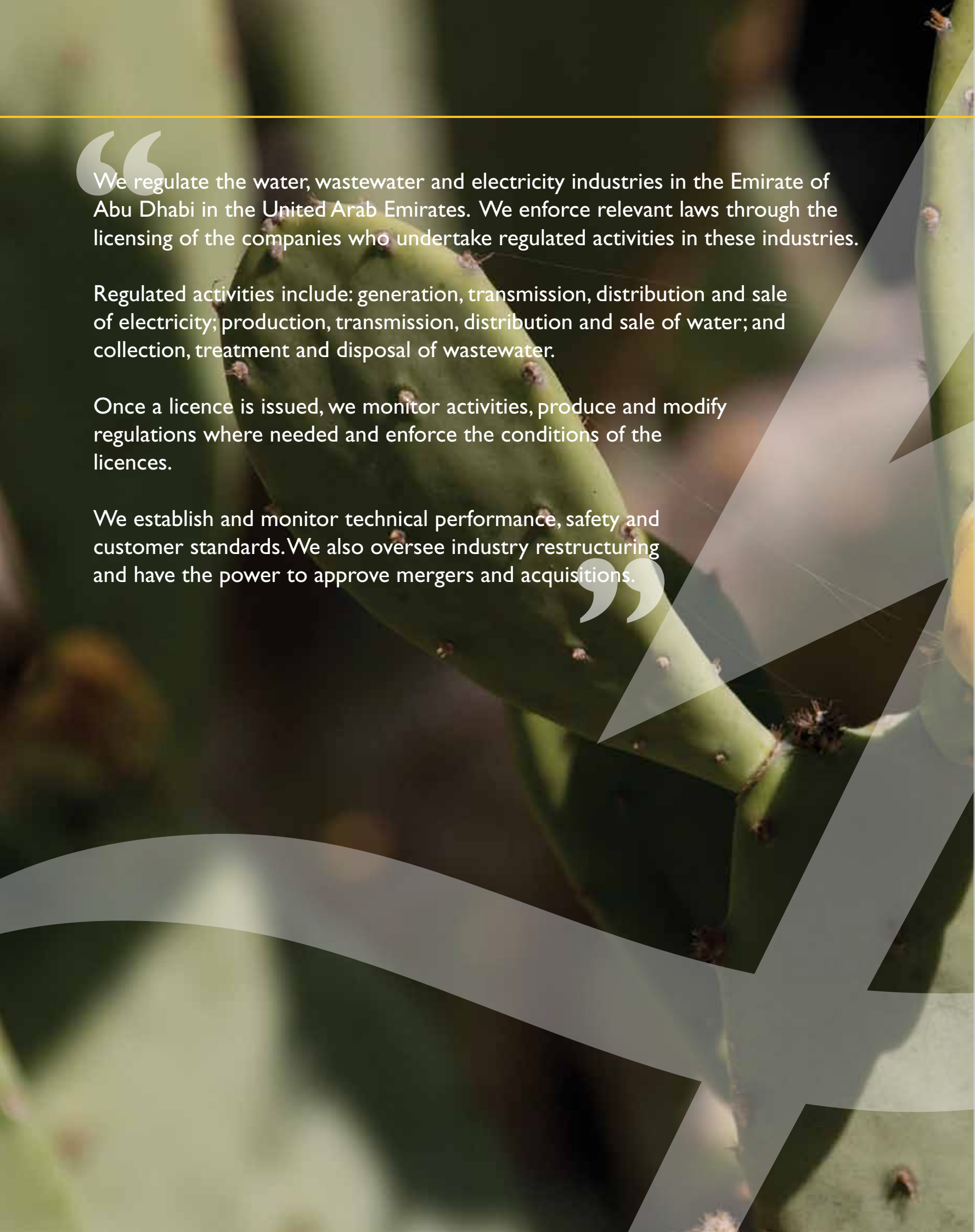


# REGULATION & SUPERVISION BUREAU ANNUAL REPORT 2010

FOR THE WATER, WASTEWATER AND ELECTRICITY SECTOR  
IN THE EMIRATE OF ABU DHABI



“ We regulate the water, wastewater and electricity industries in the Emirate of Abu Dhabi in the United Arab Emirates. We enforce relevant laws through the licensing of the companies who undertake regulated activities in these industries.

Regulated activities include: generation, transmission, distribution and sale of electricity; production, transmission, distribution and sale of water; and collection, treatment and disposal of wastewater.

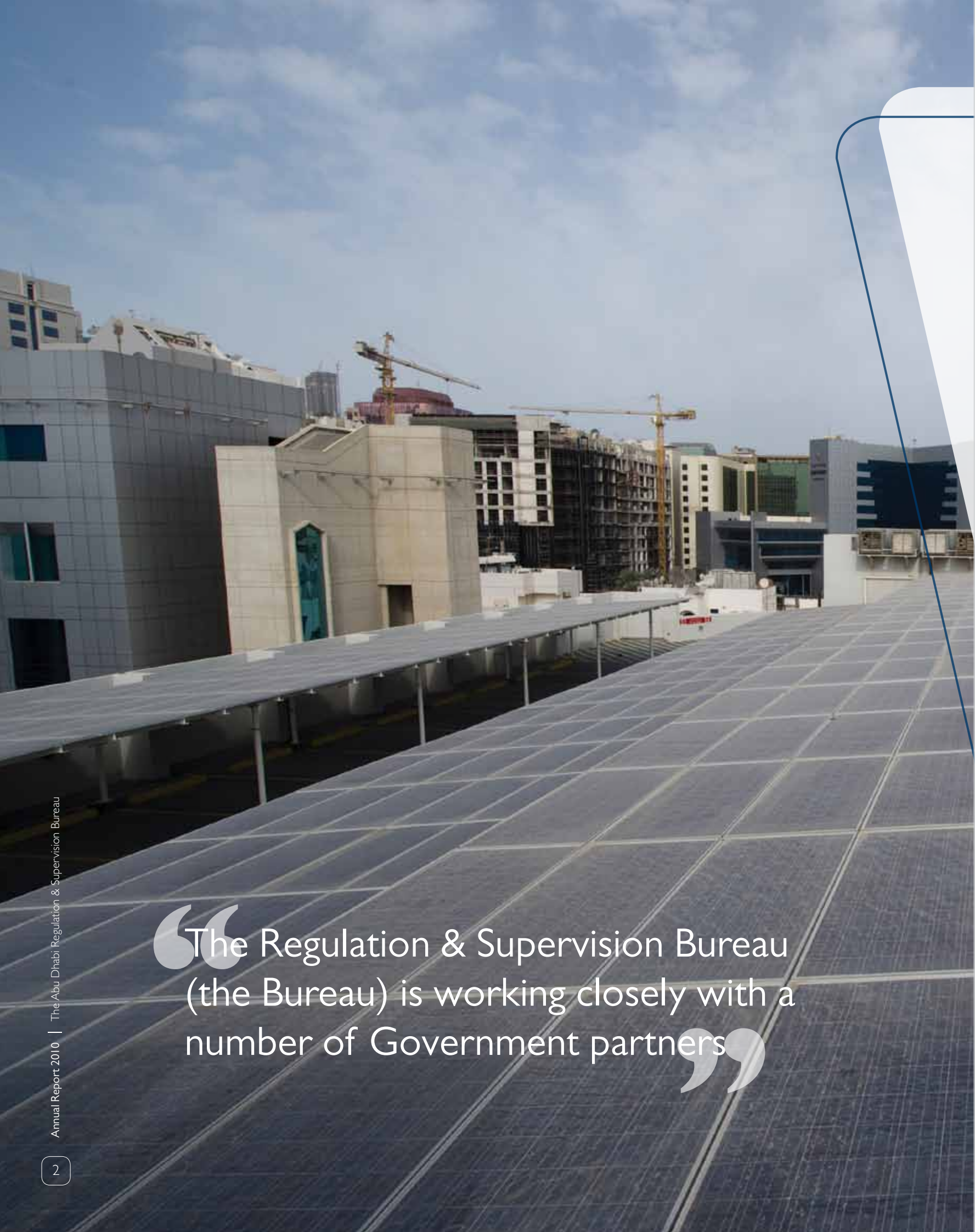
Once a licence is issued, we monitor activities, produce and modify regulations where needed and enforce the conditions of the licences.

We establish and monitor technical performance, safety and customer standards. We also oversee industry restructuring and have the power to approve mergers and acquisitions.”



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“The Regulation & Supervision Bureau (the Bureau) is working closely with a number of Government partners”

# Chairman's introduction

This year saw an important shift in the Emirate of Abu Dhabi's power production expansion plans to include nuclear and renewable energy technologies.

The Regulation & Supervision Bureau (the Bureau) is working closely with a number of Government partners and companies to ensure that suitable measures are in place to allow for the seamless connection of the Emirate's first nuclear power and large-scale renewable energy plants to the transmission grid over the next decade. Such technologies are critical to ensuring the Sector meets its obligations of providing power and water while minimising the use of fossil fuels and potential environmental impact.

To this end, the Bureau and the Emirates Nuclear Energy Corporation (ENEC) are working together to develop a nuclear roadmap that defines our respective responsibilities and provides strategic and planning support to the Sector as a whole, especially with respect to transmission grid planning.

In terms of renewable energy, the Emirate has been extremely active and has earned a reputation as an innovator in this emerging area. The Bureau is working closely with Masdar, the Abu Dhabi Future Energy Company (ADFEC), to promote the expansion of a range of renewable energy projects.

While the Sector continues to plan for expansion in line with the Emirate's Vision 2030, the Bureau is also seeking to encourage the conservation of water and electricity resources. In this regard, we have launched an awareness campaign to demonstrate the benefits of Government subsidies to customers, and to explain the need to value our precious resources, even though water and electricity prices are below cost. We will be building on this campaign in 2011 and beyond.

Lastly, the Bureau now regulates over 30 licence holders and, consequently, our workload has increased significantly. Therefore, we have continued to expand and develop our workforce to effectively meet this challenge and serve our stakeholders.

I trust you will enjoy our 2010 Annual Report.

*Mohammed Ahmed Al Bowardi*



Jan

### Water quality regulations come into force

The regulations ensure the supply of wholesome drinking water to consumers throughout the Emirate.

Mar

### Announcement of S3

ADWEA issues a tender for the creation of the Emirate's first independent power-only producer (IPP). The plant, to be located at Shuweihat (S3), close to two existing Shuweihat plants in the Western Region of the Emirate of Abu Dhabi, will produce up to 1,600 MW. (p.10)

# Timeline

May

## Increased capacity at Masdar City

The licence held by ADFEC for embedded solar generation at Masdar City increases from 10 MW to 50 MW of capacity.

Nov

## Policy statement for non-IWPP generation sites

A Regulatory Policy Statement setting out the principles of charging operators who have a direct connection to the transmission system and the benefits associated with such a connection is issued.

Jun

## Launch of wastewater regulations

The Trade Effluent Control Regulations and Recycled Water and Biosolids Regulations are issued. For the first time, the principle of 'controlling what goes in helps what comes out' is established in Abu Dhabi.

Dec

## Commissioning of F2

The Fujairah F2 plant, located in Qidfa, in the east of the UAE, becomes commercially operational. This independent water and power plant (IWPP) is licensed to produce up to 2,000 MW of power and 130 MIGD of desalinated water. (p.10)

## Licensing of Shams One

The Shams One Solar Power Plant, located south of the city of Madinat Zayed in the Western Region is licensed to produce up to 110 MW of power, using concentrated solar power technology.

## Public awareness campaign

An awareness campaign is launched to promote the efficient use of water and electricity resources. (p.9)



“The Bureau makes sure that operators meet strict regulatory policy regarding security of supply standards to ensure sufficient electricity generation and water production, even when some plants are out of operation.”

Annual production

**ELECTRICITY**

49,942 GWh includes exports

**+15.7%**

**WATER (potable)**

998,762 MI (221,947 MG)

**+0.85%**

Installed capacity

**ELECTRICITY**

**+21%**

**12,222 MW**

**WATER (potable)**

783 MGD

**+14.7%**

**3,563 MI/d**

Note: the percentage variation is as compared with the previous year  
MW = megawatt  
GWh = gigawatt hour  
TG = thousand gallons (imperial)  
MIG = million gallons (imperial)  
MGD = million gallons (imperial) per day  
MI = million litres  
MI/d = million litres per day  
m<sup>3</sup>/d = cubic metre per day

# Performance highlights

## System demand

### ELECTRICITY

Hourly peak 8,563 (1,522 MW exports); Abu Dhabi Emirate's hourly peak (19 July): 7,045 MW (+9.2%)

**+11.5%** (19 July)

### WATER

Transmission peak 3,050 MI/d (670 MGD) including supply to northern emirates

**+2.4%** (6 July)

### WASTEWATER

634,000 m<sup>3</sup>/d average, received at wastewater treatment plants (139.5 MGD); equivalent annual total of 50,910 MG

**+8.9%**

## Sector turnover

### ELECTRICITY

AED million

**8,874**

### WATER

AED million

**7,238**

### WASTEWATER

AED million

**1,641**

## Average unit costs

### ELECTRICITY

fil/kWh

**27.6**

### WATER

AED per 1,000 litres or one cubic metre

**9.1**

## Customers

### ELECTRICITY

**+6.7%**

**371,267**

### WATER

**+7.2%**

**276,611**

### WASTEWATER

(estimated)

**+8.3%**

**292,181**

## Water quality

### TOTAL TESTS

**159,184**



“In order to help raise awareness of how much customers use and pay for water and electricity, we have re-designed the Emirate’s water and electricity bill.”

# Conservation

## Utility bill re-design

In order to help raise awareness of how much customers use and pay for water and electricity, we have re-designed the Emirate's water and electricity bill. The new look bill will allow customers to easily see how much water and electricity they have used compared to their previous bills, and how their consumption compares to average consumption for other similar premises. By providing this additional information, we anticipate that customers will adjust their consumption patterns to reduce and save. On this key initiative, we worked closely with the distribution companies, and we will continue to do so to ensure its success.

The new bills also show water in litres rather than in gallons, as it is easier for consumers to identify with this unit, especially as bottled water is sold in litres. For sales purposes, the new base unit of water is 1,000 litres or, more precisely, one cubic metre.

## Efficient use of resources – awareness campaign

To stress the value of water and electricity to consumers, we rolled out an awareness campaign to illustrate the gap between the cost of providing utilities and the significantly lower rates customers in Abu Dhabi pay for those utilities. By clearly communicating the true value of water and electricity, we aim to convince users to change their consumption habits and conserve these vital resources.

During this campaign, we released real examples of the “actual cost” of

providing water and electricity compared with the much lower amounts that customers see on their bills. We used the term “waived cost” to describe this gap, which is absorbed by Government subsidies.

This represents the first phase of an ongoing education campaign to promote the efficient use of water and electricity across all categories of consumers, contributing to the Emirate's sustainability vision and the long-term benefit of the environment.



## Supporting growth

Electricity and water demand for the Emirate of Abu Dhabi, including its support of the Northern Emirates, is projected to increase at a rate above 10 per cent annually for the foreseeable future to support the industrial, commercial and population growth plans outlined in Vision 2030. A number of key initiatives, including developments in Fujairah and Shuweihat, have significantly contributed to supporting this growth.

### **Fujairah F2: full commercial availability**

Following the successful completion of comprehensive reliability testing in December 2010, the Fujairah F2 plant became commercially operational. Owned by Fujairah Asia Power Company PJSC (FAPCo), the IWPP is located in Qidfa in the Emirate of Fujairah. F2 was developed as a greenfield power generation and seawater desalination plant. It is licensed to produce up to 2,000 MW of power and 130 MIGD of water.

The Fujairah F2 project complements the existing F1 plant, owned by Emirates Sembcorp Water and Power Company in the same area. The two plants provide major contributions to the Sector's available power and water production capacity, as well as supporting the Northern Emirates' growing demand for power and water.

### **Shuweihat Asia Power Company PJSC formation (S3)**

In 2010, the independent power producer (IPP) Shuweihat Asia Power Company PJSC was formed to develop the third phase of the Shuweihat complex, known as Shuweihat 3 (S3), which is licensed to produce up to 1,600 MW of electricity. The S3 plant will be commissioned in phases, with full commercial operation expected by early 2014.

“Electricity and water demand for the Emirate of Abu Dhabi, including its support of the Northern Emirates, is projected to increase at a rate above 10 per cent annually.”

Upon completion of S3, the Shuweihat complex will have a combined licensed production capacity of up to 4,600 MW of electricity and 200 MGD of water. The three power plants in the complex will benefit from design efficiency and a number of shared services, including sea defences, cooling water outfalls and fuel supply infrastructure.

### Additional licensed capacity

In order to support the continued growth of the Emirate, we have licensed an additional 4,300 cubic metres per day of wastewater treatment capacity at five locations across the Emirate. These small-scale installations will provide essential sewerage services to construction workers; hotel staff and residents; new villa owners and tenants; a state-of-the-art educational facility at Masdar City; and the world's largest single-site aluminium smelter complex, Emirates Aluminium (EMAL).

We have also licensed the facilities for the generation of an additional 150 MW of solar power at Masdar City and for Shams Power Company near Madinat Zayed in the Western Region.

### Strategic Tunnel Enhancement Programme (STEP)

One of the Bureau's key roles is to ensure that licence holders plan and construct sufficient capacity to support the growth of the Emirate. In recent years, rapid population growth has resulted in significant increases in wastewater flows that must be safely and effectively transferred to the Emirate's treatment plants.

The Abu Dhabi Sewerage Services Company's master plan recommended the construction of a deep tunnel sewer system to transfer wastewater from Abu Dhabi Island to the treatment plants at Al Wathba and Mafraq on the mainland. The 40-km long, deep-sewer gravity tunnel will also include a series of link sewers to some of the new developments in the east of the Island of Abu Dhabi. A key feature of this project will be the decommissioning of existing pumping stations on the Island, reducing operational and maintenance costs, and minimising public nuisance and environmental risk.

We reviewed and supported this proposal as a cost effective and robust solution to the Emirate's future wastewater needs and, in 2010, the project received approval by the Executive Council.

### Nuclear power

The Emirate of Abu Dhabi's 5,600 MW nuclear power programme, led by ENEC, is a key element of the Emirate's commitment to the diversification of power generation, away from hydrocarbons to low carbon technologies. ENEC, the developer of nuclear power plants in the Emirate, broke ground in 2010 on the construction of four 1,400 MW nuclear plants at a site known as Braker, located approximately 40 km west of Shuweihat in the Western Region.

We will be responsible for assessing the impact of this significant source of additional power, and facilitating its integration to the wider Abu Dhabi power transmission network. The first nuclear power plant is due to be commissioned in the latter part of this decade.





“As a result of the projected growth in population and job opportunities in the Emirate, the Sector faces significant challenges over the next decade.”

# Alternative energy

As a result of the projected growth in population and job opportunities in the Emirate, the Sector faces significant challenges over the next decade, including balancing the supply and demand of electricity and water; ensuring the availability of natural gas; integrating 5,600 MW of power output from the new nuclear plants; and achieving the Government's ambitious renewable energy targets. In the medium to long term, renewable energy is seen as an important, complimentary power generation source to nuclear and gas generation.

As a result, the Sector is witnessing considerable activity in the area of power generation through renewable energy. As with all generation in the Emirate, we have been active in ensuring customers' interests are taken into account, both in terms of technical reliability and 'value for money'.

## Solar Rooftop Programme

In 2010, a pilot Solar Rooftop Programme (SRP) was launched by Masdar to test the effectiveness of solar power generation in the Emirate. The project consists of solar photovoltaic cells generating a total of 2 MW, installed on 11 Government-owned buildings in Abu Dhabi.

## Shams I

In June 2010, we issued Shams Power Company PJSC, a joint venture between ADFEC, Total S.A. and Abengoa Solar, a licence to produce up to 110 MW of electricity at the facility known as Shams One. The project consists of the development of a Concentrated Solar

Power (CSP) plant south of Madinat Zayed in the Western Region, under a 25-year build, own and operate contract. Construction began in 2010 and the plant is scheduled to become operational in 2012.

Shams I is one of the largest CSP projects in the world and the first of its kind in the Middle East. Covering 741 acres of desert, it will produce enough electricity to power 62,000 households. The plant will generate solar thermal electricity through focused sunlight, concentrated by the plant's parabolic trough collectors, heating a coolant that generates high-pressure steam to drive a conventional steam turbine.

## Renewable energy prices

As renewable energy generation generally remains more expensive than conventional generation, such as gas-fired combined-cycle cogeneration, our role is to assess and confirm on behalf of the Abu Dhabi Government that the electricity prices paid to renewable energy producers are reasonable for the given technology.

During 2009 and 2010, we contributed to a study by independent consultants, commissioned by ADWEC on our request, to determine the economic price of electricity to be generated at Shams One. This assessment was necessary to ensure that the plant had been efficiently procured, and the subsidy (known as "Green Payment") paid by the Abu Dhabi Government for the electricity from this project is reasonable.

We also commissioned independent consultants to undertake a review of the economic price of electricity from the

10 MW ground-mounted photovoltaic solar power plant developed by ADFEC at Masdar City, and from the 20 to 30 MW wind farm power project to be developed by ADFEC at Sir Bani Yas Island for the same purpose. These studies will conclude in 2011.

In the future, the Bureau hopes that the industry will move towards a better system for regulating renewable energy, relying more on competitive pressures to control prices and costs.



“In 2010, we worked with the distribution companies to finalise uniform terms and conditions in this area, setting out simple rules to ensure customers receive and remain supplied with water and electricity.”

# Customer support and regulation

## Protecting customers' interests

One of our main roles is to protect consumers' interests by ensuring compliance with customer-focused licence conditions.

In 2010, we worked with the distribution companies to finalise uniform terms and conditions in this area, setting out simple rules to ensure customers receive and remain supplied with water and electricity.

Furthermore, a code of practice on disconnection for non-payment was developed, and will be introduced in 2011. We also issued two consultation papers laying the foundation for targeted services to customers with special needs and customers experiencing financial hardship.

The Al Ain Distribution Company initiated a structured complaint handling system, and groundwork for a similar project was established by the Abu Dhabi Distribution Company.

We also worked in collaboration with all of the Sector's sewerage service companies, guiding and supporting their efforts to lay the foundation for the delivery of a range of licence-related customer services.

## Regulatory compliance

As of the end of 2010, the Bureau has issued a total of 31 licences in the water, wastewater and electricity sector in the Emirate of Abu Dhabi.

We set licence conditions so that all categories of licensees must seek to

provide the best, most efficient and lowest-cost service to customers and consumers. To this end, in the fourth quarter of 2010, we developed a comprehensive compliance programme to ensure that all licensees are adequately monitored and measured, and regularly report their performance to the Bureau.

## ADSSC Security Standards

We are committed to enforcing licence compliance and, where necessary, working with licence holders to enforce various licence conditions. As part of this supervisory role, we have been working in close consultation with ADSSC to fulfil the requirements of its Security Standards licence condition.

In 2010, we approved the first Security Standards proposed by ADSSC. This submission will help raise standards in the wastewater sector, while providing a sound platform to monitor performance and drive operational and investment improvements.

## Wastewater regulations

In June 2010, we launched our Trade Effluent Control Regulations and Recycled Water and Biosolids Regulations.

These regulations were issued following a three-year consultation period with a wide range of stakeholders in the wastewater sector. A final consultation, including a workshop to discuss the proposed regulations, was held in March 2010.

The regulations, published in English and Arabic, are the Region's first

comprehensive framework for wastewater regulation. The Trade Effluent Control Regulations govern non-domestic discharges to the Emirate's sewerage network, and the Recycled Water and Biosolids Regulations set the framework for the transfer of high-quality recycled water and biosolids from licensees to end-users for beneficial uses.

An inaugural wastewater regulations review panel workshop was held in December 2010. The panel comprised representatives from the main sewerage licence holders; Government agencies responsible for the protection of the environment and public health; users of recycled water or biosolids; and trade effluent consent holders.

A review panel was established to provide advice and guidance on the implementation and development of the regulations, as regular reviews by well-informed stakeholders form a critical component of an effective regulation strategy.



# Sector governance and Board of Directors

## GOVERNING SECTOR LAW

The governing law for the water, wastewater and electricity sector is Law No (2) of 1998 Concerning the Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi, as amended. Among other things, this law establishes the Bureau and sets out its powers and duties.

There have been no amendments to Law No (2) during 2010. The most current version of Law No (2) can be found on our website.

## ADSSC ESTABLISHING LAW

Law No (17) of 2005 Concerning the Establishment of the Abu Dhabi Sewerage Services Company (ADSSC), as amended, is also an important Sector law. It enables ADSSC to connect other sewerage services providers that are licensed by the Bureau to ADSSC's network.

There have been no amendments to Law No (17) during 2010. The most current version of Law No (17) can be found on our website.

## REGULATIONS

Under Law No (2), the Bureau has the power to establish regulations for a number of purposes, such as to protect the public from dangers related to water, electricity or wastewater installations.

The most current versions of all regulations issued by the Bureau can be found on our website.

## BOARD OF DIRECTORS

The Bureau's Board of Directors was appointed by His Highness Sheikh Mohammed Bin Zayed Al Nahyan on April 9, 2008 for the period of 2008 to 2013, consisting of:

H.E. Mohammed Ahmed Al Bowardi

H.E. Hamad Al Hurr Al Suwaidi

H.E. Mohammed Abdullah Bin Sahoo Al Suwaidi

H.E. Falah Mohammed Al Ahababi

Mr Ibrahim Mubaydeen

# Licence holders

We grant licences to “Persons” (undertakings, companies, organisations) to carry out certain activities. Collectively these Persons are known as licence holders.

Licences are structures which confer rights and obligations on a licence holder in order for them to undertake regulated activities.

Our primary annual funding is derived from licence holders via the application of fees.

## DISTRIBUTION AND SUPPLY

Abu Dhabi Distribution Company (ADDC) distributes and supplies water and electricity to around 240,000 customers in the central and western regions of the Emirate of Abu Dhabi.

Al Ain Distribution Company (AADC) distributes and supplies water and electricity to around 109,000 customers in the eastern region of the Emirate of Abu Dhabi.

## GENERATION / WATER PRODUCTION

Abu Dhabi Future Energy Company (ADFEC) is licensed to produce up to 40 megawatts (MW) of electricity by Embedded Generation Unit(s) using wind turbines located in the Al Gharbia Municipality and connected to a Distribution System. ADFEC's first wind turbine, on Sir Bani Yas Island, has a capacity of 850kW. ADFEC is also licensed to produce up to 50 MW of electricity from solar power generation located at the Masdar City Development.

Al Mirfa Power Company (AMPC) operates three power stations at Al Mirfa, Madinat Zayed and Al Ain with a total licensed capacity of 636 MW. Water production of up to 38.7 MGD is at the Al Mirfa station only.

Arabian Power Company (APC) is licensed to generate 2,200 MW of electricity and 160 MGD of desalinated water at its Sass Al Nakheel plant.

Emirates Aluminium Company Limited PJSC (EMAL) has a self-supply licence for desalination of up to 4 MGD of water and generation of up to 2,000 MW of electricity at the EMAL Aluminium Smelter Development in Taweelah. Electricity generation in excess of self-supply requirements may be offered for sale to ADWEC.

Emirates CMS Power Company (ECPC), (T2) is the first IWPP in the Emirate. It is licensed to produce 50 MGD of water and generate 763 MW of electricity at the old Taweelah A2 site.

Emirates Sembcorp Water and Power Company (Sembcorp), (F1) is licensed to produce up to 100 MGD of water and 861 MW of electricity at its plant located at Qidfa in Fujairah, one of the Northern Emirates of the UAE. Majority of the water produced is delivered to the Emirate of Abu Dhabi via a transmission pipeline owned and operated by TRANSCO.

Fujairah Asia Power Company (FAPCO), (F2) is the second Fujairah licensed operator, situated at the Qidfa complex. FAPCO is licensed to produce up to 2,000 MW of electricity and 130 MGD of desalinated water.

Gulf Total Tractebel Power Company (GTTPC), (T1) is licensed to produce 84.8 MGD of desalinated water and 1,600 MW of electricity at its Al Taweelah plant. GTTPC was the first IWPP in the Emirate to adopt existing assets.

Ruwais Power Company (S2) is licensed to produce up to 100 MGD of water and 1,511 MW of electricity at the Shuweihat site – currently under construction.

Shams One Company LLC is licensed to generate to 110MW of electricity by the use of a solar thermal plant a site south of Madinat Zayed.

Shuweihat CMS International Power Company (SCIPCO), (S1) is licensed to produce up to 1,500 MW of electricity and 100 MGD of desalinated water at its Shuweihat Plant.

Taweelah Asia Power Company (TAPCO), (T3) is licensed to produce 160 MGD of water and 2,000 MW of electricity at the old Taweelah B and B2 plants.

Tourism Development and Investment Company PJSC (TDIC) has a licence to extract and desalinate seawater for non-potable and potable purposes on Saadiyat Island.

Umm Al Nar Power Company (UANPC) owns Baniyas power station with a licensed capacity of 120 MW, currently not in production.

## MULTI-LICENSED

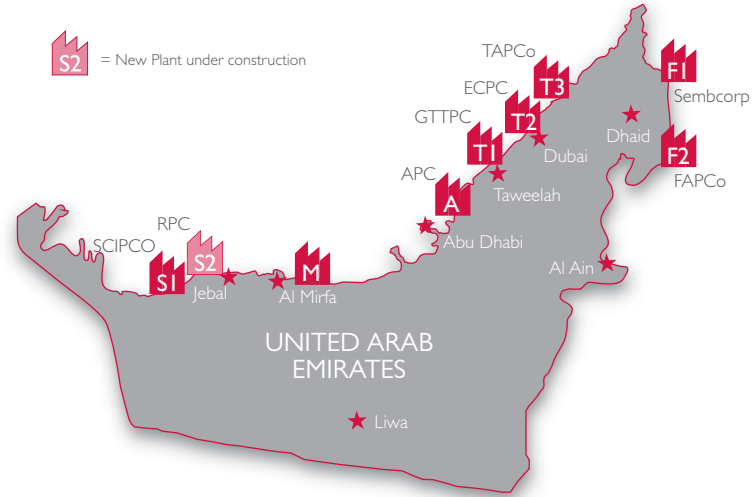
Abu Dhabi Company for Servicing Remote Areas (RASCO) is licensed to generate, desalinate, transmit, distribute and sell electricity and water in remote areas, not connected to either of the distribution networks.

## PROCUREMENT

Abu Dhabi Water and Electricity Company (ADWEC) is the single buyer of water and electricity output and capacity from producers under various Power and Water Purchase Agreements and charges the distribution companies for water and electricity, under a Bulk Supply Tariff.



## LOCATION OF LARGE SCALE LICENSED GENERATION AND DESALINATION COMPANIES



## Licence holders CONTINUED

### TRANSMISSION

Abu Dhabi Transmission and Despatch Company (TRANSCO) is responsible for all transmission voltages at 400, 220 and 132 kV including despatch of generation units, water balancing and the bulk movement of water throughout the Emirate.

### WASTEWATER

Abu Dhabi Future Energy Company (ADFEC) is licensed to collect, treat and dispose of 1,500 cubic metres of wastewater per day at the Masdar City Development.

Abu Dhabi Sewerage Services Company (ADSSC) is responsible for the collection, treatment and disposal of wastewater throughout the Emirate of Abu Dhabi.

ALDAR Properties PJSC is licensed to collect, treat and dispose of 9,000 cubic metres of wastewater per day for a period of five years on the Yas Island Development.

Al Etihad Biwater Waste Water Company, (W1) is licensed to treat wastewater at Al Wathba-Abu Dhabi (up to 345,000 cubic metres per day) and at Al Saad-Al Ain (up to 92,000 cubic metres per day) – currently under construction.

Al Wathba Veolia Besix Waste Water Company, (W2) is licensed to treat wastewater at Al Wathba-Abu Dhabi (up to 300,000 cubic metres per day) and at Alhamah-Al Ain (up to 130,000 cubic metres per day) – currently under construction.

Archironon Construction (Overseas) Co. S.A. is licensed to collect, treat and dispose of 1,000 cubic metres of wastewater per day for a period of three years.

Emirates Aluminium Company Limited PJSC (EMAL) is licensed to collect, treat and dispose of 700 cubic metres of wastewater per day for a period of 5 years at the EMAL Aluminium Smelter Development in Taweelah.

Higher Corporation for Specialized Economic Zones (ZonesCorp) is licensed to collect, treat and dispose of up to 40,000 cubic metres of wastewater per day on the site of the Industrial City – Abu Dhabi (ICAD).

Manazel Real Estate PJSC is licensed to collect, treat and dispose of 1,000 cubic metres of wastewater per day for a period of three years at its Al Reef Villas Development in Shahama – currently under construction.

Samsung Corporation is licensed to collect, treat and dispose of 500 cubic metres of wastewater per day for a period of three years at two labour camps serving the construction of the S2 power plant in Ruwais.

Tourism Development and Investment Company PJSC (TDIC) is licensed to collect, treat and dispose of 620 cubic metres of wastewater per day for a period of five years at its Qasr Al Sarab Desert Resort near Hameem in the Empty Quarter.

# Public record of activities and documents

In law we have a duty to maintain a Public Register. This section of this Annual Report is constructed so as to list documents which are part of our Public Register.

For the purpose of satisfying the law we maintain our Public Register using our website, where all Public Register documents are available for free view and download.

## LICENSING

### New licences

Abu Dhabi Future Energy Company (ADFEC)  
20 Jan 2010  
ED/L01/024  
Sewerage, wastewater treatment and disposal licence

Samsung Corporation  
18 Feb 2010  
ED/L07/005  
Sewerage, wastewater treatment and disposal licence

Manazel Real Estate PJSC  
30 Mar 2010  
ED/L07/006  
Sewerage, wastewater treatment and disposal licence

Shams One Company LLC  
25 Jun 2010  
ED/L01/025  
Electricity Generation

Tourism Development and Investment Company (TDIC)  
23 Aug 2010  
ED/L07/007  
Sewerage, wastewater treatment and disposal licence

Emirates Aluminium Company (EMAL)  
13 Oct 2010  
ED/L07/008  
Sewerage, wastewater treatment and

disposal licence

### Modifications

Modifications to a licence are made subject to agreement by the appropriate licence holder.

Abu Dhabi Sewerage Services Company (ADSSC)  
1 Jan 2010  
ED/L01/016  
Sewerage, wastewater treatment and disposal licence

Abu Dhabi Transmission and Despatch Company (TRANSCO)  
1 Jan 2010  
ED/L01/005  
Water and electricity transmission and despatch licence

Abu Dhabi Future Energy Company (ADFEC)  
12 May 2010  
ED/L08/001  
Embedded generation (solar) licence

### Derogation

Derogations are issued by the Bureau to a licensed operator for a period and on terms specified in the derogation, from the performance of particular licence conditions.

Abu Dhabi Water and Electricity Company (ADWEC)  
14 Feb 2010  
ED/L06/008  
Maximum Allowed Revenues for 2010 for the Electricity and Water Procurement Businesses

Abu Dhabi Sewerage Services Company (ADSSC)  
14 Feb 2010  
ED/L06/009  
Maximum Allowed Revenues for 2010

for the Sewerage Services Businesses

Abu Dhabi Transmission and Despatch Company (TRANSCO)  
1 Apr 2010  
ED/L06/010  
Maximum Allowed Revenue for 2010 for the Water Transmission Business

### Consents

Consents confer rights and obligations on licence holders.

Revisions or renewal of consents are listed for the sake of completeness.

Abu Dhabi Distribution Company (ADDC)  
31 Jan 2010  
ED/L03/038  
Purchase of electricity from embedded generators

Emirates Sembcorp Water and Power Company  
8 Mar 2010  
ED/L03/058  
Supply and sale of demineralised water to the Fujairah refinery

Shuweihat CMS International Power Company  
9 Mar 2010  
ED/L03/057  
Supply and sale of distilled water to Samsung C&T

Emirates Sembcorp Water and Power Company  
15 Mar 2010  
ED/L03/058  
Supply and sale of demineralised water to the Fujairah refinery

Abu Dhabi Distribution Company (ADDC)  
24 Mar 2010  
ED/L03/042  
Supply and sale of non-potable water to TDIC



## Public record of activities and documents

CONTINUED

### Consents (continued)

Abu Dhabi Distribution Company (ADDC)  
1 April 2010  
ED/L03/042  
Supply and sale of non-potable water to TDIC

Shuweihat CMS International Power Company  
19 Apr 2010  
ED/L03/057  
Supply and sale of distilled water to Samsung C&T

Emirates Sembcorp Water and Power Company  
22 Jun 2010  
ED/L03/059  
Supply and sale of distilled water to SEWA

Taweelah Asia Power Company (TAPCO)  
3 Aug 2010  
ED/L03/060  
Supply and sale of demineralised and distilled water to EMAL

Arabian Power Company (APC)  
1 Dec 2010  
ED/L03/009  
Supply and sale of demineralised water to specified customers

### CONSULTATION PAPERS

Consultation papers are designed to seek views from a range of stakeholders and other interested parties on matters which may have a significant impact on licence holders or customers.

### Regulations

Recycled Water and Biosolids Regulations 2010 - consultation  
CR/T06/005  
Revised proposals for the safe and economic management of recycled water and biosolids

Trade Effluent Control Regulations 2010 - consultation  
CR/T06/006  
Revised proposals for managing industrial and commercial inputs to the wastewater collection system

### Price Controls Review

Draft proposals (ADWEC)  
CR/E02/037

Final proposals (ADWEC)  
CR/E02/039

### General

Confidence grading of AIS data  
CR/E02/038

Dealing with Customers in Financial Difficulty  
CD/C01/017

Changes to Non-Generation and (IWPP) Users Connected to the TRANSCO network  
CP/T02/001

Services to Special Customers  
CD/C01/018

Code of Practice for Services for Special Customers  
CD/C01/019

### Licensing

ADWEC Power and Water Supply Licence  
CR/L02/001  
Proposal to modify ADWEC's licence to permit it to supply water and/or

electricity to Transmission Connected Customers and to modify Condition 14 of TRANSCO's licence accordingly.

Distribution Licence Condition 26  
ED/T02/002

Methodology of charges for connection to the electricity distribution system

Distribution Licence Condition 26  
ED/T03/001

Methodology of charges for connection to the water distribution system

## REGULATIONS

Recycled Water and Biosolids  
Regulations 2010  
ER/R04/009

For the beneficial disposal of wastewater treatment by-products

Trade Effluent Control Regulations 2010  
ER/R04/008

For the control of hazardous and harmful chemicals discharged to sewer

Distribution System Losses  
ER/T04/006

Initiate discussion and formulate methodology to calculate distribution losses in electrical networks

## CODES

Water Distribution Code  
Version 3.0

Designed to allow efficient and safe operation of the Abu Dhabi Water Distribution System

## PUBLICATIONS

Annual work plan 2010  
ER/P01/012

Annual report for 2009 – Arabic  
ER/P02/017

Annual report for 2009 – English  
ER/P02/018

Guide for developers and licensed entrants to the water, wastewater and electricity sector in the Emirate of Abu Dhabi 2010  
ER/P01/009

Scale of Charges and Services 2010  
ER/E01/003

Guide to the Recycled Water and Biosolids Regulations 2010  
ER/P04/010

Guide to the Trade Effluent Control Regulations 2010  
ER/P04/011

## REPORTS

Reports are produced either by Bureau staff or externally appointed consultants. They are not necessarily in the public domain.

### Audit Reports

Water Quality Audit Report – Overall  
IR/T03/006

Water Quality Audit Report – AADC  
ER/T03/032

Water Quality Audit Report – ADDC  
ER/T03/033

Water Quality Audit Report –  
TRANSCO  
ER/T03/034

Water Quality Audit Report – AMPC  
ER/T03/035

Water Quality Audit Report – APC  
ER/T03/036

Water Quality Audit Report – ECPC  
ER/T03/037

Water Quality Audit Report – ESWPC  
ER/T03/038

Water Quality Audit Report – GTTPC  
ER/T03/039

Water Quality Audit Report – SCIPCO  
ER/T03/040

Water Quality Audit Report – TAPCO  
ER/T03/041

## Reviews

Bottled Drinking Water Internal Status  
Report  
IR/T03/003

Customer demand study using AMR  
system data  
IR/T02/004

Irrigation Methodologies and Standards  
IR/T03/002

Costs, tariffs and subsidies in the electricity, water and wastewater sectors for 2009  
IR/T05/006

TRANSCO protection system review  
ER/T02/003

TDS Compliance Project Briefing Report  
- Strand iii Groundwater Blending  
ER/T02/004

Lloyds Health and Safety Review –  
TRANSCO

Lloyds Health and Safety Review –  
AADC / ADDC

## STRATEGIC PLAN

Strategic Plan 2010 to 2014  
IP/G04/001

## POLICY STATEMENT

Charges to Non-IWPP Generation and Self-Supply Users connected to the TRANSCO network  
ED/S05/001



# Consultants

Given an ever increasing workload, we employed both local and international consultants to undertake a range of work streams.

The consultants listed below were employed in 2010.

**Al Hoty Laboratory**  
Recycled Water quality assessment around Abu Dhabi city

**Bell Pottinger Middle East**  
Production of 2009 Annual Report

**Impact Porter Novelli**  
Awareness campaign to promote the efficient use of water and electricity

**International Centre for Training and Development**  
Training and examination on the Electricity Wiring Regulations 2007 Revision 1 (Al Ain)

**KEMA Limited**  
Options to improve the security of the primary fuel supply for the electricity and water sector of Abu Dhabi

**KEMA Limited**

Valuing and charging for transmission security

**KEMA Limited**  
Completion of review phase of the preliminary feasibility study for the development of LNG terminals

**KEMA Middle East FZE**  
Assessment of an economic price of electricity for the 10MW PV Solar Power Plant in Masdar City

**KEMA Limited**  
Developing conceptual design options for LNG terminals in Fujairah and Shuweihat

**KEMA Middle East FZE**  
Assessment of economic price of electricity for the 20-30MW power plant on Sir Bani Yas Island

**LECG Ltd**  
Substantial Lessening of Competition test, merger of International Power and GDF Suez

**Lloyds Register EMEA**  
AADC Health and Safety Management and Operational Review

**Lloyds Register EMEA**  
ADDC Health and Safety Management and Operational Review

**Lloyds Register EMEA**  
TRANSCO Health and Safety Management and Operational Review

**Middle East Management and Economical Development (EcoMan)**  
Training and examination on the Electricity Wiring Regulations 2007 Revision 1 (Abu Dhabi)

**Reed Smith Legal Consultants**  
Provision of full-time legal secondment to the Bureau

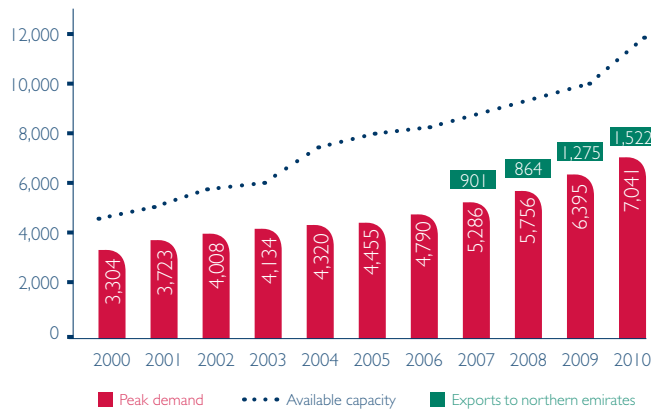
**Satori Solutions Limited**  
Procurement of an Electronic Document Management System

**WS Atkins & Partners Overseas**  
Evaluation of production and network companies' chlorination system

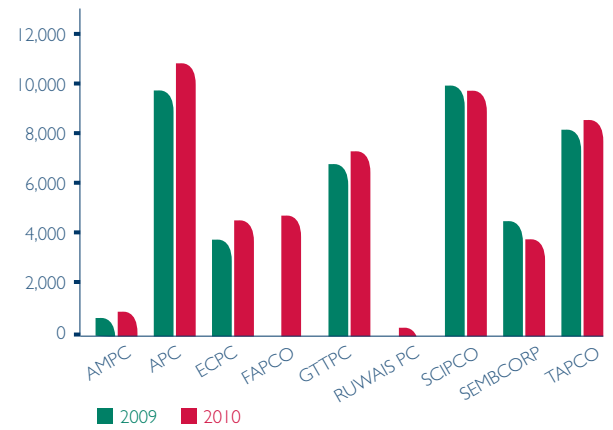
**WorleyParsons Engineering Pty Ltd**  
Bio-fouling control and research project

# Growth and production charts

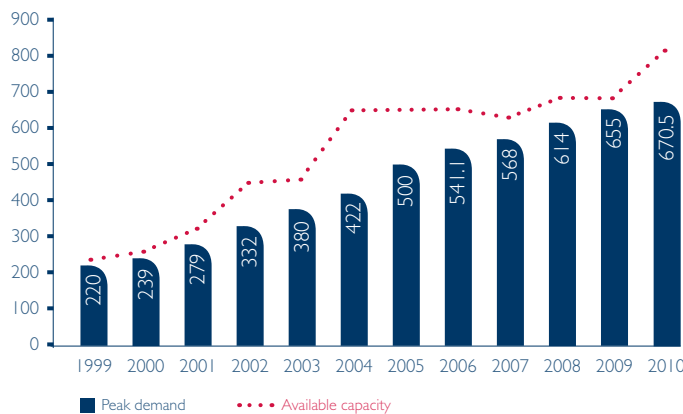
Electricity demand growth (MW)



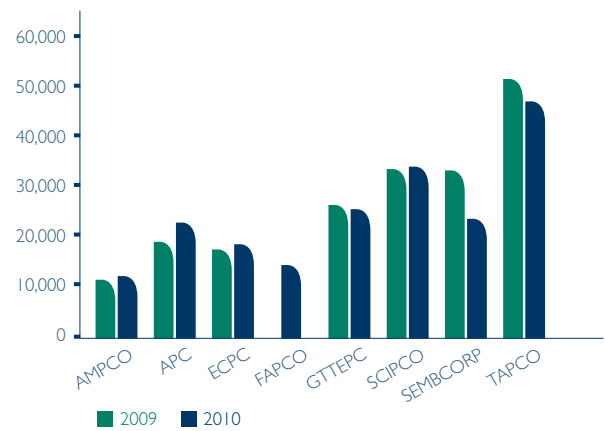
Electricity generation (GWh)



Water demand growth (MIGD)



Water Production (MIG)



Note:  
 MW = megawatt  
 GWh = gigawatt hour  
 MIG = million gallons (imperial)  
 MIGD = million imperial gallons per day



# Independent auditors' report to the board members of Regulation and Supervision Bureau

We have audited the accompanying financial statements of Regulation and Supervision Bureau ("the Bureau"), which comprise the statement of financial position as at 31 December 2010 and the statements of financial performance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditors' responsibility*

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

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

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

## *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bureau as of 31 December 2010 and the results of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Ernst Young

Registration n.466

30 June 2010  
Abu Dhabi

# Statement of financial position

As at 31 December 2010

	Notes	2010 AED	Restated 2009 AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Furniture and equipment	3	7,021,194	7,674,220
Intangible assets	4	152,131	77,701
Expenses pending recharge to licensees	5	5,074,818	-
Advances to employees		265,836	226,715
		<b>12,513,979</b>	<b>7,978,636</b>
<b>Current assets</b>			
Expenses pending recharge to licensees	5	-	197,448
Prepayments and other receivables	6	12,947,306	9,607,416
Bank balances and cash	7	11,937,209	27,016,985
		<b>24,884,515</b>	<b>36,821,849</b>
<b>TOTAL ASSETS</b>		<b>37,398,494</b>	<b>44,800,485</b>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Advances due to licensees	5	-	1,952,213
Employees' end of service benefits	9	7,917,178	8,516,300
		<b>7,917,178</b>	<b>10,468,513</b>
<b>Current liabilities</b>			
Accounts payable and accruals	8	27,726,551	34,331,972
Advances due to licensees	5	1,754,765	-
		<b>29,481,316</b>	<b>34,331,972</b>
<b>TOTAL LIABILITIES</b>		<b>37,398,494</b>	<b>44,800,485</b>



Mohammed Al Bawardi  
CHAIRMAN



Nick Carter  
DIRECTOR GENERAL

The attached notes 1 to 14 form part of these financial statements.

# Statement of financial performance

Year ended 31 December 2010

	Notes	2010 AED	2009 AED
<b>REVENUE</b>			
Licence fees	11	47,881,139	44,162,951
Other income		478,429	401,115
Interest income		239,492	376,600
		<b>48,599,060</b>	<b>44,940,666</b>
<b>EXPENSES</b>			
Salaries and staff related costs		42,645,812	36,898,704
Depreciation	3	2,266,007	1,429,649
Amortisation	4	71,847	24,395
Rent expense		1,397,891	1,156,899
Publicity		984,628	517,038
Recruitment		1,187,386	139,320
Professional fee		1,891,664	475,569
Others		3,228,643	2,346,879
		<b>53,673,878</b>	<b>42,988,453</b>
<b>(DEFICIT) SURPLUS FOR THE YEAR</b>	<b>5</b>	<b>(5,074,818)</b>	<b>1,952,213</b>

The attached notes 1 to 14 form part of these financial statements.

# Statement of cash flows

Year ended 31 December 2010

	Notes	2010 AED	2009 AED
<b>OPERATING ACTIVITIES</b>			
Surplus for the year		(5,074,818)	1,952,213
Adjustments for:			
Provision for employees' end of service benefits	9	1,771,477	2,047,799
Interest income		(239,492)	(376,600)
(Gain) loss on disposal of furniture and equipment		(18,033)	25,106
Depreciation	3	2,266,007	1,429,649
Amortisation	4	71,847	24,395
		(1,223,012)	5,102,562
<b>Working capital adjustments</b>			
Prepayments and other receivables		(3,339,890)	(6,683,125)
Accounts payable and accruals		(6,605,421)	31,210,709
Cash (used in) from operations		(11,168,323)	29,630,146
Employees' end of service benefits paid	9	(2,370,599)	-
<b>Net cash (used in) from operating activities</b>		<b>(13,538,922)</b>	<b>29,630,146</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture and equipment	3	(1,631,014)	(7,072,675)
Purchase of intangible assets	4	(146,277)	(65,490)
Proceeds from disposal of furniture and equipment		36,066	809
Interest received		239,492	376,600
Advances to employees		(39,121)	80,274
<b>Net cash (used in) investing activities</b>		<b>(1,540,854)</b>	<b>(6,680,482)</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(15,079,776)</b>	<b>22,949,664</b>
Cash and cash equivalents at 1 January		27,016,985	4,067,321
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	7	<b>11,937,209</b>	<b>27,016,985</b>

The attached notes 1 to 14 form part of these financial statements.

# Notes to the financial statements

At 31 December 2010

## I ACTIVITIES

Regulation and Supervision Bureau ("the Bureau") was established under Law no. (2) of 1998 to regulate the water and electricity sector in the Emirate of Abu Dhabi.

The Bureau is funded by the payment of licence fees by those entities awarded licences and is a not for profit organisation.

The Bureau's registered office is at P O Box 32800, Abu Dhabi, United Arab Emirates.

The financial statements of the Bureau for the year ended 31 December 2010 were authorised for issue by the management on 20 June 2011.

### 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB), based on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Where an International Public Sector Accounting standard does not address a particular issue, the appropriate IFRS / IAS has been applied.

The financial statements have been prepared on the historical cost basis. The financial statements have been presented in UAE Dirhams (AED), which is the functional currency of the Bureau.

### 2.2 FUNDAMENTAL ACCOUNTING CONCEPT

Although as at 31 December 2010, the Bureau's current liabilities exceeded its current assets by AED 4,596,801, the financial statements have been prepared on a going concern basis, as the major portion of current liabilities represents an advance received from licensees amounting to AED 17,835,409, which will be amortised and recognized as revenue and is not expected to be repaid, and, therefore, will not significantly affect the Bureau's cash flows in the foreseeable future.

### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Prior to 1 January 2010, the Bureau prepared its financial statements in accordance with the IFRS accrual basis of accounting. Effective 1 January 2010, the Bureau adopted the IPSAS accrual basis of accounting and accordingly all relevant IPSAS standards were applied as of that date.

*The attached notes 1 to 14 form part of these financial statements.*

# Notes to the financial statements

At 31 December 2010

The Bureau has adopted the following new and amended IPSAS as of 1 January 2010:

- IPSAS 1 Presentation of Financial Statements effective 1 January 2008
- IPSAS 2 Cash Flow Statements effective 1 July 2001
- IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors effective 1 July 2008
- IPSAS 4 The Effects of Changes in Foreign Exchange Rates effective 1 January 2010
- IPSAS 5 Borrowing Costs effective 1 July 2001
- IPSAS 9 Revenue from Exchange Transactions effective 1 July 2002
- IPSAS 14 Events After the Reporting Date effective January 2008
- IPSAS 17 Property, Plant and Equipment effective 1 January 2008
- IPSAS 18 Segment Reporting effective 1 July 2003
- IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets effective 1 January 2004
- IPSAS 20 Related Party Disclosures effective 1 January 2004
- IPSAS 21 Impairment of Non-cash Generating Assets effective 1 January 2006
- IPSAS 22 Disclosure of Financial Information About General Government Sector effective 1 April 2009

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Bureau.

## 2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the Bureau's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

#### *Useful lives of furniture and equipment*

The Bureau's management determines the estimated useful lives of its furniture and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

#### *Useful lives of intangible assets*

The Bureau's management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined after considering the expected usage of the asset. Future amortisation charge would be adjusted where management believes that the useful lives differ from previous estimates.

*The attached notes 1 to 14 form part of these financial statements.*

# Notes to the financial statements

At 31 December 2010

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Licence fees revenue

Licence fees funding from the licensees in respect of the current year is accounted for in the statement of financial performance based on the amount of the funding received from the licensees during the year. Any funding received in excess of the expenditure incurred by the Bureau, is refunded back to licensee in every two years. Short funding is recovered from licensee in every two years.

### Interest income

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Capital work in progress

Capital work in progress is recorded at cost and represents costs based on contractual payments for the design, development, procurement, construction and commissioning of the plant and overhead expenses and those incurred during the development stage directly attributable to the construction of the plant. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Authority's policies when construction of the asset is completed and commissioned.

### Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Office equipment and furniture	3-5 years
Motor vehicle	3 years

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of financial performance as the expense is incurred.

An item of furniture and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognised.

*The attached notes 1 to 14 form part of these financial statements.*

# Notes to the financial statements

At 31 December 2010

## Intangible assets

Technology licences and similar rights are stated at cost and amortized on a straight-line basis over the expected life or contractual term of the asset. The amortization periods applied are three years.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bureau are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use it
- There is an ability to use the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use the software product are available
- The expenditure attributable to the software product during its development can be reliably measured

## Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

## Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of financial performance. Impairment is determined as the difference between the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

## Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

## Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

*The attached notes 1 to 14 form part of these financial statements.*

# Notes to the financial statements

At 31 December 2010

## Employees' end of service benefits

The Bureau provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Bureau makes contributions to Abu Dhabi Retirement Pension and Benefit Fund calculated as a percentage of the employees' salaries. The Bureau's obligations are limited to these contributions, which are expensed when due.

## Financial instruments

Financial instruments include receivables, bank balances and cash, payables and certain other financial assets and liabilities.

Fair values of financial instruments are based on estimated fair values using such methods as net present values of future cash flows.

## 2.6 FUTURE CHANGES IN ACCOUNTING POLICIES – STANDARDS ISSUED BUT NOT YET APPLIED

Standards issued but not yet effective up to the date of issuance of the Bureau's financial statements are listed below:

- IPSAS 25 Employee Benefits effective 1 January 2011
- IPSAS 28 Financial Instruments: Presentation effective 1 January 2013
- IPSAS 29 Financial Instruments: Recognition and Measurement effective 1 January 2013
- IPSAS 30 Financial Instruments: Disclosures effective 1 January 2013
- IPSAS 31 Intangible Assets effective 1 April 2011
- Improvements to IPSAS effective 1 January 2012

As per management, the adoption of the above standards will not have any effect on the financial performance or the position of the Bureau.

*The attached notes 1 to 14 form part of these financial statements.*

# Notes to the financial statements

At 31 December 2010

## 3 FURNITURE AND EQUIPMENT

	Work in progress AED	Motor vehicle AED	Office equipment and furniture AED	Total AED
<b>2010</b>				
<b>Cost</b>				
At 1 January 2010	-	242,000	9,617,991	9,859,991
Additions	-	-	1,631,014	1,631,014
Disposals during the year	-	(74,000)	(46,593)	(120,593)
At 31 December 2010	-	168,000	11,202,412	11,370,412
<b>Depreciation</b>				
At 1 January 2010	-	86,409	2,099,362	2,185,771
Depreciation charge for the year	-	80,666	2,185,341	2,266,007
Relating to disposals	-	(59,065)	(43,495)	(102,560)
At 31 December 2010	-	108,010	4,241,208	4,349,218
<b>Net carrying amount</b>				
At 31 December 2010	-	59,990	6,961,204	7,021,194
<b>2009</b>				
<b>Cost</b>				
At 1 January 2009	1,473,725	74,000	1,280,275	2,828,000
Additions	3,504,669	168,000	3,400,006	7,072,675
Transferred from work in progress	(4,978,394)	-	4,978,394	-
Disposals during the year	-	-	(40,684)	(40,684)
At 31 December 2009	-	242,000	9,617,991	9,859,991
<b>Depreciation</b>				
At 1 January 2009	-	9,732	761,159	770,891
Depreciation charge for the year	-	76,677	1,352,972	1,429,649
Relating to disposals	-	-	(14,769)	(14,769)
At 31 December 2009	-	86,409	2,099,362	2,185,771
<b>Net carrying amount</b>				
At 31 December 2009	-	155,591	7,518,629	7,674,220

The attached notes 1 to 14 form part of these financial statements.

# Notes to the financial statements

At 31 December 2010

## 4 INTANGIBLE ASSETS

	2010 AED	2009 AED
<b>Cost</b>		
At 1 January	227,080	161,590
Additions	146,277	65,490
At 31 December 2010	373,357	227,080
<b>Amortisation and impairment</b>		
At 1 January	149,379	124,984
Amortisation	71,847	24,395
At 31 December 2010	221,226	149,379
<b>Net carrying amount</b>		
At 31 December	152,131	77,701

## 5 (DEFICIT) SURPLUS FOR THE YEAR

As per Bureau policy, any licence fees funding received in excess of expenditure is refunded back to licensees every two years. Short funding is recovered from licensee every two years. The respective amounts have been classified in the statement of financial position as follows:

	2010 AED	2009 AED
Expenses pending recharge to licensees – Non-current assets	5,074,818	-
Expenses pending recharge to licensees – Current assets (Restated)	-	197,448
Advances due to licensees – Non-current liabilities (Restated)	-	1,952,213
Advances due to licensees – Current liabilities	1,754,765	-

## 6 PREPAYMENTS AND OTHER RECEIVABLES

	2010 AED	2009 AED
Prepaid staff rent	2,770,294	2,130,310
Other prepayments	3,218,399	896,700
Amounts pending recharge to licensees	6,901,102	6,356,672
Other receivables	57,511	223,734
	12,947,306	9,607,416

The attached notes 1 to 14 form part of these financial statements.

# Notes to the financial statements

At 31 December 2010

## 7 BANK BALANCES AND CASH

Included in bank balances and cash of AED 11,937,209 (2009: AED 27,016,985) are bank deposits of AED 7,821,458 (2009: AED 25,586,240) with a commercial bank in Abu Dhabi. These are denominated in UAE Dirhams, short term in nature, with effective interest rate of 1.4 % (2009: 2.07%).

## 8 ACCOUNTS PAYABLE AND ACCRUALS

	2010 AED	2009 AED
Accounts payable	3,544,935	2,054,368
Accrued expenses	2,513,337	1,359,736
Advances from Licensees	21,668,279	30,917,868
	<b>27,726,551</b>	<b>34,331,972</b>

The advances from licensees relate to amounts received for specific projects by the Bureau. Included in advances from licensees is an amount of AED 17,835,409 (2009: 28,521,020 from Abu Dhabi Water Electricity Authority (note 11) representing licence fees for the subsequent year.

## 9 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2010 AED	2009 AED
Balance at 1 January	8,516,300	6,468,501
Provided during the year	1,771,477	2,047,799
Employees' end of service benefits paid	(2,370,599)	-
Balance at 31 December	<b>7,917,178</b>	<b>8,516,300</b>

The attached notes 1 to 14 form part of these financial statements.

# Notes to the financial statements

At 31 December 2010

## 10 RELATED PARTY TRANSACTIONS

Related parties represent associated board members, directors and key management personnel of the Bureau. Pricing policies and terms of these transactions are approved by the Bureau's management.

### Compensation of key management personnel

The remuneration of the members of key management during the year was as follows:

	2010 AED	2009 AED
Salaries	5,935,059	5,246,200
Accommodation allowance	1,669,057	1,475,812
Other benefits	741,599	661,458
End of service benefits	757,122	845,657
	9,102,837	8,229,127

## 11 LICENCE FEES

	2010 AED	2009 AED
Licence fees received during the year, net	37,195,528	72,558,971
Licence fees received in advance, net of receivable fees:		
Beginning balance	28,521,020	125,000
Ending balance (note 8)	(17,835,409)	(28,521,020)
	47,881,139	44,162,951

## 12 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and bank balances and financial liabilities consist of payables.

The fair values of financial instruments are not materially different from their carrying values.

The attached notes 1 to 14 form part of these financial statements.

# Notes to the financial statements

At 31 December 2010

## 13 RISK MANAGEMENT

Risk is inherent in the Bureau's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bureau's continuing profitability and each individual within the Bureau is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Bureau's financial instruments are interest rate risk credit risk and liquidity risk and foreign currency risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2010 and 31 December 2009. The management of the Company's reviews and agrees policies for managing each of these risks which are summarized below.

### Interest rate risk

The Bureau is exposed to interest rate risk on its interest bearing bank deposits.

#### *Interest rate risk table*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bureau's deficit (through the impact on floating rate deposits).

Assumed change in interest rates	0.50%	2010 AED	2009 AED
Impact on deficit from increase in interest rates:		39,107	127,931
Impact on deficit from decrease in interest rates:		(39,107)	(127,931)

### Credit risk

The Bureau collects licence fees from its related parties. Licence fees are collected based on an annually forecast budget. The Bureau limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the statement of financial position.

### Liquidity risk

The Bureau limits its liquidity risk by monitoring its current financial position in conjunction with its cash flow forecasts and close communication with ADWEA on a regular basis to ensure funds are available to meet its commitments for liabilities as they fall due. Accounts payable are normally settled within 30 days of the date of purchase. The contractual payment terms of all financial liabilities of the Bureau as at 31 December 2010 were less than three months.

The attached notes 1 to 14 form part of these financial statements.

# Notes to the financial statements

At 31 December 2010

## Currency risk

Currency risk comprises of transactions and statement of financial position risk. Transaction risk related to Bureau's cash flow being adversely affected by a change in the exchange rates of foreign currencies against UAE Dirham's. Statement of financial position risk relates to the risk of the Bureau's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirham's as a result of currency movements.

## 14 COMPARATIVE INFORMATION

Certain comparative figures were reclassified to conform to the current year presentation. Such reclassifications, as discussed below, had no effect on the statement of financial performance.

Software costs including licences and implementation costs of applications amounting to AED 161,590 as at 31 December 2009 previously shown under furniture and equipment in the statement of financial position have now been reclassified to intangible assets.

An amount of AED 2,396,848 has been reclassified from amounts pending recharge to licensees in 2009, and included in Advances from licensees, representing the amounts received from licensees for specific projects which were not started in the prior years.

As stated in note 5, any licence fees funding received in excess of expenditure is refunded back to licensees every two years and short funding is recovered from licensee every two years. Management are now classifying the surplus or deficit for the year as a non-current liability or non-current asset as appropriate. The prior year comparative figures have been re-stated and classified in line with the current year presentation as follows:

### Statement of financial position

	2009 AED
Accumulated surplus (as previously presented)	1,754,765
Expenses pending recharge to licensees – Current assets	(197,448)
Advances due to licensees – Non-current liabilities	1,952,213
	-

The attached notes 1 to 14 form part of these financial statements.



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