Dubai Electricity and Water Authority

Consolidated financial statements
For the year ended 31 December 2016

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Independent auditor's report to the Board of Directors of Dubai Electricity and Water Authority (the "Authority") and its subsidiaries (together the "Group")

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

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

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Accrual of unbilled electricity and water revenue The Group's electricity and water revenues include estimates of the value of electricity and water supplied to customers between the date of the last meter reading and the year-end ('unbilled revenue'). The value of unbilled electricity and water revenue of AED 724 million (2015: AED 712 million) is included within revenue and trade receivables. The method of estimating such revenues is complex and judgemental and requires estimates and assumptions to: **1.** Estimate the volumes of electricity and water consumed by customers between their last meter reading and the year end. The management's accrual for unbilled revenue at the year-end is based on the expected consumption pattern of customers; and **2.** Assess the value to be applied to those volume estimates given the range of tariffs operated by the Group. The management applies a price per unit (which is dependent on a number of factors including the customer category) to the estimate of volume of electricity and water to be accrued at the year-end to arrive at the total estimated value of electricity and water revenue between the date of the last meter reading and the year-end. We focused on this area because of the complexities and uncertainties involved in arriving at the unbilled revenue figure as described above and because of the potentially material impact on the consolidated financial statements if errors were made in this calculation. The management's considerations around this judgement are set out in the critical accounting judgements in note 4.	For unbilled revenue, our procedures included performing a recalculation using actual data to allow us to set expectations as to the likely level of unbilled revenue and then to compare this with the management's estimate, obtaining explanations for significant differences. We discussed with management the current metering system and the related technological developments. We also obtained and tested management's underlying assumptions and base reference data relating to volume and price used in determining the level of unbilled revenue, as follows: **Volume** We agreed the core volume data underlying the calculation of the estimated volumes into sales and other systems having performed testing of the key controls on these systems. We compared and analysed the estimated volume determined by the management with benchmarks that the management had also calculated using internal information and sought explanations for variances from that benchmark. **Price** We tested the assumptions of price per unit by comparing the price applied in the estimation model with current data for each customer category. Finally, we assessed the overall consistency of the calculated unbilled revenue compared to the prior period based on our knowledge of the trends and the process. We also considered the adequacy of the Group's disclosures in this area.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the internationally acceptable accounting principles set out in Note 2 to these 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.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Auditor's responsibilities for the audit of the consolidated financial statements - continued

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

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

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

PricewaterhouseCoopers
5 February 2017

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

Dubai Electricity and Water Authority

Consolidated balance sheet

	Note	As at 31 December 2016 AED'000	2015 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	102,448,827	94,843,282
Intangible assets	6	48,675	41,291
Investment in joint ventures	7	12,234	12,095
Derivative financial instruments		21,187	-
		102,530,923	94,896,668
Current assets			
Trade and other receivables	8	4,724,287	4,518,762
Inventories	9	1,256,729	1,225,412
Short term investments	10	5,882,329	1,009,700
Cash and cash equivalents	11	1,780,352	3,731,671
		13,643,697	10,485,545
Total assets		116,174,620	105,382,213
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to equity holders			
Government of Dubai account		34,416,570	31,682,576
General reserve		38,309,557	33,471,916
Hedging reserve		(12,350)	-
		72,713,777	65,154,492
Non-controlling interests		870,127	890,189
Total equity		73,583,904	66,044,681
LIABILITIES			
Non-current liabilities			
Borrowings	12	10,968,755	10,234,228
Retirement benefit obligations	13	637,290	583,179
Other long term liabilities	14	21,573,638	18,047,823
Derivative financial instruments		45,403	-
		33,225,086	28,865,230
Current liabilities			
Borrowings	12	487,770	2,830,410
Trade and other payables	15	8,877,860	7,641,892
		9,365,630	10,472,302
Total liabilities		42,590,716	39,337,532
Total equity and liabilities		116,174,620	105,382,213

These consolidated financial statements were approved by the Board of Directors on 5 February 2017 and signed on its behalf by:

....
Managing Director &
Chief Executive Officer

....
Chairman

....
Chief Financial Officer

....
Director

The notes on pages 9 to 42 form an integral part of these consolidated financial statements.

Dubai Electricity and Water Authority

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2016 AED'000	2015 AED'000
Revenue	16	19,901,839	19,067,408
Cost of sales	17	(12,105,888)	(11,261,526)
Gross profit		7,795,951	7,805,882
Other income	20	1,290,813	1,008,557
Administrative expenses	18	(1,957,636)	(1,585,820)
Operating profit		7,129,128	7,228,619
Profit / (loss) from joint ventures	7	139	(5,770)
Finance costs		(659,179)	(1,094,076)
Finance income		112,984	192,220
Finance costs – net	21	(546,195)	(901,856)
Profit for the year		6,583,072	6,320,993
Other comprehensive income			
Actuarial gain on retirement benefit obligations	13	16,799	32,425
Cash flow hedges		(24,216)	-
Other comprehensive (loss)/income for the year		(7,417)	32,425
Total comprehensive income for the year		6,575,655	6,353,418
Profit for the year attributable to			
- Government of Dubai		6,398,718	6,175,493
- Non-controlling interests		184,354	145,500
Profit for the year		6,583,072	6,320,993
Total comprehensive income for the year attributable to			
- Government of Dubai		6,403,167	6,207,918
- Non-controlling interests		172,488	145,500
Total comprehensive income for the year		6,575,655	6,353,418

Dubai Electricity and Water Authority

Consolidated statement of changes in equity

	Government of Dubai account AED'000	General reserve AED'000	Hedging reserve AED'000	Retained earnings AED'000	Non-controlling interests AED'000	Total AED'000
At 1 January 2015	31,090,622	28,780,895	-	-	818,559	60,690,076
Profit for the year	-	-	-	6,207,918	145,500	6,353,418
Transfer to general reserve	-	5,191,021	-	(5,191,021)	-	-
Transfer to Government of Dubai account*	1,016,897	-	-	(1,016,897)	-	-
Other movements during the year	(1,016,897)	-	-	-	-	(1,016,897)
Capital contribution by non-controlling interests	-	-	-	-	1,130	1,130
Capital contribution by Government of Dubai – value of land (net)	591,954	-	-	-	-	591,954
Dividend paid (Note 27)	-	(500,000)	-	-	(75,000)	(575,000)
At 31 December 2015	31,682,576	33,471,916	-	-	890,189	66,044,681
At 1 January 2016	31,682,576	33,471,916	-	-	890,189	66,044,681
Profit for the year	-	-	-	6,415,517	184,354	6,599,871
Other comprehensive income	-	-	(12,350)	-	(11,866)	(24,216)
Transfer to general reserve	-	5,337,641	-	(5,337,641)	-	-
Transfer to Government of Dubai account*	1,077,876	-	-	(1,077,876)	-	-
Other movements during the year	(1,077,876)	-	-	-	-	(1,077,876)
Capital contribution by non-controlling interests	-	-	-	-	2,450	2,450
Capital contribution by Government of Dubai – value of land (net)	2,733,994	-	-	-	-	2,733,994
Dividend paid (Note 27)	-	(500,000)	-	-	(195,000)	(695,000)
At 31 December 2016	34,416,570	38,309,557	(12,350)	-	870,127	73,583,904

*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 2016 AED'000	2015 AED'000
Cash flows from operating activities			
Cash generated from operations	22	11,502,362	10,087,046
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	(5,674,135)	(3,074,117)
Proceeds from disposal of property, plant and equipment	5,20	6,116	3,228
Purchase of intangible assets	6	(16,774)	(8,977)
Short term investments	10	(4,872,629)	332,143
Capital contribution by non-controlling interest		2,450	1,130
Interest received		86,147	28,142
Net cash used in investing activities		(10,468,825)	(2,718,451)
Cash flows from financing activities			
Proceeds from term loans		1,172,576	2,866,663
Repayment of term loans		(2,795,558)	(8,456,931)
Interest paid		(665,116)	(1,029,112)
Dividend paid	27	(695,000)	(575,000)
Net cash used in financing activities		(2,983,098)	(7,194,380)
Net (decrease)/increase in cash and cash equivalents		(1,949,561)	174,215
Cash and cash equivalents, beginning of the year		3,714,605	3,540,390
Cash and cash equivalents, end of the year	11	1,765,044	3,714,605

Material non-cash transactions:

Transfer of land to the Authority by the Land Department of the Government of Dubai recorded through equity amounting to AED 2,734 million (2015: AED 592 million) (Note 5).

1 Establishment and operations

Dubai Electricity and Water Authority ("DEWA" or "the Authority", or the "Company") 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 DEC") 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 DEC and the Department, of any kind whatsoever. Together, the DEC 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 ("UAE").

DEWA, its subsidiaries, joint ventures and structured entities are collectively referred to as "the Group"

The Authority has either directly or indirectly the following subsidiaries incorporated in UAE:

Name of the subsidiary	Percentage of beneficial ownership%	Principal business activities
Emirates Central Cooling Systems Corporation	70	Provision of district cooling services, management, maintenance of central cooling plants and related distribution networks
Empower Logstor LLC	67.9	Manufacturing of pre-insulated pipes, mainly for district cooling
Mai Dubai LLC	100	Purification of potable water
RWE Power Middle East LLC	51	Energy projects consultancy, desalination and sewage treatment plants operations and maintenance
Palm Utilities LLC	70	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services
Palm District Cooling LLC	70	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services
Al Etihad Energy Services Company LLC	100	Implement energy efficiency measures in buildings

1 Establishment and operations (continued)

Name of the subsidiary	Percentage of beneficial ownership %	Principal business activities
Jumeirah Energy International LLC	100	Holding company
Shuaa Energy 1 P.S.C.	51	Establish and provide full range of services for electrical production and generation projects
Hassyan Energy 1 Holdings LLC*	100	Holding company
Shuaa Energy 2 Holdings LLC**	100	Holding company
Hassyan Energy Phase 1 P.S.C***	51	Establish and provide full range of services for electrical production and generation projects
Jumeriah Energy International Holdings LLC****	100	Holding company
DEWA Sukuk 2013 imited	100	Investment company

***** This entity was incorporated on 3 February 2016
** This entity was incorporated on 5 September 2016
*** This entity was incorporated on 6 April 2016
**** This entity was incorporated on 21 January 2016

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 except derivative financial instruments 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 Summary of significant accounting policies (continued)

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 Group 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.

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 Group.

(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.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

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 consolidated statement of 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 ventures.

The joint ventures are as follows:

	Country of incorporation	Effective % of holding
Dubai Carbon Centre of Excellence	UAE	35.84%
Ducab HV Cable Systems	UAE	25%
UMC	UAE	85%

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.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

These have been incorporated in the consolidated financial statements under the appropriate headings.

(c) Transactions with non-controlling interests

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

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 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 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
Generation and desalination plants	10 to 30
Transmission and distribution networks	30
Other equipment and assets	2 to 20

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

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.

Gains and losses on disposals are included in operating profit and determined as the difference between proceeds and the 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 recognised as an expense in 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 estimated 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 Summary of significant accounting policies (continued)

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.

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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent 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

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income within 'other gains/(losses) – net'.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2 Summary of significant accounting policies (continued)

2.10 Derivative financial instruments (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the ineffective portion is recognised in the consolidated statement of comprehensive income within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, contracts work-in-progress or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of contracts work in progress or in depreciation in the case of fixed assets.

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 (except prepayments)', 'short term investments' and 'cash and cash equivalents'.

Regular purchases and sales of financial assets are recognised on trade-date, being the date on which the Group transfers substantial risks 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 interest method.

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.

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 Summary of significant accounting policies (continued)

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 but not more than twelve months are classified as short term investments in the consolidated balance sheet.

In the consolidated statement of cash flows, cash and cash equivalents include cash and cheques on hand, deposits held at current and call accounts with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

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 and are classified as advances received for new connections until the construction or installation is completed. On completion, advance received for new connections will be recognised as deferred revenue to the extent of cost incurred by the Authority on the respective jobs.

(b) Security deposits

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

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 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.

Specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowings costs are expensed in the period in which they are incurred.

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 other 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. Actuarial gains and losses arising from changes in assumptions are charged or credited in the other 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 and district cooling services provided during the period on an accruals basis with reference to the meter readings. 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 a fuel surcharge.
Other revenue includes income from consumer installations 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 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 potentially 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 majority of the Group's transaction are denominated is AED, or in currencies AED is pegged with. The Group has certain transactions in foreign currencies, mainly in Euros. However, management is of the opinion that the foreign currency exposure arising from such transactions is not likely to be significant.

(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. Variable rate borrowings expose the Group to cash flow interest rate risk. Fixed rate borrowings expose the Group to fair value interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, short term investments and deposits with banks, financial institutions and other government agencies, 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. Trade receivables are secured to the extent of security deposits received from customers. The cash deposits are held with local and international banks with 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 reduced by the amount of consumers' security deposits (note 14 and 15) 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 years at the end of the reporting year 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	**Carrying amount** AED'000
2016					
Borrowings*	503,398	9,996,360	1,203,987	11,703,745	11,456,525
Trade and other payables*	6,790,163	382,910	-	7,173,073	7,150,037
	7,293,561	10,379,270	1,203,987	18,876,818	18,606,562
2015					
Borrowings*	2,851,089	10,268,551	-	13,119,640	13,064,638
Trade and other payables*	4,934,892	2,155,215	-	7,090,107	7,101,107
	7,785,981	12,423,766	-	20,209,747	20,165,745

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

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard its 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 and short term investments. 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:

	2016 AED'000	2015 AED'000
Borrowings (Note 12)	11,456,525	13,064,638
Less:		
Cash and cash equivalents (Note 11)	(1,780,352)	(3,731,671)
Short term investments (Note 10)	(5,882,239)	(1,009,700)
Net debt	3,793,934	8,323,267
Total equity	73,583,904	66,044,681
Total capital	77,377,838	74,367,948
Net debt to total capital ratio	4.90%	11.19%

3.3 Fair value estimation

All financial assets and liabilities, 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 estimation 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:

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.

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
Year ended 31 December 2015						
Opening net book amount	26,211,625	23,658,250	31,971,801	279,826	10,840,857	92,962,359
Additions	604,308	95,183	504,673	64,238	3,696,807	4,965,209
Transfers	163,609	1,464,011	1,704,863	48,598	(3,381,081)	-
Transfers to intangible assets (Note 6)	-	-	-	-	(3,155)	(3,155)
Disposals, net	-	(1,605)	-	(557)	-	(2,162)
Depreciation charge	(178,851)	(1,411,777)	(1,349,266)	(139,075)	-	(3,078,969)
Closing net book amount	26,800,691	23,804,062	32,832,071	253,030	11,153,428	94,843,282
At 31 December 2015						
Cost or valuation	29,028,286	39,397,345	45,900,741	1,471,765	11,153,428	126,951,565
Accumulated depreciation	(2,227,595)	(15,593,283)	(13,068,670)	(1,218,735)	-	(32,108,283)
Net book amount	26,800,691	23,804,062	32,832,071	253,030	11,153,428	94,843,282
Year ended 31 December 2016						
Opening net book amount	26,800,691	23,804,062	32,832,071	253,030	11,153,428	94,843,282
Additions	2,737,484	1,527	1,320,495	69,655	6,826,157	10,955,318
Transfers	1,028,532	907,539	1,647,464	192,787	(3,776,322)	-
Transfers to intangible assets (Note 6)	-	-	-	-	(10,178)	(10,178)
Disposals, net	-	-	(5,664)	(66)	-	(5,730)
Depreciation charge	(323,860)	(1,286,042)	(1,545,447)	(178,516)	-	(3,333,865)
Closing net book amount	30,242,847	23,427,086	34,248,919	336,890	14,193,085	102,448,827
At 31 December 2016						
Cost or valuation	32,794,302	40,256,166	48,861,746	1,716,958	14,193,085	137,822,257
Accumulated depreciation	(2,551,455)	(16,829,080)	(14,612,827)	(1,380,068)	-	(35,373,430)
Net book amount	30,242,847	23,427,086	34,248,919	336,890	14,192,993	102,448,827

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 2016 is AED 241 million (2015: AED 241 million) and is included under transmission and distribution networks.

(b) The Authority has engaged in a joint operation pertaining to the Mohammed Bin Rashid Al Maktoum Solar Park. The Authority's share in the carrying amount of its assets as at 31 December 2016 is AED 59 million (2015: AED 59 million).

(c) During 2008, by way of a 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 2016, 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 (2015: AED 3,700 million) (Note 12).

(e) Capital work in progress as at 31 December 2016 and 2015 mainly comprises construction of additional electricity generation, water desalination facilities, distribution networks and district cooling facilities.

6 Intangible assets

	omputer software AED'000
Year ended 31 December 2015	
Opening net book amount	43,133
Additions	8,977
Transfer from property, plant and equipment (Note 5)	3,155
Amortisation	(13,974)
Closing net book amount	41,291
At 31 December 2015	
Cost	105,139
Accumulated amortisation	(63,848)
Net book amount	41,291
Year ended 31 December 2016	
Opening net book amount	41,291
Additions	16,774
Transfer from property, plant and equipment (Note 5)	10,178
Amortisation	(19,568)
Closing net book amount	48,675
At 31 December 2016	
Cost	132,091
Accumulated amortisation	(83,416)
Net book amount	48,675

7 Investment in joint ventures

	2016 AED'000	2015 AED'000
At 1 January	12,095	18,015
Profit / (loss) during the year	139	(5,770)
Other movements	-	(150)
At 31 December	12,234	12,095

8 Trade and other receivables

	2016 AED'000	2015 AED'000
Trade receivables	4,203,840	4,048,904
Less: provision for impairment of receivables	(110,559)	(114,303)
Trade receivables – net	4,093,281	3,934,601
Other receivables and advances	595,539	538,389
Due from related parties	7,875	16,336
Prepayments	27,592	29,436
	4,724,287	4,518,762

As at 31 December 2016, trade receivables of AED 1,454 million (2015: AED 1,425 million) were fully performing. Trade receivables of AED 2,639 million (2015: AED 2,510 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 111 million (2015: AED 114 million) were past due and impaired. The ageing analysis of trade receivables along with the respective provision for impairment is as follows:

	2016 AED'000	2015 AED'000
Fully performing – up to 30 days	1,454,273	1,425,039
Past due - 1 to 6 months	1,200,931	1,205,157
Past due - 6 to 12 months	695,050	668,472
Past due - above 12 months	743,027	635,933
Impaired receivables more than 12 months	110,559	114,303
	4,203,840	4,048,904

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

	2016 AED'000	2015 AED'000
At 1 January	114,303	106,151
(Reversal) / charge for the year	(3,744)	8,152
At 31 December	110,559	114,303

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 2,419 million (2015: AED 2,119 million) (Note 15) as collateral against consumer receivables.

9 Inventories

	2016 AED'000	2015 AED'000
Consumables and repair spares	336,809	346,879
Less: provision for slow moving and obsolete inventory	(83,231)	(72,597)
	253,578	274,282
Fuel	1,003,151	951,130
	1,256,729	1,225,412

10 Short term investments

	2016 AED'000	2015 AED'000
At the beginning of the year	1,009,700	1,341,843
Investments during the year	5,479,516	1,009,700
Matured during the year	(606,887)	(1,341,843)
	5,882,329	1,009,700

Term deposits with original maturity greater than three months, but not more than twelve months, amounting to AED 5,580 million (2015: AED 707 million) are classified as short term investments.

Investments made during the year include an investment in UAE National Bonds amounting to AED 303 million (2015: AED 303 million), which has a maturity of 12 months from the date of purchase. National Bonds carry an interest rate between 1.5% to 2.5% per annum.

Short term investments amounting to AED 607 million (2015: AED 1.34 billion) matured during the year.

11 Cash and cash equivalents

	2016 AED'000	2015 AED'000
Term deposits with banks	36,073	2,960,182
Current and call accounts with banks and other institutions	1,743,075	770,671
Cash on hand	1,204	818
Cash and cash equivalents	1,780,352	3,731,671
Less: Bank overdrafts (Note 12)	(15,308)	(17,066)
Cash and cash equivalents for consolidated statement of cash flows	1,765,044	3,714,605

11 Cash and cash equivalents (continued)

Term deposits with banks having an 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 518 million (2015: AED 146 million) in foreign currencies. The majority of these balances are denominated in USD. These balances are held for settlement of existing and anticipated liabilities denominated in foreign currencies.

It also includes AED 346 million (2015: AED 280 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

	2016 AED'000	2015 AED'000
Non-current		
GMTN loan	5,509,500	5,509,500
Sukuk bond	3,430,600	3,430,600
Others	2,260,247	1,328,451
Less: Deferred borrowing costs	(231,592)	(34,323)
	10,968,755	10,234,228
Current		
GMTN Loan	-	1,836,500
Bank overdrafts (Note 11)	15,308	17,066
Others	488,090	997,523
Less: Deferred borrowing costs	(15,628)	(20,679)
	487,770	2,830,410
	11,456,525	13,064,638

Borrowings are denominated in the following currencies:

	2016 AED'000	2015 AED'000
US Dollars	11,411,214	13,047,572
UAE dirham	45,311	17,066
	11,456,525	13,064,638

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 was repaid in 2015. On 21 October 2010, DEWA issued notes amounting to USD 0.5 billion (AED 1.836 billion) which was repaid in 2016 and USD 1.5 billion (AED 5.51 billion) repayable in 2020. The notes carry a fixed interest rate and are listed on the London Stock Exchange.

(ii) 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.

The carrying value of the Sukuk bond is offset by an amount of AED 242 million (USD 66 million) which represents an investment made by the Group in its own debt instruments.

The carrying value of property, plant and equipment, pledged as collateral against the Sukuk bond, amounts to AED 3,700 million (2015: AED 3,700 million) (Note 5).

(iii) Other loans

On 24 December 2013, EMPOWER obtained a 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. At 31 December 2016, the outstanding loan amount was AED 1,030 million (2015: AED 1,500 million).

During the year, the Authority obtained short term loans amounting to Nil (2015: USD 770 million). An amount of USD 210 million was repaid during the year (2015: 560 million). The short term loans carried an interest rate of LIBOR plus a fixed margin.

Shuaa Energy 1 P.S.C has an equity bridge loan of AED 90 million (2015: AED 38 million) from First Gulf Bank PJSC. The rate of interest is the percentage rate per annum which is the aggregate of the applicable margin (0.70% per annum) and one-month LIBOR. The loan is repayable on the earlier of the commercial operation date of the project and 1 April 2017. The loan is secured by a corporate guarantee by ACWA Power Solar Limited.

Shuaa Energy 1 P.S.C has a commercial facility of USD 151 million (base facility) together with USD 3 million (standby facility) from a syndicate of banks namely First Gulf Bank and SAMBA Financial Group. As of 31 December 2016, USD 42 million of the facility has been utilised. The rate of interest is the percentage rate per annum which is the aggregate of the applicable margin and LIBOR. The loan will be repaid over the course of the project with first repayment scheduled in September 2017.

12 Borrowings (continued)

Shuaa Energy 1 P.S.C has an Istisna-Ijara facility of USD 122 million (base facility) together with USD 2 million (standby facility) from Saudi National Commercial Bank. As of 31 December 2016, USD 34 million of the facility has been utilised. The rate of profit is the percentage rate per annum which is the aggregate of the applicable margin and LIBOR. The loan will be repaid over the course of the project with first repayment scheduled in September 2017.

A first ranking mortgage over all tangible and intangible assets of Shuaa Energy 1 P.S.C owned now or in future has been granted to the lenders for the punctual and unconditional payment and discharge of loan obtained under the facility.

Hassyan Energy Phase 1 P.S.C has a commercial facility of USD 2.31 billion. As of 31 December 2016, USD 239 million of the facility has utilised. The loan is repayable commencing on 31 August 2021 and ending on 28 February 2041. The effective interest rate for the period from 7 April 2016 to 31 December 2016 was 4.27% per annum.

Hassyan Energy Phase 1 P.S.C has a mezzanine facility of USD 118 million. As of 31 December 2016, USD 12 million of the facility has utilised. The loan is repayable commencing on 31 May 2041 and ending on 29 February 2048. The effective interest rate for the period from 7 April 2016 to 31 December 2016 was 7.86% per annum.

At 31 December 2016, the Group had available AED 12.06 billion (2015: AED 4 billion) of undrawn borrowing facilities from various lenders.

13 Retirement benefits obligations

	2016 AED’000	2015 AED’000
Non current	637,290	583,179
Current (Note 15)	59,593	59,609
	696,883	642,788
Consolidated balance sheet		
Provision for employees’ end of service benefits (Note 13.1)	653,293	604,611
Provision for pension (Note 13.2)	43,590	38,177
	696,883	642,788

The charge for the year included within operating profit in the consolidated statement of comprehensive income includes current service cost and interest cost. Actuarial gains and losses during the year are recognised in other comprehensive income.

13 Retirement benefits obligations (continued)

13.1 Provision for employees' end of service benefits

In 2016, 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 2.6% per annum (2015: 3.25% per annum);
- Discount rate used to determine the present value of the obligation was 2.9% per annum (2015: 3.75% 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 20 million (2015: AED 35 million) in other comprehensive income.

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

	2016 AED'000	2015 AED'000
At 1 January	604,611	564,304
Provision made during the year (Note 19)	109,379	103,513
Actuarial gain	(19,659)	(35,207)
Payments made during the year	(41,038)	(27,999)
At 31 December	653,293	604,611

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

	2016 AED'000	2015 AED'000
Current service cost	87,996	81,974
Interest cost	21,383	21,539
	109,379	103,513

13 Retirement benefits obligations (continued)

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 2016, 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 3 million (2015: AED 3 million) has been recognised during the year in other comprehensive income.

13.2.1 Provision for pensions (for eligible UAE national employees who retired on or before 31 December 2002)

Movements in the provision for pensions are analysed below:

	Year ended 31 December	
	2016	2015
	AED'000	AED'000
At the beginning of the year	34,538	34,203
Actuarial loss	2,860	2,782
Pensions paid	(2,283)	(2,447)
At the end of the year	35,115	34,538

13.2.2 Provision for pensions (for eligible UAE national employees from 1 January 2003)

Movements in the provision for pensions are analysed below:

	Year ended 31 December	
	2016	2015
	AED'000	AED'000
At the beginning of the year	3,639	4,111
Provision made during the year (Note 19)	80,226	65,842
Pensions paid	(75,390)	(66,314)
At the end of the year	8,475	3,639

14 Other long term liabilities

	2016 AED'000	2015 AED'000
Deferred revenue	11,254,661	8,263,115
Advances for new connections	8,105,810	7,794,023
Consumers' security deposits (Note 15)	1,853,293	1,635,605
Retentions payable	359,874	355,080
	21,573,638	18,047,823

15 Trade and other payables

	2016 AED'000	2015 AED'000
Capital projects payables and accruals	2,602,470	1,371,375
Retentions payable	1,128,652	1,119,063
Trade payables	1,090,124	1,150,250
Advances for new connections	900,646	866,003
Consumers' security deposits	565,518	483,387
Deferred revenue	458,455	345,890
Accrual for staff benefits	103,485	87,969
Due to related parties	28,545	18,893
Retirement benefits obligations (Note 13)	59,593	59,610
Other payables	1,940,372	2,139,452
	8,877,860	7,641,892

Movement in consumers' security deposits is analysed below:

	2016 AED'000	2015 AED'000
At 1 January	2,118,992	1,806,839
Net deposits received during the year	299,819	312,153
At 31 December	2,418,811	2,118,992
Less: Consumers' security deposits - current	(565,518)	(483,387)
Consumers' security deposits - non current (Note 14)	1,853,293	1,635,605

16 Revenue

	2016 AED'000	2015 AED'000
Electricity	13,595,978	13,215,276
Water	4,218,882	4,088,060
District cooling	1,846,175	1,659,807
Others	240,804	104,265
	19,901,839	19,067,408

17 Cost of sales

	2016 AED'000	2015 AED'000
Generation and desalination expenditure (Note 17.1)	9,087,939	8,579,728
Transmission and distribution expenditure (Note 17.2)	2,995,013	2,657,891
Purchase of water	22,936	23,907
	12,105,888	11,261,526

17.1 Generation and desalination expenditure

	2016 AED'000	2015 AED'000
Fuel costs	6,589,035	6,349,996
Depreciation (Note 5)	1,501,381	1,448,426
Staff costs (Note 19)	471,885	425,154
Repairs and maintenance	262,231	183,558
Others	263,407	172,594
	9,087,939	8,579,728

17.2 Transmission and distribution expenditure

	2016 AED'000	2015 AED'000
Depreciation (Note 5)	1,702,032	1,556,053
Staff costs (Note 19)	1,167,361	995,273
Repairs and maintenance	101,129	90,855
Others	24,491	15,710
	2,995,013	2,657,891

18 Administrative expenses

	2016 AED'000	2015 AED'000
Staff costs (Note 19)	1,245,572	1,053,239
Repairs and maintenance	137,991	100,613
Depreciation (Note 5)	130,452	74,490
Insurance	44,528	36,086
Amortisation (Note 6)	19,568	13,974
Provision for slow moving and obsolete inventory	10,634	47,404
Others	368,891	260,014
	1,957,636	1,585,820

19 Staff costs

	2016 AED'000	2015 AED'000
Salaries	1,938,391	1,766,350
Bonus	175,392	181,698
Retirement benefit obligations (Note 13)	189,605	169,355
Other benefits	581,430	356,263
	2,884,818	2,473,666

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

	2016 AED'000	2015 AED'000
Income from consumer installations	442,888	278,197
Amortisation of deferred revenue	437,609	324,445
Meter rental	90,109	75,764
Sale of scrap	48,774	95,717
Income from damage claims	33,704	13,743
Meter reconnection, testing and service charges	28,287	25,449
Profit on disposal of property, plant and equipment	386	1,066
Miscellaneous	209,056	194,176
	1,290,813	1,008,557

21 Finance costs – net

	2016 AED'000	2015 AED'000
Finance costs		
Interest on bank and other borrowings	(648,216)	(802,095)
On settlement of interest rate swaps	-	(205,688)
Amortisation of borrowing costs	(10,963)	(56,293)
Amortisation of financial liabilities	-	(30,000)
Total finance costs	(659,179)	(1,094,076)
Finance income		
Foreign currency translation gain	-	164,078
Amortisation of financial liabilities	12,036	-
Interest income on short term bank deposits	100,948	28,142
Total finance income	112,984	192,220
Net finance costs	(546,195)	(901,856)

22 Net cash generated from operating activities

		Year ended 31 December	
		2016	2015
	Notes	AED'000	AED'000
Cash generated from operations			
Profit for the year		6,583,072	6,320,993
Adjustments for:			
Depreciation	5	3,333,865	3,078,969
Amortisation of intangible assets	6	19,568	13,974
Provisions for:			
- Slow moving and obsolete inventory	18	10,634	47,404
- Impairment of receivables	8	(3,744)	8,152
- Retirement benefit obligation - gratuity	19	109,379	103,513
- Retirement benefit obligation - pension	19	80,226	65,842
(Profit) /loss from joint ventures	7	(139)	5,770
Finance income	21	(112,984)	(192,220)
Profit on disposal of property, plant and equipment	20	(386)	(1,066)
Deferred income	20	(437,609)	(324,445)
Finance costs	21	659,179	1,094,076
Operating cash flows before changes in operating assets and liabilities		10,241,061	10,220,962
Payment of employees' end of service benefits	13.1	(41,038)	(27,999)
Payment of employees' pension plan	13.2	(77,673)	(68,761)
Net consumers' security deposits received during the year	15	299,819	312,153
Movement in Government of Dubai account		(1,077,876)	(1,016,897)
Changes in operating assets and liabilities:			
Trade and other receivables before provision for impairment and amounts written off and excluding movement in Government of Dubai account		(186,981)	(417,103)
Inventories before movement in provision	9	(41,951)	(165,719)
Trade payable and accruals excluding trade payable for capital projects, retentions, consumers' security deposits and deferred revenue		2,387,001	1,250,410
Net cash generated from operations		11,502,362	10,087,046

23 Commitments

	2016 AED'000	2015 AED'000
Future commitments including capital expenditures	17,281,886	11,288,433

24 Financial instruments by category

	Loans and receivables	
	2016 AED'000	2015 AED'000
Assets as per balance sheet		
Trade and other receivables (excluding prepayments)	4,696,695	4,489,326
Short term investments	5,882,329	1,009,700
Cash and cash equivalents	1,780,352	3,731,671
	12,359,376	9,230,697

	Other financial liabilities	
	2016 AED'000	2015 AED'000
Liabilities as per consolidated balance sheet		
Trade and other payables (excluding advances for new connections, retirement benefits obligations, deferred revenue, security deposits and retention payable)	5,764,996	8,284,105
Borrowings	11,456,525	13,064,638
	17,221,521	13,064,638

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 Subsidiaries with material non-controlling interest

The summarised financial information for a subsidiary, (Empower) with a material non-controlling interest before inter-company eliminations is as follows:

Summarised balance sheet

	2016 AED'000	2015 AED'000
Current		
Assets	527,293	885,568
Liabilities	(1,799,882)	(1,467,133)
	(1,272,589)	(581,565)
Non-current		
Assets	5,302,793	5,059,159
Liabilities	(1,351,592)	(1,730,284)
	3,951,201	3,328,875

Summarised statement of comprehensive income

	Year ended 31 December	
	2016 AED'000	2015 AED'000
Revenue	1,845,859	1,660,123
Post-tax profit from continuing operations	631,303	515,815
Other comprehensive income	-	-
Total comprehensive income	631,303	515,815
Total comprehensive income allocated to non-controlling interest	185,078	149,258
Dividends paid to non-controlling interest	195,000	75,000

Summarised cash flows

	Year ended 31 December	
	2016 AED'000	2015 AED'000
Net cash generated from operations	1,031,708	946,438
Net cash generated from/(used in) investing activities	3,736	(85,062)
Net cash used in financing activities	(930,024)	(877,323)
Net increase/(decrease) in cash and cash equivalents	105,420	(15,947)
Cash and cash equivalents, as at 1 January	111,562	127,509
Cash and cash equivalents, as at 31 December	216,982	111,562

26 Derivative financial instruments

The Group is exposed to interest rate exposure on various borrowings maturing between 2017 and 2040. Some of the Group's subsidiaries have entered into a series of interest rate swaps for the duration of the borrowings to mitigate the risk of variation in future interest rates. These interest rate swaps were designated as cash flow hedges and were assessed to be highly effective. An amount of net unrealised loss of AED 24 million (2015: Nil) relating to these hedging instruments is included in other comprehensive income.

The tables below show a summary of the hedged items, the hedging instruments and their fair values. The notional amounts indicate the amount outstanding at the year end.

Description of the hedged item	**Hedging instrument**	**Notional amount** AED'000	**Positive fair value** AED'000	**Negative fair value** AED'000
2016:				
Interest payments on floating rate loans	Interest rate swap	1,644,486	21,187	45,403

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

a. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

c. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Assets measured at fair value				
Derivative financial instruments	-	21,187	-	21,187
Liabilities measured at fair value				
Derivative financial instruments	-	45,403	-	45,403

26 Derivative financial instruments (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
a. Quoted market prices or dealer quotes for similar instruments; and

b. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Interest rate swaps were measured primarily using valuations provided by the financial institutions based on the observable spot exchange rates and the yield curves of the respective swap contracts and were categorised in Level 2 hierarchy.

27 Dividend

The Authority had declared a dividend amounting to AED 500 million in respect of the year ended 31 December 2015 (2014: AED 500 million) and was approved by the Board of Directors at their annual meeting on 4 February 2016. The dividend was paid on 2 March 2016.

During the year, EMPOWER declared and paid a dividend of AED 650 million (2015: AED 250 million) and this dividend was approved by the Board of Directors of EMPOWER. An amount of AED 195 million (2015: AED 75 million) was paid to the non-controlling interest.