income for the year attributable to			
- Government of Dubai		5,359,428	4,670,723
- Non-controlling interests		120,420	189,339
Profit and total comprehensive income for the year		5,479,848	4,860,062

The notes on pages 7 to 44 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 2013 – as previously stated	29,817,517	21,530,573	-	538,800	51,886,890
Reclassification of government grant (Note 26)	408,778	-	-	-	408,778
At 1 January 2013	30,226,295	21,530,573	-	538,800	52,295,668
Total comprehensive income for the year	-	-	4,670,723	189,309	4,860,062
Transfer to general reserve	-	3,801,163	(3,801,163)	-	-
Transfer to Government of Dubai account*	869,560	-	(869,560)	-	-
Other movements during the year	(869,560)	-	-	-	(869,560)
Capital contribution by Government of Dubai – value of land (net)	392,494	-	-	-	392,494
Dividend paid	-	(500,000)	-	-	(500,000)
At 31 December 2013	30,618,789	24,831,736	-	728,139	56,178,664
At 1 January 2014	30,618,789	24,831,736	-	728,139	56,178,664
Total comprehensive income for the year	-	-	5,359,428	120,420	5,479,848
Transfer to general reserve	-	4,472,654	(4,472,654)	-	-
Transfer to Government of Dubai account*	886,774	144,676	(886,774)	-	144,676
Other movements during the year	(886,774)	-	-	-	(886,774)
Capital contribution by Government of Dubai – value of land (net)	471,833	-	-	-	471,833
Dividend paid	-	(500,000)	-	(30,000)	(530,000)
At 31 December 2014	31,090,622	28,949,066	-	818,559	60,858,247

*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. An amount of AED 144,676,000 represents credit notes received in prior years which remain unapplied as at the year end.

Dubai Electricity and Water Authority

Consolidated statement of cash flows

	Notes	Year ended 31 December 2014 AED'000	2013 AED'000
Cash flows from operating activities			
Cash generated from operations	22	9,224,498	8,760,136
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	(3,027,241)	(3,488,400)
Purchase consideration paid		(853,108)	(183,659)
Proceeds from disposal of property, plant and equipment	5,20	6,921	57,494
Purchase of intangible assets	6	(15,071)	(2,705)
Investment in a joint venture	7	-	(150)
Short term investments	10	(1,341,843)	-
Interest received		24,790	9,929
Net cash used in investing activities		(5,205,552)	(3,607,491)
Cash flows from financing activities			
Proceeds from term loans		1,985,605	6,511,280
Repayment of term loans		(2,165,722)	(9,115,427)
Interest paid		(1,060,977)	(1,493,790)
Dividend paid		(530,000)	(500,000)
Net cash used in financing activities		(1,771,094)	(4,597,937)
Net increase in cash and cash equivalents		2,247,852	554,708
Cash balances acquired through a business combination	25	-	122,065
Cash and cash equivalents, beginning of the year		1,292,538	615,765
Cash and cash equivalents, end of the year	11	3,540,390	1,292,538

The notes on pages 7 to 44 form an integral part of these consolidated financial statements.

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 and control of EMPOWER.

The principal activities of EMPOWER are the 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, 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 control in Empower Logstor LLC through EMPOWER.

Palm Utilities LLC and its subsidiary Palm District Cooling LLC, are registered as limited liability companies under UAE Federal Law No. (8) of 1984, as amended. Its principal activity is providing district cooling services. Effective 1 November 2013, the Authority has acquired control of Palm Utilities LLC and Palm District Cooling LLC through EMPOWER.

1 Establishment and operations (continued)

In 2011, the Authority and EMPOWER incorporated a joint venture named Utility Management Company (L.L.C) ("UMC"). The principal activity of UMC is the operation and maintenance of district cooling services, desalination and sewage treatment plant operations and maintenance. As at 31 December 2014, the Authority has 85% effective interest in UMC (31 December 2013: 85%).

In 2009, the Authority invested in a 25% equity stake in a joint venture company, Ducab HV Cable Systems ("Ducab HV"), established by Law No. (17) of the year issued by H.H. The Ruler of Dubai, amounting to AED 25 million. In 2010, the Authority invested an additional amount of AED 25 million in Ducab HV.

The Authority has incorporated a structured entity for the purpose of facilitating its borrowings programme. In 2007, the Authority incorporated a structured entity named Thor Assets Purchase Company Limited in the Cayman Islands for the purpose of its securitisation programme. The securitisation programme was fully paid off in July 2013 and Thor Assets Purchase Company Limited resultantly was dissolved on 30 April 2014.

In 2008, the Authority incorporated a structured entity named DEWA Funding Limited in the Cayman Islands for the purpose of its Sukuk bonds issue and listing of the bonds on the Dubai International Financial Exchange ("DIFX"). The Sukuk was repaid on 17 June 2013 and DEWA Funding Limited resultantly was dissolved on 10 April 2014.

On 26 October 2011, the Authority incorporated a structured entity named Thor II Asset Purchase Company Limited in the Cayman Islands for the purpose of its securitisation programme. The securitisation programme was fully paid off on 17 October 2013 and Thor II Assets Purchase Company Limited was dissolved on 11 July 2014.

On 22 January 2013, the Authority incorporated a structured entity named DEWA Sukuk 2013 Limited ("DSL") in the Cayman Islands for the purpose of its Sukuk bonds issue and listing of the bonds on Nasdaq Dubai. As the structured entities are incorporated for the benefit of the Authority, they are consolidated in the financial statements of the Authority.

On 19 December 2012, the Authority incorporated a subsidiary named Mai Dubai LLC which is a limited liability company incorporated pursuant to the UAE Federal Law No. (8) of 1984, as amended. The principal activity of the company is to establish and operate a drinking water bottling plant in the UAE.

On 8 April 2013, the Authority incorporated a subsidiary named Al Etihad Energy Service Company LLC ("ESCO") which is a limited liability company incorporated pursuant to the UAE Federal Law No. (8) of 1984, as amended. The principal activity of the company is to provide building energy efficiency services.

DEWA, its subsidiaries, joint arrangements and structured entities 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 consolidated 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 consolidated 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 structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Authority applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value 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.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

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%
Mai Dubai LLC	UAE	99.85%
Utilities Management Company	UAE	85%
Palm Utilities LLC	UAE	70%
Palm District Cooling LLC	UAE	70%
Al Etihad Energy Services Company LLC	UAE	99.85%

EMPOWER has a 97% equity stake in Empower Logstor LLC, a 100% equity stake in Palm Utilities LLC and a 100% equity stake in Palm District Cooling LLC, through Palm Utilities LLC. The Authority has control in these companies through EMPOWER while the beneficial interest is 67.90% in Empower Logstor LLC and 70% in Palm Utilities LLC and Palm District Cooling LLC. Hence, these companies are consolidated in these consolidated financial statements.

The Authority holds a 99% equity stake Mai Dubai LLC, while the remaining 1% of the shares are held by UMC. The Authority has control in Mai Dubai LLC and the beneficial interest is 99.85%.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures and joint operations.

Joint ventures

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Uniform accounting policies are being followed by the joint venture.

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

	Country of incorporation	Effective % of holding
Dubai Carbon Centre of Excellence	UAE	25%
Ducab HV Cable Systems	UAE	25%

Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses.

(c) 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 or to improve its operational performance, that is accounted for separately, 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 consolidated 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 consolidated 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 received from Government of Dubai and is accounted for as a transaction with owners. Land is not depreciated. Depreciation on other assets 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:

	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 consolidated 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 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.

2.8 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.

2 Summary of significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

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.

2.9 Financial instruments

Except for derivative financial instruments, financial assets and financial liabilities are recognised on the consolidated balance sheet when the Group becomes a party to the contractual provisions on the instrument.

2.10 Derivative financial instruments

Derivative financial instruments are accounted on a cash basis.

2.11 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', 'short term investments' and 'cash and bank balances'.

Regular purchases and sales of financial assets are recognised on trade-date, being the date on which the Group transfers substantial risk and rewards on the assets. 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. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interested method.

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.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.12 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 consolidated 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 consolidated statement of comprehensive income.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and cheques on hand, current and call accounts with the banks and other institutions 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 consolidated balance sheet. Deposits with banks with original maturities greater than three months are classified as short term investments in the consolidated balance sheet.

2.14 Advance received for new connections and security deposits

(a) New connections

The Authority receives advances from customers in respect of construction and installation of equipment at customer's premises. 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 new electricity and water consumer accounts. These deposits are refunded only at the time of disconnection.

The management estimates the current liability portion of the advances for new connections and security deposits based on historical experience and anticipated settlement patterns.

2 Summary of significant accounting policies (continued)

2.15 Deferred revenue

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.

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 consolidated 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 consolidated statement of comprehensive income on the basis of actuarial advice. Actuarial valuations are performed annually and any resultant difference is charged to the consolidated 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 and other eligible 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 consolidated 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 eligible employees in accordance with the Dubai Government Human Resource Management Law No. (27) of 2006 for their period of service up to the balance sheet date. This provision is disclosed under non-current liabilities. Actuarial gains and losses arising from changes in assumptions are charged or credited in the consolidated statement of comprehensive income in the period in which they arise.

2 Summary of significant accounting policies (continued)

2.17 Retirement benefit obligations (continued)

(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 under trade and other payables.

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) Supply of electricity, water and district cooling services

Revenue from the supply of electricity, water and district cooling services 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 and district cooling services provided. 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, water and district cooling.

2 Summary of significant accounting policies (continued)

2.20 Revenue recognition (continued)

(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 rate method.

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.

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 2014, if the AED had weakened/strengthened by 1% against the Euro with all other variables held constant, the profit for the year would have been lower/higher by AED 17 million (2013: AED 21 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 term deposits which are exposed to interest rate risk earned on these. The interest rates on these deposits range from 0.65 % to 1.35 % (2013: 0.25% to 1.95%) per annum, for periods of one week or more (2013: one week or more).

(b) Credit risk

Credit risk arises from cash and cash equivalents and derivative financial instruments, 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 the credit risk is mitigated.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the consolidated balance sheet.

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
2014				
Borrowings	4,312,698	8,078,208	6,313,705	18,704,611
Trade and other payables*	4,515,144	768,124	-	5,283,268
	8,827,842	8,846,332	6,313,705	23,987,879
2013				
Borrowings	1,006,991	11,048,650	7,075,870	19,131,511
Trade and other payables*	5,926,542	838,787	-	6,765,329
	6,933,533	11,887,437	7,075,870	25,896,840

* 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 consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated 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:

	2014 AED'000	2013 AED'000
Borrowings (Note 12)	18,704,611	19,131,511
Less:		
Cash and cash equivalents (Note 11)	(3,550,912)	(1,325,776)
Short term investments (Note 10)	(1,341,843)	-
Net debt	13,811,856	17,805,735
Total equity	60,858,247	56,178,664
Total capital	74,670,103	73,984,399
Net debt to total capital ratio	18.50%	24.07%

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, except for security deposits which are carried at cost.

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 of the 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.

4 Critical accounting estimates and judgements (continued)

(b) End of service benefits

The rate used for discounting the employees' post-employment defined benefit obligation should be based on market yields on high quality corporate bonds. In countries where there is no deep market for such bonds, the market yields on government bonds should be used. In the UAE, there is no deep market either for corporate or government bonds and therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy. On this basis, the discount rate applied was 4% (2013: 4.5%). If the discount rate used was to differ by 0.5 points from management's estimates, the carrying amount of the employee's end of the service benefits provision at the balance sheet date would be an estimated AED 79,845 million (2013: AED 30.472 million) lower or AED 92,679 million (2013: AED 33.683 million) higher. If the life expectancy increases by 1 year in assumption, the carrying amount of the employee's end of service benefits provision at the balance sheet would be an estimated AED 23.832 million (2013: AED 30.623 million) lower or AED 22.915 million (2013: AED 33.855 million) higher.

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 2012						
Cost or valuation	25,296,264	33,340,744	37,378,275	928,355	13,394,991	110,338,629
Accumulated depreciation	(1,628,530)	(10,888,344)	(9,344,037)	(749,912)	-	(22,610,823)
Net book amount	23,667,734	22,452,400	28,034,238	178,443	13,394,991	87,727,806
Year ended 31 December 2013						
Opening net book	23,667,734	22,452,400	28,034,238	178,443	13,394,991	87,727,806
Additions	385,349	473	440,288	57,370	2,869,941	3,753,421
Acquired through a business combination (Note 25)	-	1,845,033	-	-	256,974	2,102,007
Transfers	214,511	498,975	4,860,129	20,295	(5,593,910)	-
Transfers to intangible assets (Note 6)	-	-	-	-	(13,895)	(13,895)
Disposals, net	(77)	-	(54,488)	(204)	-	(54,769)
Depreciation charge	(117,288)	(1,344,222)	(1,265,903)	(83,718)	-	(2,811,131)
Closing net book amount	24,150,229	23,452,659	32,014,264	172,186	10,914,101	90,703,439
At 31 December 2013						
Cost or valuation	25,897,225	36,030,663	42,609,260	992,222	10,914,101	116,443,471
Accumulated depreciation	(1,746,996)	(12,578,004)	(10,594,996)	(820,036)	-	(25,740,032)
Net book amount	24,150,229	23,452,659	32,014,264	172,186	10,914,101	90,703,439
Year ended 31 December 2014						
Opening net book	24,150,229	23,452,659	32,014,264	172,186	10,914,101	90,703,439
Additions	517,238	91,777	74,767	73,178	2,853,551	3,610,511
Transfers	1,845,906	712,935	403,078	319,963	(3,281,882)	-
Transfers to intangible assets (Note 6)	-	-	-	-	(20,866)	(20,866)
Disposals, net	-	-	(904)	(118)	-	(1,022)
Depreciation charge	(301,748)	(1,289,761)	(1,136,702)	(285,383)	-	(3,013,594)
Closing net book amount	26,211,625	22,967,610	31,354,503	279,826	10,464,904	91,278,468
At 31 December 2014						
Cost or valuation	28,260,369	36,795,993	43,085,983	1,373,822	10,464,904	119,981,071
Accumulated	(2,048,744)	(13,828,383)	(11,731,480)	(1,093,996)	-	(28,702,603)
Net book amount	26,211,625	22,967,610	31,354,503	279,826	10,464,904	91,278,468

5 Property, plant and equipment (continued)

(a) The Authority has engaged in a joint operation pertaining to the Emirates National Grid Corporation ("ENGC"). The Authority's share in the carrying amount of ENGC's assets as at 31 December 2014 is AED 241 million (2013: AED 241 million) and is included under transmission and distribution networks.

(b) The Authority also has engaged in a joint operation pertaining to Mohammed Bin Rashid Al Maktoum Solar Park. The Authority's share in the carrying amount of its assets as at 31 December 2014 is AED 59 million.

(c) 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. Based on the decree, up to 31 December 2014, the Authority has capitalised certain plots of land 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.

(d) The carrying value of property, plant and equipment, pledged as collateral on borrowings, amounts to AED 3,700 million (2013: AED 3,700 million) (Note 12).

(e) Capital work in progress as at 31 December 2014 mainly comprises construction of additional electricity generation, water desalination facilities, distribution networks and district cooling facilities.

6 Intangible assets

	Computer software AED'000
At 31 December 2012	
Cost	40,470
Accumulated amortisation	(26,881)
Net book amount	13,589
Year ended 31 December 2013	
Opening net book amount	13,589
Additions	2,705
Transfer from property, plant and equipment (Note 5)	13,895
Amortisation	(8,808)
Closing net book amount	21,381
At 31 December 2013	
Cost	57,070
Accumulated amortisation	(35,689)
Net book amount	21,381
Year ended 31 December 2014	
Opening net book amount	21,381
Additions	15,071
Transfer from property, plant and equipment (Note 5)	20,866
Amortisation	(14,185)
Closing net book amount	43,133
At 31 December 2014	
Cost	93,007
Accumulated amortisation	(49,874)
Net book amount	43,133

7 Investment in joint ventures

	2014 AED'000	2013 AED'000
At 1 January	53,170	53,020
Loss during the year	(35,155)	-
Additions during the year	-	150
At 31 December	18,015	53,170

8 Trade and other receivables

	2014 AED'000	2013 AED'000
Consumer receivables	3,667,474	3,570,404
Less: provision for impairment of receivables	(106,151)	(97,236)
Consumer receivables – net	3,561,323	3,473,168
Other receivables and advances	477,369	326,895
Due from related parties	64,384	30,659
Prepayments	6,585	64,534
	4,109,661	3,895,256

As at 31 December 2014, trade receivables of AED 1,459 million (2013: AED 1,491 million) were fully performing. Trade receivables of AED 2,102 million (2013: AED 2,024 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 amounting to AED 106 million (2013: AED 97 million) were past due and impaired. The ageing analysis of trade receivables along with the respective provision for impairment is as follows:

	2014 AED'000	2013 AED'000
Fully performing – up to 30 days	1,458,991	1,449,406
Past due - 1 to 6 months	1,079,632	1,138,948
Past due - 6 to 12 months	657,025	654,668
Past due - above 12 months	365,675	230,146
Impaired receivables more than 12 months	106,151	97,236
	3,667,474	3,570,404

8 Trade and other receivables (continued)

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

	2014 AED'000	2013 AED'000
At 1 January	97,236	96,004
Acquired through a business combination (Note 25)	-	1,130
Charge for the year	8,915	102
At 31 December	106,151	97,236

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

The carrying amount of the Group's trade and other receivables is 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 1,807 million (2013: AED 1,566 million) (Note 15) as collateral against consumer receivables.

9 Inventories

	2014 AED'000	2013 AED'000
Consumables and repair spares	2,171,553	2,079,638
Less: provision for slow moving and obsolete inventory	(365,586)	(315,028)
	1,805,967	1,764,610
Fuel	754,834	763,069
Goods in transit	375,953	157,986
	2,936,754	2,685,665

10 Short term investments

	2014 AED'000	2013 AED'000
Term deposits	1,241,843	-
UAE National bonds	100,000	-
	1,341,843	-

Term deposits with original maturity greater than three months are classified as short term investments.

At 31 December 2014, the Authority holds investments in UAE National bonds with a maturity of 12 months from the date of purchase. National bonds carry an interest rate of 2.5% per annum.

11 Cash and cash equivalents

	2014 AED'000	2013 AED'000
Term deposits with banks	2,574,618	594,622
Current and call accounts with banks and other institutions	975,461	730,465
Cash and cheques on hand	833	689
Cash and cash equivalents	3,550,912	1,325,776
Less:		
Bank overdraft (Note 12)	(10,522)	(33,238)
Cash and cash equivalents for consolidated statement of cash flows	3,540,390	1,292,538

Term deposits with banks having original maturity of three months or less are classified as cash and cash equivalents.

Current and call accounts with banks and other institutions include AED 170 million (2013: AED 42 million) in foreign currencies held for settlement of existing and anticipated liabilities denominated in foreign currencies. It also includes AED 208 million (2013: AED 362 million) of cash collected by local banks and government agencies on behalf of the Authority.

Current and call accounts with banks and other institutions and term deposits are held with reputed local and international banks and other government agencies.

12 Borrowings

	2014	2013
Non-current	AED'000	AED'000
GMTN Loan	7,346,000	11,019,000
Sukuk bond	3,430,600	3,430,600
Export Credit Agency loans ("ECA")	2,003,581	2,497,934
Syndication loan	1,340,645	684,908
Other loans	375,527	642,934
Less: Deferred borrowing cost	(104,440)	(150,856)
	14,391,913	18,124,520
Current		
GMTN Loan	3,673,000	-
Export Credit Agency loans	299,844	324,228
Syndication loan	265,450	123,310
Bank overdrafts (Note 11)	10,522	33,238
Other loans	93,882	546,215
Less: Deferred borrowing cost	(30,000)	(20,000)
	4,312,698	1,006,991
	18,704,611	19,131,511

Borrowings are denominated in the following currencies:

	2014	2013
	AED'000	AED'000
US Dollars	17,107,132	17,115,398
UAE dirham	10,522	9,307
Euro	1,586,957	2,006,806
	18,704,611	19,131,511

12 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

The Authority repaid amounts owed under a securitisation programme, with the last instalment paid in October 2013 amounting to USD 268 million (AED 982 million).

The securitisation programme was established in 2007 with a facility of USD 4 billion (AED 14.69 billion), 29 year commercial paper securitisation programme ("the programme"), pursuant to which it had sold and undertaken to assign utility receivables resulting from certain identified customer accounts to its structured entity, Thor Assets Purchase Company Limited, to fund the Authority's expanding capital expenditures programme. Pursuant to certain amendments initiated by the Authority and agreed by the lenders on 11 July 2011, the term of the loan was revised to 5 years starting from 2011.

In October 2011, the Authority entered into another securitisation programme, pursuant to which it had sold and undertaken to assign utility receivables resulting from certain identified customer accounts to its structured entity, Thor II Assets Purchase Company Limited, to fund Authority's expanding capital expenditures programme.

The programme carried an interest rate calculated on the basis of the conduit banks' monthly commercial paper interest rate plus a fixed margin.

The pledge on the assigned receivables was released in 2013 as a result of repayment of the securitisation programme.

(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. 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.

12 Borrowings (continued)

(iii) Export credit agency loan (continued)

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 1,837 million) with a tenure of 13 years. The facility carries interest at EURIBOR plus a fixed margin and is repayable in 24 equal semi-annual instalments, after six months from the commencement of credit.

During the year, the Authority made a drawdown of AED 35 million from the ECA loan facility and repaid AED 322 million. Due to the favourable movement in exchange rate between Euro and AED during the year, the Authority recognised a foreign currency translation gain of AED 231 million (2013: foreign currency translation loss of AED 101 million).

(iv) Sukuk bond

On 5 March 2013, the Authority received an amount of AED 3.7 billion (USD 1 billion) from Dewa Sukuk 2013 Limited ("DSL"), a structured entity funded through trust certificates that are listed on Nasdaq Dubai. 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 3.7 billion) agreement between the Authority and DSL.

On 16 June 2013, the Authority repaid an amount of AED 3.2 billion to DEWA Funding Ltd ("DFL"), a structured entity funded through trust certificates that are listed on the Dubai Stock Exchange ("DIFX"), on account of the maturity of Sukuk bonds which were issued by way of Shari'a compliant Ijara agreement between DEWA and DFL.

The carrying value of property, plant and equipment, pledged as collateral on Sukuk bond, amounts to AED 3,700 million (2013: AED 3,700 million) (Note 5).

(v) 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, 2012 until December, 2015. The syndicated loan was repaid during the year and carried an interest rate at LIBOR plus a fixed margin.

On 24 December 2013, EMPOWER obtained another syndicated loan facility amounting to USD 600 million, with a tenure of 6 years. The loan is a conventional loan facility which carries an interest rate at LIBOR plus a fixed margin. The syndicated loan is obtained against a negative pledge on the property, plant and equipment of EMPOWER. During the year, loan amounting to USD 80 million (AED 294 million) was repaid. At 31 December 2014, the outstanding loan amount was USD 405 million (AED 1,487 million).

12 Borrowings (continued)

(vi) Others

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

During the year, the Authority received an amount of AED 275 million (USD 75 million) from an international bank and repaid an amount of AED 1 billion (USD 272 million).

(vii) Overdraft

The bank overdraft of AED 11 million (2013: AED 33 million) carries an interest rate of EIBOR/LIBOR/EURIBOR plus an increasing margin based on the outstanding overdraft amount (Note 11).

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 2014, the interest rate swap contracts had a notional value aggregating to AED 1.84 billion and a negative fair value of AED 210 million (2013: AED 5.77 billion and a negative fair value of AED 428 million).

Interest rate swaps expired during the year were settled on 5 May 2014 for an amount of AED 32 million. Interest rate swaps, originally due to expire in June 2015, were settled earlier on 4 June 2014 for an amount of AED 47 million. 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.

13 Retirement benefit obligations

	2014 AED'000	2013 AED'000
Non-current	595,807	569,944
Current (Note 15)	6,811	6,330
	602,618	576,274
Consolidated balance sheet obligation for:		
Provision for employees' end of service benefits (Note 13.1)	564,304	540,156
Provision for pension (Note 13.2)	38,314	36,118
	602,618	576,274

13 Retirement benefit obligations (continued)

	2014 AED'000	2013 AED'000
Consolidated statement of comprehensive income for:		
Provision for employees' end of service benefits (Note 19)	58,148	177,672
Provision for pension (Note 19)	5,241	9,300
	63,389	186,972

The charge for the year included within operating profit in the consolidated statement of comprehensive income includes current service cost, interest cost and actuarial gains and losses.

13.1 Provision for end of service benefits

In 2014, 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. 27 of 2006. Under this method, an assessment has been made of an employee's expected service life with the Authority and the expected basic salary at the date of leaving service. The obligation for end of service is not funded. The principal actuarial assumptions used were as follows:

- expected salary increase to be 4% per annum (2013: 4.5% per annum);
- discount rate used to determine the present value of the obligation was 4% per annum (2013: 4.5% per annum); and
- the average rate of mortality and withdrawal is not significantly different from the trends noted at the valuation date.

As a result, the Authority has recognised an actuarial gain of AED 37 million (2013: Actuarial loss of AED 127 million) in the consolidated statement of comprehensive income. Movements in the provision for end of service benefits are analysed below:

	2014 AED'000	2013 AED'000
At 1 January	540,156	386,604
Acquired through a business combination (Note 25)	2,048	2,268
Provision made during the year	95,420	50,894
Actuarial valuation (gain)/ loss	(37,272)	126,778
Payments made during the year	(36,048)	(26,388)
At 31 December	564,304	540,156

13 Retirement benefit obligations (continued)

13.1 Provision for end of service benefits (continued)

The provision made during the year for end of service benefits and recognised in the consolidated statement of comprehensive income is analysed as follows:

	2014 AED'000	2013 AED'000
Current service cost	72,339	35,116
Interest cost	23,081	15,778
Actuarial valuation (gain)/loss	(37,272)	126,778
	58,148	177,672

13.2 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 retired on or before 31 December 2002, the Authority funds the pension cost based on the previous defined pension plan scheme.

In 2014 an actuarial valuation was performed to ascertain the present value of the obligation relating to the pension cost for the eligible employees who retired on or before 31 December 2002. As a result, a further provision of AED 5 million (2013: AED 9 million) has been recognised during the year.

Movements in the provision for the pension are analysed below:

	2014 AED'000	2013 AED'000
At 1 January	36,118	29,291
Actuarial loss	5,241	9,300
Pensions paid	(3,045)	(2,473)
At 31 December	38,314	36,118

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 retired on or before 31 December 2002 which the Authority contributed based on the previous defined pension plan scheme.

14 Other long term liabilities

	2014 AED'000	2013 AED'000
Advances for new connections	7,582,964	7,040,637
Deferred revenue	6,876,375	6,409,594
Retentions payable	727,124	767,787
Consumers' security deposits	1,387,091	1,188,950
	16,573,554	15,406,968

15 Trade and other payables

	2014 AED'000	2013 AED'000
Capital projects payables and accruals	1,408,081	1,331,352
Retentions payable	1,095,844	1,814,162
Trade payables	906,496	1,000,806
Advances for new connections	842,552	782,293
Consumers' security deposits	419,748	376,915
Deferred revenue	320,000	255,091
Accrual for staff benefits	78,575	65,407
Due to related parties	3,737	3,755
Retirement benefit obligation	6,811	6,330
Payable on business combination	48,500	901,608
Other payables	1,416,223	859,881
	6,546,567	7,397,600

Movement in consumers' security deposits is analysed below:

	2014 AED'000	2013 AED'000
At 1 January	1,565,865	1,338,672
Security deposits acquired through a business combination (Note 25)	-	68,008
Net deposits received during the year	240,974	159,185
At 31 December	1,806,839	1,565,865
Less: Consumers' security deposits - current	(419,748)	(376,915)
Consumers' security deposits - non current (Note 14)	1,387,091	1,188,950

16 Revenue

	2014 AED'000	2013 AED'000
Electricity	12,469,413	12,008,149
Water	3,821,369	3,644,169
District cooling	1,497,710	839,788
Others	16,167	-
	17,804,659	16,492,106

17 Cost of sales

	2014 AED'000	2013 AED'000
Purchase of power and water	53,309	17,450
Generation and desalination expenditure (Note 17.1)	7,940,532	7,618,955
Transmission and distribution expenditure (Note 17.2)	2,497,969	2,140,262
	10,491,810	9,776,667

17.1 Generation and desalination expenditure

	2014 AED'000	2013 AED'000
Fuel costs	5,919,862	5,624,847
Depreciation (Note 5)	1,336,457	1,398,761
Staff costs (Note 19)	390,733	368,249
Repairs and maintenance	189,018	144,348
Others	104,462	82,750
	7,940,532	7,618,955

17.2 Transmission and distribution expenditure

	2014 AED'000	2013 AED'000
Depreciation (Note 5)	1,612,409	1,367,616
Staff costs (Note 19)	785,762	682,592
Repairs and maintenance	85,866	70,987
Others	13,932	19,067
	2,497,969	2,140,262

18 Administrative expenses

	2014 AED'000	2013 AED'000
Staff costs (Note 19)	890,019	813,342
Repairs and maintenance	77,955	70,402
Depreciation (Note 5)	64,728	44,754
Provision for slow moving and obsolete inventory	50,558	59,261
Insurance	33,823	39,306
Amortisation (Note 6)	14,185	8,808
Others	231,935	227,670
	1,363,203	1,263,543

19 Staff costs

	2014 AED'000	2013 AED'000
Salaries	1,563,579	1,318,017
Bonus	97,238	77,410
Employees' end of service indemnity (Note 13.1)	58,148	177,672
Other benefits	347,549	291,084
	2,066,514	1,864,183

Employees' end of service indemnity includes an actuarial gain amounting to AED 37 million (2013: actuarial loss of AED 127 million) (Note 13.1) in respect of actuarial valuation performed during the year.

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

	2014 AED'000	2013 AED'000
Amortisation of deferred income	273,269	264,901
Net income from consumer installations	153,126	151,695
Meter rental	71,345	66,269
Sale of scrap	44,721	45,075
Income from damage claims	28,919	6,081
Meter reconnection, testing and service charges	26,688	26,784
Profit on disposal of property, plant and equipment	5,899	2,725
Excess of fair value of net assets acquired over purchase consideration (Note 25)	-	402,442
Miscellaneous	102,600	125,387
	706,567	1,091,359

21 Finance costs – net

	2014 AED'000	2013 AED'000
Interest expense:		
- Borrowings	(1,063,762)	(1,096,209)
- On settlement of interest rate SWAP deals	(269,408)	(378,521)
- Amortisation of borrowing cost	(36,416)	(79,942)
- Foreign currency translation loss	-	(100,815)
- Amortisation of financial liabilities	(30,000)	(37,594)
Total finance costs	(1,399,586)	(1,693,081)
Finance income:		
- Foreign currency translation gain	232,091	-
- Interest income on short term bank deposits	26,285	9,888
Total finance income	258,376	9,888
Net finance costs	(1,141,210)	(1,683,193)

22 Cash generated from operations

		Year ended 31 December	
		2014	2013
	Notes	AED'000	AED'000
Cash generated from operations			
Profit for the year		5,479,848	4,860,062
Adjustments for:			
Depreciation	5	3,013,594	2,811,131
Amortisation of intangible assets	6	14,185	8,808
Provisions for:			
Slow moving and obsolete inventory	9,18	50,558	59,261
Impairment of receivables	8	8,915	102
Employees' end of service benefits	19	58,148	177,672
Loss from joint ventures	7	35,155	-
Actuarial valuation loss - pension	13.2	5,241	9,300
Finance income	21	(258,376)	(9,888)
Profit on disposal of property, plant and equipment	20	(5,899)	(2,725)
Deferred income	20	(273,269)	(264,901)
Excess of fair value of net assets acquired over purchase consideration (Note 25)	20	-	(402,442)
Finance cost	21	1,399,586	1,693,081
Operating cash flows before changes in operating assets and liabilities		**9,527,686**	**8,939,461**
Payment of employees' end of service benefits	13.1	(36,048)	(26,388)
Payment of employees' pension plan	13.2	(3,045)	(2,473)
Net consumers' security deposits received during the year	15	240,974	159,185
Movement in Government of Dubai account		(886,774)	(869,560)
Changes in operating assets and liabilities:			
Trade and other receivables before provision for impairment and amounts written off		(77,149)	(334,599)
Inventories before movement in provision		(301,647)	291,941
Trade payable and accruals excluding trade payable for capital projects, retentions, consumers' security deposits and deferred revenue		760,501	602,569
Cash generated from operations		9,224,498	8,760,136

23 Commitments

	2014 AED'000	2013 AED'000
Future commitments including capital expenditure authorised by the management net of amounts already provided for on continuing projects	5,152,676	4,118,195

24 Financial instruments by category

	Loans and receivables	
	2014 AED'000	2013 AED'000
Assets		
Trade and other receivables (excluding prepayments)	4,103,076	3,830,722
Short term investments	1,341,843	-
Cash and cash equivalents	3,550,912	1,325,776
	8,995,831	5,156,498

	Other financial liabilities	
	2014 AED'000	2013 AED'000
Liabilities as per consolidated balance sheet		
Trade and other payables (excluding advances for new connections, security deposits, retirement benefit obligations and deferred revenue)	5,242,268	6,694,329
Borrowings	18,704,611	19,131,511
	23,946,879	25,825,840

Credit quality of financial assets

Cash and cash equivalents and term deposits are held with banks having credit rating of B or above. Short term investments include investment in UAE National Bonds which have a rating of Aa2 as per Moody's.

All other financial assets are unrated.

25 Business combination

Effective 1 November 2013, EMPOWER acquired 100% interest in Palm Utilities LLC ("PUL") and its subsidiary Palm District Cooling LLC ("PDC") for a purchase consideration of USD 300 million (AED 1,104 million). PDC is a fully owned subsidiary of PUL. PDC is involved in providing district cooling services in Dubai, United Arab Emirates.

The Group had accounted for the purchase of net assets of PUL and PDC on a provisional basis on 1 November 2013. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations have now been finalised.

The following table summarises the purchase consideration paid and fair value of assets acquired and liabilities assumed at the acquisition date.

	Palm Utilities LLC and Palm District Cooling LLC AED'000
Purchase consideration	1,085,267
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,102,007
Trade and other receivables	254,327
Cash and cash equivalents	122,065
Loan from commercial banks	(780,169)
Provisions	(2,268)
Trade and other payables	(208,253)
Fair value of net assets acquired	1,487,709
Excess of fair value of net assets acquired over purchase consideration	402,442

Excess of fair value of net assets acquired over purchase consideration has been recognised in the consolidated statement of comprehensive income for year ended 31 December 2013.

At 31 December 2013, trade and other receivables include receivables past due and impaired amounting to AED 1.13 million and trade and other payables include security deposits from customers amounting to AED 68 million.

During 2013, the combined revenue included in the consolidated statement of comprehensive income since 1 November 2013, contributed by PUL and PDC was AED 89 million. The combined profit included in the consolidated statement of comprehensive income for the same period amounts to AED 19 million.

Had Palm Utilities LLC and Palm District Cooling LLC been consolidated from 1 January 2013, the consolidated statement of comprehensive income would show pro-forma revenue of AED 628 million and profit of AED 129.8 million.

26 Subsidiaries with material non-controlling interest

Summarised below financial information on a subsidiary with material non-controlling interest

Summarised balance sheet

	EMPOWER		Palm District Cooling LLC	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Current				
Assets	1,108,420	527,497	533,327	376,392
Liabilities	(1,610,341)	(1,721,175)	(325,607)	(210,521)
Current (liabilities)/ assets (net)	(501,921)	(1,193,678)	207,720	376,392
Non-current				
Assets	4,503,250	4,395,304	2,670,269	2,102,007
Liabilities	(1,730,391)	(1,011,187)	(562,072)	(780,169)
Non-current assets (net)	2,772,859	3,384,117	2,108,197	1,321,833

Summarised statement of comprehensive income

	EMPOWER		Palm District Cooling LLC	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Revenue	800,931	747,981	650,751	89,563
Post-tax profit from continuing operations	168,288	220,938	207,374	18,719
Other comprehensive income	-	-	-	-
Total comprehensive income	168,288	220,938	207,374	18,719
Total comprehensive income allocated to non-controlling interest	50,486	66,281	62,212	5,616
Dividends paid to non-controlling interest	30,000	-	-	-

26 Subsidiaries with material non-controlling interest (continued)

Summarised cash flows

	EMPOWER		Palm District Cooling LLC	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Net cash generated from/ (used in) operations	858,255	563,577	(22,844)	314,085
Net cash (used in)/ generated from investing activities	(1,026,396)	(1,150,226)	8,619	13,415
Net cash generated from/ (used in) financing activities	727,832	663,842	(142,221)	(191,660)
Net increase/ (decrease) in cash and cash equivalents	559,691	77,193	(156,446)	135,840
Cash and cash equivalents, as at 1 January	294,461	217,268	220,014	84,174
Cash and cash equivalents, as at 31 December	854,152	294,461	63,568	220,014

The information above is the amount before inter-company eliminations.

27 Comparative information

Corresponding figures have been reclassified to conform to the presentation of the overall consolidated financial statements for the year ended 31 December 2014.

During the year ended 31 December 2013, an amount of AED 242 million (USD 66 million) has been reclassified from other receivables, advances and investments to borrowings (Refer Note 12) related to Sukuk bond. This amount represents an investment made by the Group in its own debt instruments.

27 Comparative information (continued)

For the purpose of the consolidated financial statements, the accounting policy for government grants recorded in the books of EMPOWER has been aligned with the policy of DEWA. As a result, the government grant has been retrospectively reclassified to the Government of Dubai account. The reclassification has been reflected in these consolidated financial statements since the beginning of the earlier period presented. As a result the consolidated financial statements have been retrospectively adjusted as follows:

	At 1 January 2013 as previously reported AED'000	Reclassification AED'000	At 1 January 2013 after reclassification AED'000
Non-current liability	406,006	(406,006)	-
Current liability	2,772	(2,772)	-
Government of Dubai account	29,817,517	408,778	30,226,295

28 Dividend

The Authority had declared a dividend amounting to AED 500,000,000 in respect of the year ended 31 December 2013 and was approved by the Board of Directors at their annual meeting on 6 February 2014. The dividend was paid on 23 February 2014.

During the year, EMPOWER declared a dividend of AED 100,000,000 (2013: Nil) in respect of the year ended 31 December 2013 and was approved by the Board of Directors at their annual general meeting on 27 February 2014. The dividend was paid on 5 March 2014.