IMPORTANT NOTICE

THIS PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: **You must read the following disclaimer before continuing**. The following disclaimer applies to the prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached prospectus (the "**Prospectus**"). In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from DEWA Sukuk 2013 Limited (the "**Trustee**") or Dubai Electricity and Water Authority ("**DEWA**") as a result of such access.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTIONS AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE OR ANY OTHER APPLICABLE RULES OR REGULATIONS MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THIS PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS PROSPECTUS MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of Your Representation: By accessing this Prospectus you confirm to Abu Dhabi Islamic Bank PJSC, Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Capital Limited, Standard Chartered Bank and The Royal Bank of Scotland plc as joint lead managers (together the "**Joint Lead Managers**"), Commercial Bank International PJSC, Sharjah Islamic Bank PJSC and Union National Bank (the "**Co-Managers**" and, together with the Joint Lead Managers, the "**Managers**") and the Trustee, as issuer of the Certificates (as defined in the attached Prospectus), that: (i) you understand and agree to the terms set out herein; (ii) you consent to delivery of the Prospectus and any amendments or supplements thereto by electronic transmission; (iii) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Managers; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your email software, will be ignored or rejected. If you receive this Prospectus by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. No action has been taken or will be taken in any jurisdiction by the Trustee, DEWA or the Managers that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Prospectus or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in this Prospectus.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, the Trustee, DEWA nor any person who controls or is a director, officer, employee or agent of the Managers, the Trustee, DEWA nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Managers.

The distribution of the Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Managers, the Trustee and DEWA to inform themselves about, and to observe, any such restrictions.

PROSPECTUS DATED 28 FEBRUARY 2013

هيئة كهرباء ومياه دبي
Dubai Electricity & Water Authority

DEWA SUKUK 2013 LIMITED

(incorporated as an exempted company in the Cayman Islands with limited liability)

U.S.$1,000,000,000 Certificates due 2018

The U.S.$1,000,000,000 Trust Certificates due 2018 (the "**Certificates**") of DEWA Sukuk 2013 Limited (in its capacity as issuer and as trustee, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 5 March 2013 (the "**Closing Date**") entered into between the Trustee, Dubai Electricity and Water Authority ("**DEWA**") and Deutsche Trustee Company Limited as the delegate of the Trustee (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from a *pro rata* ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined below) which will include, *inter alia*: (i) the Asset Portfolio (as defined herein); and (ii) the Transaction Documents (as defined herein).

On 5 March and the 5 September in each year commencing on 5 September 2013 (each, a "**Periodic Distribution Date**"), the Trustee will pay Periodic Distribution Amounts (as defined herein) to Certificateholders calculated at the rate of 3.0 per cent. per annum on the outstanding face amount of the Certificates as at the beginning of the relevant Return Accumulation Period (as defined herein) on the basis of a year of 12 30-day months divided by 360.

The Trustee will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include payments by DEWA in its capacity as lessee under the Lease Agreement (as defined herein). Unless previously redeemed in the circumstances described in Condition 14 (*Capital Distributions of the Trust)* and Condition 15 (*Dissolution Events*)], the Certificates will be redeemed on 5 March 2018 (the "**Scheduled Dissolution Date**") at the Dissolution Amount (as defined herein). The Trustee will pay Dissolution Amounts solely from the proceeds received in respect of the Trust Assets which include payments by DEWA under the Purchase Undertaking (as defined herein) and the Service Agency Agreement. All payments in respect of the Certificates will be made in accordance with, and subject to the provisions of, the Conditions.

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see "*Risk Factors*".

Application has been made for the Certificates to be admitted to the official list of securities maintained by the Dubai Financial Services Authority and to be admitted to trading on NASDAQ Dubai.

Upon issue, the Certificates are expected to be assigned a rating of "BBB" by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). Moody's Investors Service Ltd. ("**Moody's**") has assigned the UAE a rating of Aa2 with a stable outlook, see page 110. Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Delivery of the Certificates in book-entry form will be made on the Closing Date. The Certificates will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Closing Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank S.A/N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the chairman of the executive *Shari'a* Committee of Abu Dhabi Islamic Bank PJSC, the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Fatwa and *Shari'a* Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals referred to above is in compliance with *Shari'a* principles.

Joint Lead Managers

Abu Dhabi Islamic Bank PJSC | **Citigroup Global Markets Limited**
Dubai Islamic Bank PJSC | **Emirates NBD Capital Limited**
Standard Chartered Bank | **The Royal Bank of Scotland plc**

Co-Managers

Commercial Bank International PJSC | **Sharjah Islamic Bank (SIB)** | **Union National Bank**

The date of this Prospectus is 28 February 2013

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IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of giving information with regard to the Trustee, DEWA and the Certificates which, according to the particular nature of the Trustee, DEWA and of the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and DEWA.

The Trustee and DEWA accept responsibility for the information contained in this Prospectus and each declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the knowledge of each of the Trustee and DEWA, in accordance with the facts and does not omit anything likely to affect the import of such information.

The DFSA does not accept any responsibility for the content of the information included in the Prospectus, including the accuracy or completeness of such information. The liability for the content of this Prospectus lies with DEWA and other persons, whose opinions are included in the Prospectus with their consent. The DFSA has also not assessed the suitability of the Certificates to which this Prospectus relates to any particular investor or type of investor and has not determined whether they are *Shari'a* compliant. If you do not understand the contents of this Prospectus or are unsure whether the Certificates to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.

Certain information under the headings "*Description of the Business*" and "*Overview of the UAE and the Emirate of Dubai*" has been extracted from information provided by or obtained from, the International Monetary Fund, the UAE National Bureau of Statistics, Dubai Statistics Centre, the Organisation of Petroleum Exporting Countries, the UAE Ministry of Economy, the UAE Central Bank and the Dubai Department of Economic Development and, in each case, the relevant source of such information is specified where it appears under those headings.

Each of the Trustee and DEWA confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of the Managers, the Delegate or the Agents has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Trustee or DEWA in connection with the Certificates.

No person is or has been authorised by the Trustee or DEWA to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Certificates and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, DEWA, the Delegate or any of the Managers. None of the Managers, the Delegate or the Agents, or any of their respective affiliates make any representation or warranty or accept any liability as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of the Certificates shall, in any circumstances, create any implication that the information contained in this Prospectus is correct subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Trustee or DEWA since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No comment is made, or advice given by, the Trustee, DEWA or the Managers in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, DEWA, the Managers, the Delegate or the Agents represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, DEWA, the Managers, the Delegate or the Agents which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Trustee, DEWA and the Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Certificates in the United States, the Republic of Ireland, the United Kingdom, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong, the Cayman Islands and Malaysia. For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates and should not be considered as a recommendation by the Managers, Trustee, DEWA, the Delegate or the Agents or any of them that any recipient of this Prospectus should subscribe for, or purchase, Certificates. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and DEWA. None of the Managers, the Delegate or the Agents accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Trustee or DEWA in connection with the Certificates.

The Certificates may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;

(d) understand thoroughly the terms of the Certificates and be familiar with the behavior of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Certificates are legal investments for it; (ii) Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

Stabilisation

In connection with the issue of the Certificates, Citigroup Global Markets Limited (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Trustee or DEWA. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Closing Date and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Closing Date and 60 days after the date of the allotment of the Certificates. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) must conduct such stabilisation in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such stabilisation shall be proportioned in accordance with the International Capital Market Association Standard Form Agreement Among Managers version 1.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be "forward-looking statements". When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including without limitation, those regarding the DEWA's financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause DEWA's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding DEWA's present and future business strategies and the environment in which DEWA operates in the present and future.

Important factors that could cause DEWA's business, actual results of operations, financial condition or cash flows to differ materially from DEWA's current expectations, include, but are not limited to:

- the introduction of competition in the electricity and water markets in Dubai;
- DEWA's ability to receive approval for electricity and water tariff increases in the future;
- the availability of natural gas at competitive prices and in amounts sufficient to meet DEWA's operating requirements;
- construction and development risks;
- DEWA's ability to secure additional financing in the future necessary to meet its capital expenditure requirements;
- terrorist attacks, natural disasters or other unexpected events affecting DEWA's operations;
- equipment failures at DEWA's power and desalination plants and any resulting shortages of electricity and water or blackouts;
- changes in political, social, legal or economic conditions in Dubai, the UAE or the Middle East; and
- the additional risks and uncertainties listed under the section entitled *"Risk Factors"*.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under *"Risk Factors"*. Forward-looking statements speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Trustee and DEWA expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based after the date of this Prospectus. Given the uncertainties of forward-looking statements, the Issuer cannot assure investors that projected results or events will be achieved and the Trustee and DEWA caution investors not to place undue reliance on these.

PRESENTATION OF FINANCIAL INFORMATION

The historical financial information presented in this Prospectus is based on the audited consolidated financial statements of DEWA for the years ended 31 December 2012 (the "**2012 Financial Statements**") and 31 December 2011 (the "**2011 Financial Statements**", and together with the 2011 Financial Statements, the "**Financial Statements**"). The presentation of the consolidated financial information for the year ended 31 December 2011 included in the 2012 Financial Statements differs from its presentation in the 2011 Financial Statements because the 2011 Financial Statements do not reflect a reclassification from advances from new connections to capital work in progress as described in note 25 to the 2012 Financial Statements.

DEWA GAAP

The financial statements relating to DEWA included in this Prospectus are the 2012 Financial Statements and the 2011 Financial Statements prepared in conformity with its internal accounting policies which it refers to as internationally acceptable accounting principles ("**DEWA GAAP**"). DEWA GAAP is not an internationally recognised body of accounting principles and, accordingly, should not be considered as such. As a result, the auditors reports issued by PricewaterhouseCoopers, Dubai Branch ("**PricewaterhouseCoopers**"), and appearing elsewhere in this Prospectus, state that the financial statements prepared by DEWA have been prepared, in all material respects, in accordance with those internationally acceptable accounting principles (i.e. DEWA GAAP). The auditors reports issued by PricewaterhouseCoopers do not include the words "true and fair" or "presents fairly". This is because the financial statements prepared by the DEWA are not considered to be financial statements prepared for purposes of a "fair presentation" of the results and operations of DEWA within the context of the meaning provided in International Standards on Auditing ("**ISA**"), which in turn reflects the fact that DEWA's financial statements are not prepared in accordance with a recognised accounting framework. Accordingly, it is not appropriate to state that the financial statements present either a true and fair view or present fairly the results of operations of DEWA.

There are certain differences between DEWA GAAP, as applied to the Financial Statements, and International Financial Reporting Standards ("**IFRS**") as enacted by the International Auditing and Assurance Standards Board. See "*Summary of Significant Differences between DEWA GAAP and IFRS*" in the Prospectus for a discussion of differences between DEWA GAAP and IFRS.

Non-GAAP Measures

This Prospectus includes certain references to non-GAAP measures such as DEWA's operating margin. DEWA uses such non-GAAP measures to evaluate its performance, and this additional financial information is presented in this Prospectus. This information is not prepared in accordance with DEWA GAAP and should be viewed as supplemental to DEWA's financial statements. Investors are cautioned not to place undue reliance on this information and, in particular, should note that the operating margin as calculated by DEWA, may differ materially from similarly titled measures reported by other companies. As used in this Prospectus, operating margin for a period is the operating profit for that period divided by the revenue for that period.

Certain Defined Terms

In this Prospectus, references to the "**Conditions**" are references to the terms and conditions of the Certificates as set out in "*Terms and Conditions of the Certificates*" below.

Capitalised terms which are used but not defined in any section of this Prospectus will have the meaning attributed thereto in the Conditions or any other section of this Prospectus. In addition, the following terms as used in this Prospectus have the meanings defined below:

- references to "**Abu Dhabi**" herein are to the Emirate of Abu Dhabi;
- references to "**Dubai**" herein are to the Emirate of Dubai;
- references to the "**GCC**" herein are to the Gulf Cooperation Council;
- references to the "**Government**" herein are to the government of Dubai;
- references to a "**Member State**" herein are references to a Member State of the European Economic Area;
- references to a "**Emirate**" herein are references to an Emirate of the United Arab Emirates; and
- references to the "**UAE**" herein are to the United Arab Emirates.

In this Prospectus, unless the context otherwise requires, "**DEWA**" refers to Dubai Electricity and Water Authority, a wholly Government owned company formed in 1992 as a result of the merger of the Dubai Electricity Company ("**DEC**") and the Dubai Water Department ("**DWD"**), and the "**Group**" refers to DEWA together with its consolidated subsidiaries, as well as their respective predecessor companies or entities, as applicable.

Certain Conventions

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All references in this Prospectus to "**$**", "**U.S.$**", "**USD**" and "**US Dollars**" refer to US dollars being the legal currency for the time being of the United states of America; all references to "**dirham**" and "**AED**" are to UAE Dirham being the legal currency for the time being of the UAE.

The dirham has been pegged to the US Dollar since 22 November 1980. The mid point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00. All U.S.$ translations of dirham amounts appearing in this Prospectus have been translated at this fixed exchange rate. Such translations should not be construed as representations that dirham amounts have been or could be converted into US Dollars at this or any other rate of exchange.

References to a "**billion**" are to a thousand million.

NOTICE TO UK RESIDENTS

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 ("**FSMA**") as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. This Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 of the Financial Promotions Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with Financial Promotion Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

DUBAI INTERNATIONAL FINANCIAL CENTRE NOTICE

A copy of this Prospectus has been filed with the Dubai Financial Services Authority in accordance with the Markets Rules 2012. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with the offer of Certificates. The Dubai Financial Services Authority has not approved this Prospectus nor has it reviewed or verified the information in it. If you do not understand the contents of this document you should consult an authorised financial adviser.

NOTICE TO BAHRAIN RESIDENTS

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Prospectus. Each potential investor residing in Bahrain intending to subscribe for the Certificates (each, a "potential investor") may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase the Certificates within a reasonable time period determined by the Trustee, DEWA and the Managers. Pending the provision of such evidence, an application to subscribe for Certificates will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Trustee, DEWA or the Managers are satisfied therewith, its application to subscribe for Certificates may be rejected in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any potential investors, the Trustee and DEWA will comply with Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and

various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering.

KINGDOM OF SAUDI ARABIA NOTICE

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "Capital Market Authority"). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO QATARI RESIDENTS

This Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of Qatar. The Certificates have not been and will not be authorised by the Qatar Financial Markets Authority ("QFMA"), the Qatar Financial Centre ("QFC") or the Qatar Central Bank ("QCB") in accordance with their regulations or any other regulations in Qatar. The Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (5) of 2002 (the "Commercial Companies Law") or otherwise under any laws of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

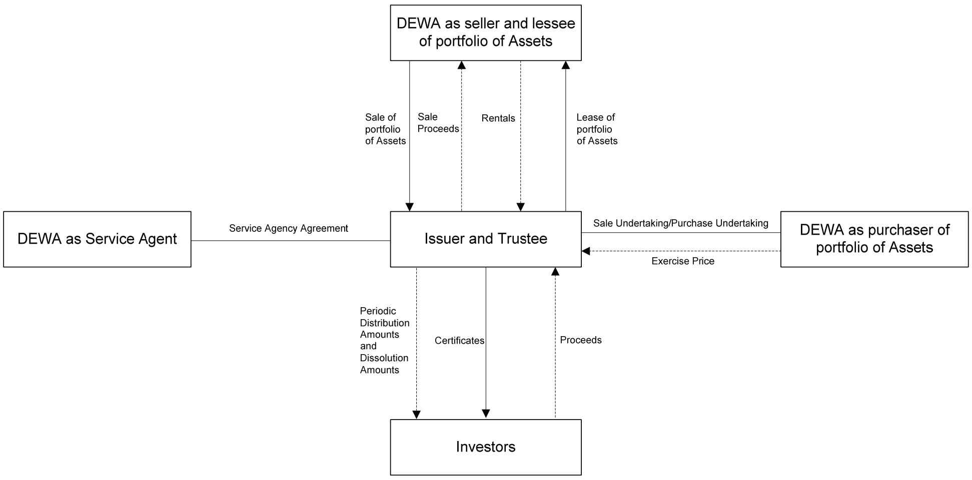
The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia ("CMSA").

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or DEWA and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the Certificates. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



Principal cash flows

Payments by the Certificateholders and the Trustee

On the Closing Date, the Trustee will collect the proceeds from investors (the "**Proceeds**") to purchase from DEWA pursuant to a sale and purchase agreement (the "**Sale and Purchase Agreement**"), a portfolio (the "**Asset Portfolio**") of identified assets consisting of electricity sub-stations, generating equipment, plant and machinery (and in certain cases where DEWA owns the buildings, the buildings in which the sub-stations are contained) (each such asset, a "**DEWA Asset**"). The Trustee will appoint DEWA as its service agent (the "**Service Agent**") to provide certain services in respect of the Asset Portfolio pursuant to a service agency agreement (the "**Service Agency Agreement**").

On the Closing date, the Asset Portfolio shall be leased by the Trustee (in such capacity, the "**Lessor**") to DEWA (in such capacity, the "**Lessee**") pursuant to a lease agreement (the "**Lease Agreement**") in return for periodic payment of rent by DEWA to the Trustee (the "**Rental**").

Periodic Distribution Payments

Prior to each Periodic Distribution Date in respect of the Certificates, the Rental in respect of the previous Rental Period will be paid to an account of the Trustee (the "**Transaction Account**") in accordance with the Lease Agreement. Such Rental shall be sufficient to fund the amounts payable under Condition 6.2 (*Application of Proceeds from the Trust Assets*) (including, but without limitation the Periodic Distribution Amounts payable by the Trustee in respect of the Certificates) and shall be applied by the Trustee for that purpose.

Partial Redemption following a Change of Control Event

If a Change of Control Event occurs, Certificateholders have the ability to exercise a Change of Control Put Option and require their Certficates to be redeemed on the Change of Control Put Option Date (which shall be the next Periodic Distribution Date following the end of the Change of Control Put Period) at the Change of Control Amount. Any such redemption shall be funded through the exercise by the Trustee of its right under the Purchase Undertaking to require DEWA to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate value no greater than the aggregate face amount of the Certificates to be redeemed on the Change of Control Put Option Date.

If the Change of the Control Put Option is exercised by holders of 100 per cent. of the aggregate outstanding face amount of the Certificates, the Trust will be dissolved in the manner described in "*Dissolution Payments*" below.

Dissolution Payments

On the Scheduled Dissolution Date, the Trustee will have the right under the Purchase Undertaking to require DEWA to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio. The exercise price payable by DEWA is intended to fund the Dissolution Amount payable by the Trustee.

The Trust may be dissolved prior to the Scheduled Dissolution Date for the following reasons: (i) redemption following a Dissolution Event; (ii) an early redemption for tax reasons; (iii) following the occurrence of a Change of Control Event where the Change of the Control Put Option is exercised by holders of 100 per cent. of the aggregate outstanding face amount of the Certificates; (iv) at the option of the Trustee if, following the occurrence of a Change of Control Event, holders of 75 per cent. or more of the aggregate outstanding face amount of those Certificates exercise their Change of Control Put Option; and (v) upon the occurrence of a Total Loss Event.

In the case of sub-paragraphs (i), (ii), (iii) and (iv), the amounts payable by the Trustee on the Dissolution Date will be funded in a similar manner as for the payment of the Dissolution Amount. In the case of sub-paragraph (v), the amounts payable to Certificateholders will be an amount equal to the sum of: (A) the proceeds of any insurance policies which the Service Agent has entered into for and on behalf of the Trustee in respect of the relevant DEWA Assets; and/or (B) any Total Loss Shortfall Amount which the Service Agent is required to transfer to the Transaction Account by no later than the 31^{st} day after the occurrence of a Total Loss Event, such amount being intended to be sufficient in order to redeem the Certificates in full.

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this overview.

Trustee:	DEWA Sukuk 2013 Limited
Seller and Service Agent:	Dubai Electricity and Water Authority
Risk Factors:	There are certain factors that may affect the Trustee's ability to fulfil its obligations under the Certificates and DEWA's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Certificates. These are set out under "*Risk Factors*".
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of a nominal or par value of U.S.$1 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held by Deutsche Bank (Cayman) Limited, 171 Elgin Avenue, Boundary Hall, Cricket Square, P.O. Box 1984, Grand Cayman, KY1-1104 Cayman Islands under the terms of the Share Declaration of Trust (as defined in "*Description of the Trustee*").
Administration of the Trustee:	Deutsche Bank (Cayman) Limited (the "**Trustee Administrator**") provides, *inter alia*, certain administrative services for and on behalf of the Trustee pursuant to the Corporate Services Agreement dated 21 February 2013 between, *inter alios*, the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**"). The Trustee Administrator's registered office is 171 Elgin Avenue, Boundary Hall, Cricket Square, P.O. Box 1984, Grand Cayman, KY1-1104 Cayman Islands.
Joint Lead Managers:	Abu Dhabi Islamic Bank PJSC, Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Capital Limited, Standard Chartered Bank and The Royal Bank of Scotland plc
Co-Managers:	Commercial Bank International PJSC, Sharjah Islamic Bank PJSC and Union National Bank
Delegate:	Deutsche Trustee Company Limited
Principal Paying Agent and Calculation Agent:	Deutsche Bank AG, London Branch
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Summary of the Transaction Structure and Documents:	An overview of the structure of the transaction and the principal cashflows is set out under "*Structure Diagram and Cashflows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".
Certificates:	U.S.$1,000,000,000 Trust Certificates due 2018
Closing Date:	5 March 2013
Issue Price:	100 per cent. of the aggregate face amount of the Certificates.
Periodic Distribution Dates:	The fifth day in March and the fifth day in September, in each year, commencing on 5 September 2013.

Periodic Distributions: On each Periodic Distribution Date, Certificateholders will receive, from moneys received by the Trustee in respect of the Trust Assets, a Periodic Distribution Amount in US Dollars equaling the product of: (i) 3.0 per cent. per annum; (ii) the face amount of the Certificates; and (iii) the number of days in the relevant Return Accumulation Period calculated on the basis of a year of 12 30-day months divided by 360. See Condition 8 (*Periodic Distributions)*.

Return Accumulation Period: The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date or, if earlier, the relevant Dissolution Date.

Form of Certificates: The Certificates will be issued in registered form as described in "*Global Certificate*". The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.

Clearance and Settlement: Holders of the Certificates must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance systems.

Face Amounts of the Certificates: The Certificates will be issued in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Status of the Certificates: Each Certificate evidences an undivided ownership interest of the Certificateholders in the Trust Assets, subject to the terms of the Declaration of Trust and the Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate will rank *pari passu*, without any preference or priority, with the other Certificates.

All amounts due from DEWA under the Transaction Documents to which it is a party will constitute direct, unconditional, unsubordinated and unsecured obligations of DEWA and will rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of DEWA, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Trust Assets: The Trust Assets are all of the Trustee's rights, title, interest and benefit, present and future, in, to and under: (i) the Asset Portfolio; (ii) the Transaction Documents (other than: (A) in relation to any representations given to the Trustee and the Delegate by DEWA pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee or the Delegate in any of the Transaction Documents; and (B) the covenant given to the Trustee pursuant to Clause 17.1 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and (iii) all monies standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing listed in (i) to (iii) above (the "**Trust Assets**"), and such Trust Assets will be held upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder.

Redemption of Certificates: The Scheduled Dissolution Date of the Certificates is 5 March 2018. Unless the Certificates are previously redeemed or purchased and cancelled, the Certificates shall be redeemed by the Trustee at the Dissolution Amount and on the Scheduled Dissolution Date and the Trust will be dissolved by the Trustee.

Dissolution Date: The Dissolution Date shall be, as the case may be: (i) following the occurrence of a Dissolution Event, the date on which the Certificates are redeemed in accordance with the provisions of Condition 15 (*Dissolution Events*); (ii) following the occurrence of an early redemption for tax reasons, a Total Loss Event, the date on which the Certificates are redeemed in accordance with the provisions of Condition 14 (*Capital Distributions of the Trust*); (iii) the date on which all Certificates are redeemed following the exercise of the Change of Control Put Option; or (d) the date on which all Certificates are redeemed following the exercise of the Change of Control Trustee Call Option.

Dissolution Events: Upon the occurrence of any Dissolution Event, the Certificates may be redeemed in full on the Dissolution Date at the Dissolution Amount, (which shall include any accrued but unpaid Periodic Distribution Amount) and the Return Accumulation Period may be adjusted accordingly. See Condition 15 (*Dissolution Events*).

Early Dissolution for Tax Reasons: Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11 (*Taxation*) or the Lessee has or will become obliged to pay any additional amounts in respect of amounts payable under the Lease Agreement as a result of a change in the laws of a Relevant Jurisdiction (as defined in the Conditions) and such obligation cannot be avoided by the Trustee or the Lessee, as applicable, taking reasonable measures available to it, the Trustee may, following receipt of an exercise notice from DEWA pursuant to the Sale Undertaking, redeem the Certificates in whole but not in part at an amount equal to the Early Dissolution Amount (Tax) together with any accrued but unpaid Periodic Distribution Amounts on the relevant Dissolution Date.

Change of Control Put Option: Each Certificateholder will have the right to require the redemption of its Certificates upon the Government ceasing to own (directly or indirectly) more than 50 per cent. of the issued share capital of DEWA, or ceases to control the policy and affairs of DEWA. Any such redemption will take place on the Change of Control Put Option Date, which shall be the next Periodic Distribution Date following the end of the Change of Control Put Period. Certificates will be redeemed at their face amount, together with any accrued but unpaid Periodic Distribution Amount.

Total Loss Events: A "**Total Loss Event**" is: (i) the total loss or destruction of, or damage to the whole of, the DEWA Assets or any event or occurrence that renders the whole of the DEWA Assets permanently unfit for any economic use and (but only after taking into consideration any insurances payable or other indemnity granted by any third party in respect of the DEWA Assets) the repair or remedial work in respect thereof is wholly uneconomical; or (ii) the expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the DEWA Assets, in each case as determined by the Service Agent acting for and on behalf of the Trustee.

The Service Agent will irrevocably undertake with the Trustee, in relation to the Asset Portfolio to: (a) ensure that the DEWA Assets are properly insured (on a *takaful* basis if such *takaful* insurance is available or is available on commercially viable terms) to the extent consistent with general industry practice by prudent owners of similar assets, and, accordingly, will effect such insurances in respect of the DEWA Assets (the "**Insurances**"), through brokers and with such reputable insurance companies in good financial standing, including against a Total Loss Event and ensure that the insured amount relating to a Total Loss Event will, at all times, be at least equal to the "**Full Reinstatement Value**" (being the aggregate outstanding face amount of the Certificates plus all other amounts then due and payable under the Transaction Documents together with 30 days' Periodic Distribution Amount); (b) promptly make a claim in respect of each loss relating to the DEWA Assets in accordance with the terms of the Insurances; and (c) ensure that in the event of a Total Loss Event occurring all the proceeds of the Insurances against a Total Loss Event are paid in US Dollars directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event and that the insurer(s) will be directed accordingly.

If the Service Agent fails to comply with such undertaking and as a result of such breach the amount (if any) credited to the Transaction Account pursuant to the Service Agency Agreement is less than the Full Reinstatement Value (the difference between such Full Reinstatement Value and the amount credited to the Transaction Account being the "**Total Loss Shortfall Amount**"), then the Service Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of this Agreement relating to insurance) will irrevocably and unconditionally indemnify the Trustee for the Total Loss Shortfall Amount, which will be payable (in same day, freely transferable, cleared funds) directly to the Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event has occurred. Thereafter, and subject to the Service Agent's strict compliance with such obligations, any insurance proceeds received from such insurer will be for the Service Agent's sole account. Any such breach will not however constitute a DEWA Event.

Cancellation of Certificates held by DEWA and/or any of its Subsidiaries:

Pursuant to Condition 13 (*Purchase and Cancellation of Certificates*), DEWA and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. If DEWA wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, DEWA will deliver those Certificates to the Principal Paying Agent for cancellation. DEWA may also exercise its option under the Sale Undertaking to require the Trustee to transfer to DEWA all of its rights, title, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate value no greater than the aggregate face amount of the Certificates so delivered to the Principal Paying Agent for cancellation and, upon such cancellation, the Trustee will transfer that portion of the Asset Portfolio to DEWA in consideration for such cancellation.

DEWA Asset Substitution:	DEWA may substitute DEWA Assets in accordance with the relevant provisions of the Sale Undertaking, **provided that** the value of any substitute assets shall have an aggregate value which is not less than the aggregate value of the DEWA Assets to be so substituted. Such substitution shall only take effect on a Periodic Distribution Date.
Withholding Tax:	All payments by DEWA under the Purchase Undertaking and Sale Undertaking and all payments by the Service Agent under the Service Agency Agreement shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction. In the event that any such withholding or deduction is made, DEWA and/or the Service Agent, as the case may be, will be required to pay, and accordingly will undertake to pay, such additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction. All payments in respect of the Certificates by the Trustee shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction. In the event that any such withholding or deduction is made, the Trustee will, save in the limited circumstances provided in Condition 11 (*Taxation*), be required to pay additional amounts so that the holders of the Certificates will receive the full amounts that they would have received in the absence of such withholding or deduction.
Negative Pledge and other Restrictive Covenants:	The Purchase Undertaking contains a negative pledge and certain other restrictive covenants given by DEWA.
Cross Default and Cross Acceleration:	The Declaration of Trust contains a cross default and cross acceleration provision in relation to DEWA. See "*Summary of the Principal Transaction Documents*".
Trustee Covenants:	The Trustee has agreed to certain restrictive covenants as set out in Condition 7 (*Covenants*).
Ratings:	Upon issue, the Certificates are expected to be assigned a rating of "BBB" by S&P. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Certificateholder Meetings:	A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).
Tax Considerations:	See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.
Listing and Admission to Trading:	Application has been made for the Certificates to be admitted to listing on the Official List of Securities maintained by the Dubai Financial Services Authority and to be admitted to trading on NASDAQ Dubai.
Transaction Documents:	The Declaration of Trust, the Agency Agreement, the Sale and Purchase Agreement, the Lease Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking are the "**Transaction Documents**".

Governing Law and Dispute Resolution: The Certificates and any non-contractual obligations arising out of or in connection with the Certificates will be governed by, and construed in accordance with, English law.

The Declaration of Trust, the Agency Agreement, the Service Agency Agreement, the Lease Agreement, the Purchase Undertaking and the Sale Undertaking and any non-contractual obligations arising out of or in connection with the same will be governed by English law. In respect of any dispute under any such agreement or deed to which it is a party, DEWA has agreed to arbitration in Paris under the London Court of International Arbitration ("**LCIA**") Rules. DEWA has also agreed to submit to the jurisdiction of the courts of England (the "**English Courts**") or the courts of the Dubai International Financial Centre (the "**DIFC Courts**"), at the option of the Delegate, the Certificateholders, the Agents or the Trustee, as the case may be, in respect of any dispute under the Declaration of Trust, the Agency Agreement, the Service Agency Agreement, the Lease Agreement, the Purchase Undertaking and the Sale Undertaking (subject to the right of the Delegate, the Certificateholders, the Agents or the Trustee, as the case may be, to require any dispute to be resolved by any other court of competent jurisdiction).

Each of the Sale and Purchase Agreement, each Sale Agreement entered into under the Purchase Undertaking and each Sale Agreement or Transfer Agreement entered into under the Sale Undertaking will be governed by the laws of the Emirate of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE, and will be subject to the non-exclusive jurisdiction of the Dubai courts.

The Corporate Services Agreement will be governed by the laws of the Cayman Islands and will be subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Waiver of Immunity: To the extent that DEWA may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, DEWA will agree in the Transaction Documents to which it is a party not to claim and will irrevocably and unconditionally waive such immunity in relation to any legal proceedings or disputes. Further, DEWA will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings or disputes. DEWA however expressly disclaims whether Article 247 of Federal Law No.11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property.

Limited Recourse: Each Certificate represents solely an undivided ownership interest in the Trust Assets. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available for the Trust Assets. See further, Condition 4 (*Status and Limited Recourse*).

Selling Restrictions: There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial

Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), the Cayman Islands, Singapore, Hong Kong and Malaysia.

Use of Proceeds:	The proceeds of the issue of the Certificates will be paid to DEWA as described in "*Use of Proceeds*".

RISK FACTORS

The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Trustee and DEWA believes that the factors described below represent the principal risks inherent in investing in Certificates, but the inability of the Trustee or DEWA to pay any amounts on or in connection with any Certificate and/or the Transaction Documents may occur for other reasons and neither the Trustee nor DEWA represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or DEWA or which the Trustee or DEWA currently deems immaterial, that may impact any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in ''Structure Diagram and Cashflows'' and ''Terms and Conditions of the Certificates'' shall have the same meanings in this section.

Risks Relating to the Trustee

The Trustee has no material assets and will depend on receipt of payments from DEWA to make payments to Certificateholders

The Trustee is a newly formed entity and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

Risks Relating to DEWA

DEWA's financial obligations, including its obligation to make payments pursuant to the Transaction Documents, are not guaranteed by the Government absent an explicit guarantee

DEWA is wholly-owned by the Government. Although DEWA functions as a governmental department providing an essential public utility and is required to obtain approval of its borrowings from the Government, DEWA's financial obligations are not, absent an explicit guarantee, guaranteed by the Government. The Government is not guaranteeing the obligations of DEWA to make payments pursuant to the Transaction Documents and the Certificates. Although the Government has provided DEWA with financial support in the past in the form of loans, grants and guarantees, it is under no obligation to extend financial support to DEWA in the future. Accordingly, DEWA's financial obligations, including its obligation to make payments pursuant to the Transaction Documents and the Certificates, are not and should not be regarded as, obligations of the Government. DEWA's ability to meet its financial obligation to make payments pursuant to the Transaction Documents and the Certificates is solely dependent on DEWA's ability to fund such amounts from its operations, profits and cash flows, or from non-Government borrowings. Therefore, any decline in DEWA's operations, profits or cash flows, or any difficulty in securing external funding, may materially adversely affect DEWA's ability to satisfy its obligation to make payments pursuant to the Transaction Documents.

As the sole owner of DEWA, the Government exerts control over DEWA and its interests may conflict with those of DEWA

As the sole owner of DEWA, the Government has the power to appoint its Board of Directors (''**Board**'') and is able to exert direct influence over DEWA's policies, strategy, management, operations and budget. The Government's key objective is to ensure the stable supply of potable water and electricity to Dubai's residents and businesses at affordable costs rather than the optimisation of DEWA's revenue and profits. As such, the interests of DEWA's Board and those of the Government may conflict with DEWA's objectives as a commercial enterprise and there can be no assurance that the Government will not unilaterally take any action to further its own objective, which may be in conflict with the interests of DEWA or the Certificateholders. Any such actions by the Government may result in a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and DEWA's ability to make payments pursuant to the Transaction Documents.

Electricity and water tariffs are set by the Government of Dubai and may not reflect DEWA's cost of production

DEWA generates substantially all of its revenue from the sale of electricity and water to its customers in Dubai and therefore its revenue is dependent upon the tariffs charged to its customers for the consumption of electricity and water. Despite rising production costs, DEWA's electricity and water tariffs were not increased from 1998 until March 2008, and accordingly had an adverse effect on profits in prior years. In March 2008, a tiered billing system was introduced whereby tariffs increased incrementally based on consumption.

Any proposed increase in DEWA's tariff levels need to be approved by the Government. Before such approval, the Supreme Council of Energy, a governmental body established to regulate the water and energy sector in Dubai (see *"Regulation – Financial Regulations*" for more information), needs to evaluate and justify any proposed increase to the Government through the Dubai Executive Council (the "**Executive Council**"). Although a tariff increase was approved in 2011 (see "*Description of the Business – Industry Overview – General Trends – Controlled levels of electricity and water tariffs*" for more information), there can be no assurance that the Government will agree to any adjustment to DEWA's tariffs proposed to it by the Supreme Council of Energy in the future. If operating costs rise and DEWA is unsuccessful in applying for an increase in tariffs (or is not able to adjust existing fuel surcharges to offset part or all of the rise in operating costs), there is a risk that DEWA may realise a loss in its operating income if expenditure exceeds its revenue, which could result in a material adverse effect on DEWA's business, financial condition, results of operations and if continued, may affect DEWA's ability to make payments pursuant to the Transaction Documents (see "*Description of the Business – Principal Operations – Electricity – Sales*" and "*Description of the Business – Principal Operations – Water – Sales*").

The regulatory framework governing DEWA is subject to change under the supervision of the Supreme Council of Energy

The Supreme Council of Energy was established in June 2009 to regulate the energy sector in Dubai. The Supreme Council of Energy has very wide powers to regulate, *inter alia*, the supply and distribution of fuel, the generation and transmission of electricity, the production, storage and distribution of potable water and the imposition of electricity and water tariffs (see *"Regulation – Financial Regulations"* for more information). Whilst DEWA's Managing Director and Chief Executive Officer serves as the Vice Chairman of the Supreme Council of Energy, there can be no assurance that the enactment of further laws and regulations by the Supreme Council of Energy will not impose additional obligations on DEWA, any of which may result in a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and affect its ability to make payments pursuant to the Transaction Documents.

DEWA is dependent on DUSUP for its entire supply of natural gas and there can be no assurance that there will be enough natural gas or other cost efficient sources of fuel available to meet DEWA's production needs

DEWA's power and desalination plants can operate using either natural gas or liquid fuel oils (consisting of diesel oil and, in the case of one of its plants, medium fuel oil, collectively referred to herein as fuel oils). As the cost of natural gas necessary to produce one Kilowatt-hour ("**kWh**") of electricity and one imperial gallon of water is significantly lower than the cost of fuel oil necessary to produce an equivalent amount, DEWA seeks to maximise its usage of natural gas and minimise its reliance on fuel oils in its production activities. Therefore, DEWA's ability to generate electricity and water in an efficient and cost effective manner is largely dependent on a steady and regular supply of natural gas.

DEWA is required to purchase all of its natural gas requirements from the Dubai Supply Authority ("**DUSUP**"), a wholly-owned entity of the Government and the only authorised supplier of natural gas in Dubai to Government entities. DUSUP enters into long-term contracts with natural gas suppliers and the supply it receives is divided between DEWA and the Dubai Aluminium Company ("**DUBAL**"). Historically, there have been periods during which the supply of natural gas procured by DUSUP was insufficient to meet the natural gas requirements of DEWA and DUBAL and it became necessary for DEWA to use more expensive fuel oils in its production activities, which resulted in a significant increase in DEWA's overall operating costs for these years, and a negative impact on DEWA's operating profit and cash flows. This occurred most recently in the year ended 31 December 2007.

As a result of additional sources of natural gas becoming available at the end of 2007 and a new long-term supply agreement entered into with Dolphin Energy Limited (''**Dolphin**''), DUSUP was able to meet substantially all of DEWA's natural gas requirements from 2008 to 2012, and pursuant to conversations with DUSUP, DEWA expects that DUSUP will be able to meet all of its ongoing natural gas requirements through 2018 based on DEWA's current projected needs. However, there can be no assurance that natural gas supplies will be sufficient in the future to meet all of DEWA's natural gas requirements or that DUSUP will be able to meet all of DEWA's forecasted demands until 2018 or onwards. Therefore, it may become necessary for DEWA to use increased amounts of fuel oils in the future, which would increase its production costs and may result in a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and affect its ability to make payments pursuant to the Transaction Documents.

DEWA has not entered into any formal contracts for the supply of natural gas from DUSUP

DEWA has not entered into any formal contracts with DUSUP for the supply of natural gas. Instead, DEWA submits its long-term natural gas requirements to DUSUP upon the understanding that DUSUP will procure natural gas from third party suppliers and sell the natural gas to DEWA and DUBAL, its principal customers. This arrangement is based on an informal understanding between the Government, DUSUP, DEWA and DUBAL. Therefore, DEWA may not have the benefit of legal recourse should this arrangement be terminated or if any of the terms are changed in a manner that would have a material adverse effect on DEWA's ability to obtain natural gas supplies at an acceptable price, if at all.

Historically, DUSUP has supplied DEWA with natural gas at pre-agreed prices which have been generally lower than the market price. However, there can be no assurance that DUSUP will not increase its prices in the future, particularly if its own costs of procuring natural gas increase, or that DUSUP will be able to procure natural gas in amounts sufficient to meet DEWA's requirements, if at all. As DEWA is only permitted to buy natural gas from DUSUP, any increase in the price of natural gas charged by DUSUP would increase DEWA's costs of production, and may result in a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and affect its ability to make payments pursuant to the Transaction Documents.

DEWA's operations and expansion projects are subject to a range of development and construction risks

In connection with its long-term expansion strategy, DEWA currently has adequate electricity generation and water production capacity to meet forecasted demand until 2020. As at the date of this Prospectus, DEWA is in the process of extending its transmission and distribution network which is in various stages of development, construction and commissioning (see ''*Description of the Business – Principal Operations – Expansion Projects*''). Every phase of DEWA's projects, including the planning, design and construction phases, are outsourced to third party contractors through ''turnkey'' contracts. These projects typically require substantial capital expenditure and may take months or years before they become operational, during which time DEWA may be subject to a number of construction, operating and other risks beyond its control such as, but not limited to:

- an inability to find a suitable contractor or sub-contractor either at the commencement of a project or following a default by an appointed contractor or sub-contractor;
- default or failure by its contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget;
- disruption in service and limited access to third parties, such as architects, engineers or other service providers;
- difficulties in connecting generation and desalination plants to existing or new transmission and distribution networks;
- shortages or escalating costs of construction materials and increased global commodity prices;
- shortages or increases in the costs of equipment;
- disputes with contractors or sub-contractors; or
- work stoppages or labour disputes.

The occurrence of one or more of these events may negatively affect DEWA's ability to complete its current or future expansion projects on schedule or within budget, if at all. This may result in

DEWA's inability to supply electricity and water in accordance with customer demand and may result in a material adverse effect on DEWA's reputation, business, financial condition, results of operations and affect its ability to make payments pursuant to the Transaction Documents.

DEWA's counterparties may default on their contractual obligations

DEWA enters into contracts with contractors, sub-contractors, architects, engineers, operators, other service providers and suppliers in connection with the development and construction of its generation and desalination plants and transmission networks and accordingly, is subject to the risk that a counterparty will be unable or unwilling to honour its contractual obligations and that any guarantee or performance bond in respect of such obligations will not be honoured. Such counterparties may default on their obligations due to, *inter alia*, bankruptcy, lack of liquidity or operational failure. Such counterparty risk is more acute in difficult market conditions where there is an enhanced risk of default by counterparties. Any such failure of a counterparty or, where relevant, its guarantor, to fulfil its contractual obligations could delay the completion of a project or impact the operations of a completed project. Even though the arrangements entered into by DEWA with its contractors may allocate some of the risk of delays or failure to the contractors through the use of performance bonds, DEWA may be unable to seek indemnification from its contractors with respect to any breach, failures or delays and accordingly, DEWA may have to bear the additional costs required to complete the project. This may result in a material adverse effect on DEWA's reputation, business, financial condition, results of operations, cash flows and affect its ability to make payments pursuant to the Transaction Documents.

DEWA's strategy requires it to make substantial capital expenditure and there can be no assurance that it will be able to secure funding for its future capital expenditures

DEWA's expansion strategy requires a substantial amount of capital and other long-term expenditure, including those relating to the construction of additional power transmission and distribution networks, water transmission and distribution pipelines and reservoirs and other installations necessary for the operation of its business. For the years ended 31 December 2012 and 2011, DEWA's capital expenditure totalled AED 3,649.8 million and AED 4,988.5 million, respectively. DEWA expects to increase its transmission and distribution network which will require approximately AED 18,887 million in capital expenditure between 2013 and 2018. See *"Description of the Business – Strategy"*.

Prior to 2006, DEWA was able to fund its capital expenditure and working capital needs from its cash flows from operations. However, in 2006, as a result of decreased profitability and high levels of capital expenditure necessary for the development and expansion of its power and desalination stations, DEWA sought alternate sources of financing through external borrowings. DEWA has continued to fund a significant proportion of its capital expenditure requirements through additional borrowings, and expects to do so for the foreseeable future, due to its intention to enhance the operations of existing stations and expand and upgrade its existing transmission and distribution network to meet forecasted demand for electricity and water in Dubai. However, there can be no assurance that external financing will be available to DEWA on commercially reasonable terms, if at all.

On 24 October 2011, Moody's upgraded DEWA's rating from Ba2 (positive) to Ba1 (stable) with a further upgrade to Baa3 (stable) on 12 September 2012. S&P upgraded DEWA from BBB- (positive) to BBB (stable) in October 2012. There can be no assurance that Moody's, S&P or any other agency that provides corporate ratings for DEWA will not downgrade DEWA's credit ratings in the future. Any such downgrade may make it more difficult and/or costly for DEWA to secure additional funding in the future, result in higher interest payments on certain of DEWA's credit facilities which have interest margins linked to credit ratings and/or result in accelerated payment of certain of DEWA's debt. Furthermore, any borrowing by DEWA or any guarantee given by DEWA for its borrowings requires the consent of the Government's Supreme Fiscal Committee and there can be no assurance that such consent will be granted. Failure to receive consent would impede DEWA's ability to raise funds for its capital expenditures, which in turn may have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to make payments pursuant to the Transaction Documents.

DEWA cannot guarantee the accuracy of its forecasts for future demand for electricity and potable water in Dubai

DEWA's business operations and corporate strategy are influenced by its modelling of anticipated future demand for electricity and water in Dubai. DEWA uses the results of its modelling to identify and execute strategic initiatives such as the expansion of its capacity for generation and desalination plants and transmission networks. However, there can be no assurance that DEWA's modelling will accurately reflect the real demand for electricity and water in the future. Any divergence between DEWA's anticipated demand models and actual demand may result in either excess or insufficient capacity to generate electricity and produce water. There can be no assurance that DEWA would be able to meet any shortfall in the supply of electricity by purchasing from the UAE or Gulf Cooperation Countries ("**GCC**") grids, or that its water storage capacity will be sufficient in the event of a shortfall in the supply of water. Similarly, there can be no guarantee that DEWA would be able to sell any excess capacity to these grids, as this would be dependent on the demand across the GCC region. Any of the foregoing events may have a material adverse effect on DEWA's reputation, business, financial condition, results of operations, cash flows and DEWA's ability to make payments pursuant to the Transaction Documents.

DEWA's current levels of indebtedness may affect its ability to raise additional capital to fund its operations

DEWA had, as at 31 December 2012, AED 21,157.0 million of outstanding borrowings. Of these outstanding borrowings, AED 4,215.0 million comprised short-term debt. In addition, as at 31 December 2012, DEWA had €82.7 million available under certain framework agreements with a consortium of banks and export credit agencies to finance eligible capital expenditure and AED 2,282.1 million was available for utilisation pursuant to two overdraft facilities. See *"Operating and Financial Review – Liquidity and Capital Resources"* and *" Operating and Financial Review – Material Indebtedness"*.

DEWA may incur additional indebtedness in the future to fund its capital expenditure requirements, subject to the restrictions contained in its existing debt agreements. DEWA's significant level of additional indebtedness could, *inter alia*:

- make it more difficult for DEWA to satisfy its obligation to make payments pursuant to the Transaction Documents;
- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on DEWA's indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditure and future business opportunities;
- expose DEWA to the risk of increased interest rates with respect to its borrowings bearing a variable rate of interest, unless DEWA is able to fully hedge its interest rate exposure with respect to such borrowings;
- limit DEWA's ability to obtain additional financing for working capital, capital expenditure, debt service requirements and general corporate or other purposes;
- limit DEWA's ability to adjust its operations in response to changes in demand for electricity and water; and
- adversely affect DEWA's credit rating.

Any of the foregoing could have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to make payments pursuant to the Transaction Documents.

DEWA's operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events that are beyond DEWA's control

DEWA's business operations could be adversely affected or disrupted by terrorist attacks, natural disasters (such as earthquakes or tsunamis, among others) or other potentially catastrophic events that are beyond DEWA's control. There can be no assurance that its business operations will not be disrupted by damage due to any of the foregoing. Furthermore, the majority of DEWA's generation and desalination plants are concentrated in the Jebel Ali area. As a result, any catastrophic occurrence in the Jebel Ali area or which affects water or electricity transmission or distribution from Jebel Ali, could severely disrupt DEWA's operations.

DEWA is also subject to the risk of disasters, natural or otherwise, that may affect the seawater that is supplied to its desalination plants. Any major accidents, including oil spills or slicks or other material environmental contamination, may result in material damage to the water supplies or cause a disruption to the desalination process. Moreover, all of the supplies of natural gas received by DUSUP are transported to its only gas control station, also located in Jebel Ali. Any major incident which affects or cuts off this gas supply line will affect the supply of fuel to DEWA's power and desalination stations.

DEWA's standby stations, which are located outside the Jebel Ali area, may be unable to supply sufficient electricity to meet demands and, furthermore, DEWA does not currently have any desalination stations located outside the Jebel Ali area. While DEWA has access to additional electricity from other parties through the Emirates National Grid ("**ENG**"), as well as 1.7 days of additional peak demand water supplies from its reservoirs and wells as at 31 December 2012 (with one day of additional peak demand water supplies stored at customer premises), these may not provide adequate supplies in the event of a large scale catastrophe. The occurrence of any of these events may affect DEWA's ability to supply electricity and water, and therefore have a material adverse effect on its reputation, business, financial condition, results of operations and affect its ability to make payments pursuant to the Transaction Documents.

DEWA may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business

DEWA's operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or not available on commercially reasonable terms. For example, DEWA has not purchased insurance to cover claims against its directors and officers or any possible losses through acts of terrorism. In addition, severe or frequently occurring events, such as accidents and other mishaps, business interruptions or potential damage to its facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose DEWA to liabilities in excess of its insurance coverage or significantly impair its reputation. DEWA cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

Should an incident occur in relation to which DEWA has no insurance coverage or inadequate insurance coverage, DEWA could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, DEWA may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against DEWA in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to make payments pursuant to the Transaction Documents.

DEWA may be subject to liabilities as a result of any violation of environmental and safety laws

The risks of environmental damage such as pollution, contamination and leakage are inherent in the electricity and water industry. DEWA is subject to environmental regulations passed at the UAE federal level as well as by the Dubai Municipality. See *"Regulation – Environmental Regulations"*. These regulations set various standards for regulating certain aspects of health, safety, security and environmental quality and impose civil and criminal penalties and other liabilities for any violations. In addition, compliance with special provisions may be appropriate or required in environmentally sensitive areas of operation, such as waste water discharge. While as at the date of this Prospectus, DEWA has not been in violation of any environmental regulations, there can be no assurance that DEWA will continue to be in compliance in the future. Any occurrence of environmental damage may result in a disruption of DEWA's services or cause reputational harm and significant liability could be imposed on DEWA for damages, clean-up costs or penalties in the event of environmental damage or non-compliance with environmental laws and regulations. The occurrence of any of the events may cause disruption to DEWA's projects and operations and result in additional costs to DEWA, which may have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to make payments pursuant to the Transaction Documents.

Furthermore, DEWA cannot predict what prospective environmental legislation may be enacted, or how existing or future laws will be administered or enforced. In addition to the existing environmental regulatory bodies, DEWA is also subject to regulation by the Supreme Council of Energy. The Supreme Council of Energy has very wide powers which may include the implementation and enforcement of environmental regulations. Compliance with more stringent laws and regulations, or more vigorous enforcement policies of any regulatory authority could result in material additional expenditure by DEWA, including as a result of the installation and operation of systems for remedial measures, or the payment of fines or penalties.

DEWA's generation and desalination stations and/or its transmission network may experience equipment failures and may otherwise not operate as planned

The operation of DEWA's generation and desalination stations and transmission and distribution network may be subject to material operating risks such as unplanned outages, equipment failure or facilities operating inefficiently or below capacity. Any such occurrences could affect DEWA's ability to supply electricity and water at levels sufficient to meet demand. Although DEWA maintains back up facilities and additional water reserves and is able to purchase electricity and water from third parties, there is no assurance that such alternative sources will be available when needed or that such sources will be able to provide adequate amounts of electricity and water to meet any shortfalls in DEWA's own supply. Any such failure may result in increased costs and/or loss of revenue and accordingly may have a material adverse effect on DEWA's reputation, business, financial condition, results of operation and affect its ability to make payments pursuant to the Transaction Documents.

DEWA's business may be harmed if it fails to attract and retain qualified and experienced employees

DEWA intends to recruit additional employees as it continues to progress its projects in line with its long term growth strategy. If DEWA is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fails to recruit skilled professional and technical staff, DEWA's operations may be adversely affected. Experienced and capable personnel in the engineering and technical fields remain in high demand in Dubai, and there is significant competition for their talents. Consequently, when talented employees leave, DEWA may have difficulty replacing them and may incur additional costs and expenses in securing such replacements.

The loss of any member of DEWA's senior management team, and in particular the Managing Director, or the loss of any of DEWA's other key employees may result in a loss of organisational focus, poor execution of operations, or an inability to identify and execute potential strategic initiatives such as expansion of capacity. The occurrence of any of these events may have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to make payments pursuant to the Transaction Documents.

DEWA may face competition in the future

DEWA is currently the sole supplier of electricity and potable water in Dubai by virtue of an exclusive mandate granted to it by the Government (with the exception of certain entities such as DUBAL which is permitted to produce electricity and water for use in its own operations but not for distribution to the public) and, as such, DEWA does not currently face any competition. DEWA continues to be the sole off-taker, transmission operator and distributor after enactment of Law No. (6) of 2011 Regulating the Participation of the Private Sector in Electricity and Water Production in the Emirate of Dubai (see "*Regulation – Participation of Private Sector*"). However, there can be no assurance that the Government will not unilaterally revoke DEWA's exclusive mandate and open the market to competitors in the future, or, for any reason, appoint a different entity to implement aspects of the functions which have historically been allocated to DEWA (such as unbundling the electricity and water industry in Dubai so that the generation of electricity, desalination of water and the distribution and sale of electricity and water will be separately carried out by different entities). Any such action by the Government could, among other things, limit DEWA's mandate for current or future development projects, limit the amount of future land grants or any other capital contribution DEWA receives from the Government or introduce competitors into the market.

Furthermore, while electricity and water within each Emirate in the UAE is currently supplied by a separate utility provider serving that Emirate (with the exception of the Federal Electricity and Water Authority ("**FEWA**") which serves the Northern Emirates of Ras Al-Khaimah, Umm Al Quwain and Fujairah), there is no assurance that the supply of electricity and water will continue to be managed at a local rather than a federal level, or that DEWA will not face competition from one of the other electricity and water authorities within the UAE.

Any one of these factors could result in a material adverse effect on DEWA's business, financial condition, result of operations and affect its ability to make payments pursuant to the Transaction Documents.

DEWA may be unable to mitigate increases in its costs of production in the future by purchasing electricity from third parties

DEWA has in the past purchased electricity from third parties in order to mitigate the effects of rising costs of production caused by insufficient amounts of natural gas and a resultant increase in the use of costly fuel oils. In 2006 and 2007, DEWA purchased significant amounts of electricity from the Abu Dhabi Water and Electricity Company ("**ADWEC**"), a subsidiary of the Abu Dhabi Water and Electricity Authority ("**ADWEA**"), because the cost of purchasing electricity from ADWEC was lower than the cost of producing electricity using fuel oils, in circumstances where the supply of natural gas was insufficient to meet DEWA's production requirements. In contrast, DEWA did not purchase any electricity from ADWEC during the period from 2008 to 2012, as it had a sufficient supply of natural gas to meet its production requirements. Nevertheless, DEWA may need to purchase electricity from third parties such as ADWEC in the future if the natural gas supplies available to it are no longer sufficient to meet its production requirements, which may result in an increase in production costs.

There can be no assurance that third party supplies of electricity will be available for purchase by DEWA in the future. Even though DEWA may purchase electricity from other UAE electricity authorities via the ENG, the availability of electricity on the ENG is dependent upon each utility authority having surplus electricity that can be provided to the ENG for potential use by any of the other members. Furthermore, the cost of electricity purchased from the ENG is set by mutual agreement between the purchaser and the seller and there is no guarantee that the cost of purchasing electricity will be at a favourable rate in the future.

In the event that DEWA is unable to purchase electricity via the ENG when necessary and at favourable rates, it may be required to increase its reliance on fuel oils, which in turn may have a material adverse effect on DEWA's business, financial condition, results of operations, and affect its ability to make payments pursuant to the Transaction Documents.

Risks Relating to Dubai, UAE and the Middle East

Financial, political and general economic conditions may affect DEWA's revenues

DEWA's operations are exclusively located within the UAE and accordingly the results of its operations and prospects may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East generally. While the UAE is currently seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is no guarantee that the UAE will continue to be stable in the future. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, the Kingdom of Bahrain, Egypt, the Hashemite Kingdom of Jordan, Libya, the Sultanate of Oman, Syria, Tunisia and the Republic of Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region. It is not possible to predict the occurrence of events or circumstances such as war, terrorism, civil unrest or hostilities nor the impact of such occurrences, and no assurance can be given that DEWA would be able to sustain its current profit levels if further adverse political events or circumstances were to occur. Any such occurrences could have a material adverse effect on DEWA's business, financial condition and results of operations and this could therefore affect DEWA's ability to perform its obligations and to make payments pursuant to the Transaction Documents and the Certificates.

The economies of Dubai and the UAE, like those of many emerging markets, have been characterised by significant government involvement through direct ownership of enterprises and extensive regulation of market conditions, including foreign investment, foreign trade and financial services. Whilst Dubai and the UAE have enjoyed significant economic growth and relative political stability in recent years, there can be no assurance that such growth or stability will continue. Moreover, while the Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. A general downturn or instability in certain sectors of the UAE or the regional economy could have a material adverse effect on DEWA's business, financial condition and results of operations and its ability to make payments pursuant to the Transaction Documents and the Certificates.

Investors should also note that DEWA's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East region because of interrelationships within the global financial markets. Since early 2008, global credit markets, particularly in the United States and Europe, have experienced difficult conditions of varying intensity. These challenging market conditions have resulted at times in reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in credit markets. In addition, since late 2008, markets in the UAE and a number of other countries in the Middle East region have been significantly adversely affected. DEWA could be adversely affected in the future by any deterioration of general economic conditions in the markets in which DEWA's customers operate and as a result, on the demand for electricity and water, as well as by international trading market conditions and/or related factors.

The UAE's economy is dependent on revenues from oil and gas

Although it has one of the most diversified economies in the GCC, the UAE's wealth remains largely based on oil and gas. Despite the UAE being viewed as being less vulnerable than some of its GCC neighbours, due to the growth in the non-oil sector and the sizeable wealth of the Government of Abu Dhabi, fluctuations in energy prices have an important bearing on economic growth and on the level of trade in the UAE. A deterioration in economic growth within the UAE could have an adverse effect on DEWA's business, financial condition and results of operations and could therefore affect the ability of DEWA to make payments pursuant to the Transaction Documents and the Certificates.

No assurance can be given as to the impact of a change in law, regulation or policy

The business of DEWA is subject to Dubai law, the Federal laws of the UAE and administrative practice in effect from time to time. No assurance can be given as to the impact of any change to these laws or administrative practice after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect DEWA's ability to make payments pursuant to the Transaction Documents and the Certificates. In particular, changes in regulations promulgated by the Supreme Council of Energy could affect services provided by DEWA and the tariff charged for such services.

Foreign exchange movements may adversely affect DEWA's profitability

DEWA maintains its accounts, and reports its results, in dirhams. The dirham has been pegged at a fixed exchange rate to the US Dollar since 22 November 1980. However, there can be no assurance that the dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that materially adversely affects DEWA. Any such de-pegging could have a material adverse effect on DEWA's business, financial condition, cashflows and results of operation and could therefore affect the ability of DEWA to make payments pursuant to the Transaction Documents and the Certificates.

Investments in emerging markets are subject to greater risk than investments in more developed markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks (see "– *Financial, political and general economic conditions may affect DEWA's revenues*"). Specific risks in the UAE and the Middle East region in general that may have a material impact on DEWA's business, operating results, cash flows and financial condition include:

- an increase in inflation and the cost of living;
- political, social and economic instability;
- external acts of warfare and civil clashes;
- governments' actions or interventions, including tariffs, protectionism and subsidies;
- regulatory, taxation and legal structure changes;
- lack of infrastructure; and
- expropriation of assets.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Risks Relating to the DEWA Assets

No investigation or enquiry will be made in respect of the Asset Portfolio and no steps will be taken to perfect the transfer of ownership interests therein

In order to comply with the requirements of *Shari'a*, the ownership of an Asset Portfolio comprised of DEWA Assets will pass to the Trustee under the Sale and Purchase Agreement. The Trustee will declare a trust in respect of the Asset Portfolio and the other Trust Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, Certificateholders will through the ownership interest of the Trustee, have an ownership interest in the Asset Portfolio unless the transfer of the Asset Portfolio is prohibited by, or ineffective under, any applicable law (see "– *No investigation has been or will be made as to whether the Asset Portfolio may be transferred as a matter of law or whether the Sale and Purchase Agreement will have the effect of transferring the Asset Portfolio*" below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any DEWA Assets comprised within the Asset Portfolio. The DEWA Assets will be selected by DEWA, and the Certificateholders, the Trustee and the Delegate will have no ability to influence such selection. Only limited representations will be obtained from DEWA in respect of the DEWA Assets. No steps will be taken to perfect the transfer of the ownership interest (including registration) in the Asset Portfolio with any relevant regulatory authority in the UAE.

No investigation has been or will be made as to whether the Asset Portfolio may be transferred as a matter of law or whether the Sale and Purchase Agreement will have the effect of transferring the Asset Portfolio

No investigation has been or will be made as to whether the Asset Portfolio may be transferred as a matter of the law of the jurisdiction where such DEWA Assets are located or any other relevant law. No investigation will be made to determine if the Sale and Purchase Agreement will have the effect of transferring the Asset Portfolio.

Nevertheless, as indicated earlier, upon any Dissolution Event, the Certificateholders will not have any rights of enforcement as against the particular DEWA Assets comprised within the Asset Portfolio. Their rights are limited to: (i) enforcement against DEWA of its obligation to purchase the Asset Portfolio pursuant to the terms of the Purchase Undertaking; and (ii) upon any failure to comply with its obligations under the Transaction Documents, a *pro rata* share of the proceeds of the enforcement thereof. Accordingly, any such restriction on the ability of DEWA to perfect the sale of the Asset Portfolio to the Trustee is likely to be of limited consequence to the rights of the Certificateholders.

By way of further assurance, DEWA has covenanted in the Declaration of Trust that to the extent that any transfer of the Asset Portfolio is not effective in any jurisdiction for any reason, it will make restitution in respect of it, will fully accept title to the Asset Portfolio on the basis of the title interest which the Trustee may have in the same and, if that interest is disputed or challenged, will fully indemnify the Trustee for the purpose of redemption in full or in part, as the case may be, of the Certificates and, accordingly, the amount payable under such indemnity will equal the relevant Exercise Price (see "*Summary of the Principal Transaction Documents – Purchase Undertaking*" and "*Summary of the Principal Transaction Documents – Declaration of Trust*").

DEWA has agreed under the terms of the Declaration of Trust to submit to the exclusive jurisdiction of the English Courts or the DIFC Courts in respect of any dispute, claim, difference or controversy arising out of or in connection with the Declaration of Trust, subject to the right of the Delegate on behalf of the Certificateholders to elect to bring proceedings in any other court or courts of competent jurisdiction. Dubai Law No. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts ("**Law No. 16 of 2011**") came into force in the Emirate of Dubai on 31 October 2011 and extended the jurisdiction of the DIFC Courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the DIFC Courts, even where such parties are unconnected to the DIFC. Neither DEWA, the Trustee nor the Delegate are connected to the Dubai International Financial Centre (the "**DIFC**").

If DEWA fails to purchase the Asset Portfolio in accordance with clause 3.3 of the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 16 (*Enforcement*) and the terms of the Declaration of Trust, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Declaration of Trust against DEWA by commencing proceedings in the DIFC Courts. The DIFC Courts should respect the choice of English law as the governing law of the Declaration of Trust. Under Article 7 of Law No. 16 of 2011, any final and unappealable judgment, order or award made by the DIFC Courts in favour of the Delegate (on behalf of the Certificateholders) must, upon application by the Delegate to the Dubai Court of Execution, be enforced against DEWA by the Dubai Court of Execution without that court being able to reconsider the merits of the case.

Investors should note however that, as at the date of this Prospectus, Law No. 16 of 2011 remains untested and there is therefore no certainty as to how the DIFC Courts intend to exercise their jurisdiction under the new law should any party dispute the right of the DIFC Courts to hear a particular dispute where any party is unconnected to the DIFC.

Risks Relating to the Certificates

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders, will be against DEWA to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will have no recourse to any assets of the Trustee or DEWA in respect of any shortfall in the expected amounts due under the Trust Assets. DEWA is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have direct recourse against DEWA to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no direct recourse to DEWA and there is no assurance that the net proceeds of any enforcement action with respect to the Trust Assets (which, as described above, will be by way of enforcing each of DEWA's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Certificates. After enforcing the rights in respect of the Trust Assets (in the manner described above) and distributing the net proceeds of such Trust Assets in accordance with Condition 6(2) (*The Trust – Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents. The sole right of the Trustee, the Delegate and the Certificateholders against DEWA shall be to enforce the obligation of DEWA to perform its obligations under the Transaction Documents to which it is a party.

Consents are required in relation to the variation of Transaction Documents and other matters

The Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Declaration of Trust contains provisions permitting the Delegate from time to time, in its absolute discretion and at any time without any consent or sanction of the Certificateholders to make any modification to the Declaration of Trust if, in the sole opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the Certificateholders and is other than in respect of a Reserved Matter (as defined in the Declaration of Trust). Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

The Certificates may be subject to early redemption

If the amount payable on the Certificates is required to be increased to include additional amounts in certain circumstances and/or DEWA is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in the DIFC or the UAE (as the case may be), or in each case any political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Certificates upon giving notice in accordance with the Conditions.

Such early redemption feature is likely to limit the market value of the Certificates. During any period when the Trustee may elect to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the Dissolution Amount payable. The Trustee may be expected to redeem the Certificates when DEWA's cost of financing is lower than the profit rate (including such additional amounts as are referred to above) on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

Certificates with a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade

As the Certificates have a denomination consisting of the minimum Specified Denomination (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Certificateholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

No assurance can be given as to Shari'a rules

The Chairman of the executive *Shari'a* Committee of Abu Dhabi Islamic Bank PJSC, the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Fatwa and *Shari'a* Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, *Shari'a* compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, DEWA, the Delegate or the Managers makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Potential investors should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with *Shari'a* principles.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration in Paris under the LCIA Rules. DEWA has also agreed under certain of the Transaction Documents to submit to the jurisdiction of the DIFC Courts. In such circumstances, the arbitrator or judge, as the case may be, may first apply the relevant law of the relevant Transaction Document rather than *Shari'a* principles in determining the obligation of the parties.

Certificateholders must rely on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks Relating to Enforcement

Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Dubai

The payments under the Certificates are dependent upon DEWA making payments to the Trustee in the manner contemplated under the Transaction Documents. If DEWA fails to do so, it may be necessary to bring an action against DEWA to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

Each of the Declaration of Trust, the Agency Agreement, the Subscription Agreement, the Lease Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking and the Certificates are governed by English law (the "**English Law Documents**") and DEWA has agreed (where the arbitration arrangements described below are not applied) to submit to the exclusive jurisdiction of the courts of the English Courts or the DIFC Courts in respect of any dispute, claim, difference or controversy arising out of or in connection with the English Law Documents, subject to the right of the Delegate, the Certificateholders, the Agents or the Trustee, as the case may be, to elect to bring proceedings in any other court or courts of competent jurisdiction. The DIFC Courts should respect the choice of English law as the governing law of the English Law Documents. Under Article 7 of Law No. 16 of 2011, any final and unappealable judgment, order or award made by the DIFC Courts in favour of the Delegate (on behalf of the Certificateholders) must, upon application by the Delegate to the Dubai Court of Execution, be enforced against DEWA by the Dubai Court of Execution without that court being able to reconsider the merits of the case. As at the date of this Prospectus, Law No. 16 of 2011 remains untested and therefore there is no certainty as to how the DIFC Courts intend to exercise their jurisdiction under the new law should any party dispute the right of the DIFC Courts to hear a particular dispute where any party is unconnected to the DIFC.

The parties to each of the English Law Documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA in Paris, France. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in Paris should therefore be enforceable in Dubai in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Dubai courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. It should be noted that only the Dubai Court of Cassation decision was a final decision. The uncertainty regarding the interpretation and application of the New York Convention provisions by the Courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Dubai courts will take the same approach in similar proceedings in the future.

DEWA is a decree company and as such it may be difficult to bring an action against it

The rights of the Trustee to bring proceedings against DEWA may be delayed pursuant to Law No. 10 of 2005, which provides that proceedings may be brought against the Government and government entities (including DEWA) before the courts of Dubai provided that the relevant claimant has first given the details of such claim to the Attorney General of Dubai and has entered into settlement negotiations for a period of two months. If the parties are unable to reach a mutually acceptable settlement at the end of the two months, the claimant shall be entitled to commence proceedings against the Government or the government entity.

As a decree company of the Government, DEWA may be able to claim sovereign immunity from judgments upon its properties and assets

There is a risk that DEWA may be able to claim immunity from attachment to its assets on the basis that Article 247 of the Federal Law No. 11 of 1992 regarding The Law of Civil Procedures (the "**Federal Civil Procedures Law**") states that "without prejudice to the provisions of any other law, the following may not be confiscated: (1) public or private assets owned by the State or any of the Emirates". Assets of DEWA may be regarded as assets owned by an Emirate for the purposes of this law.

Although DEWA will waive its rights under Article 3 Bis of the Government Lawsuit Code No. (3) of 1996 and Article 247 of the Federal Civil Procedures Law, there is still a risk that any judgments obtained in actions against DEWA may not be enforceable in the Dubai courts if the Dubai courts decide that such waiver is not legal or binding. Accordingly, as a decree company established by the Government, DEWA's properties and assets may be entitled to immunity in any attachment or enforcement action in Dubai and a Certificateholder may not be able to enforce any judgment of a court (either in Dubai or elsewhere) against the properties and assets of DEWA.

No assurance can be given as to any change of law

The structure of the issue of the Certificates is based on English law, the laws of the Emirate of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE, the laws of the DIFC and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English, UAE or DIFC law or administrative practices in such jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of DEWA to comply with its obligations under the Transaction Documents to which it is a party.

Risks Related to the Market Generally

Set out below is a brief description of the principal market risks, including liquidity risk, credit risk, exchange rate risk and interest rate risk:

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold those Certificates for an indefinite period of time or until their maturity. Application has been made for the listing the Certificates on the Official List of Securities maintained by the Dubai Financial Services Authority but there can be no assurance that any such listing will occur or will enhance the liquidity of the Certificates.

Credit ratings may not reflect all risks

S&P has assigned a credit rating to the Certificates. This rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price for the Certificates.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The listed of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ECMA list.

Exchange rate risks and exchange controls

The Trustee will make all payments on the Certificates in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Trustee does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the principal payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of any Periodic Distribution Amount or Dissolution Amount on a Certificate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate may not be available at such Certificate's maturity.

Interest rate risks

Investment in fixed rate debt instruments, such as the Certificates, involves the risk that subsequent changes in market interest rates may adversely affect the value of such fixed rate debt instruments.

Risks Relating to Taxation

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35.0 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. A number of non-EU countries and territories including Switzerland have adopted similar measures with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Trustee nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to the Certificates as a result of the imposition of such withholding tax. DEWA and the Trustee are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

Form of the Certificates

The Certificates will be in registered form and will be issued outside the United States to persons who are not U.S. Persons in reliance on Regulation S.

The Certificates will be represented by beneficial interests in a global certificate in registered form the Global Certificate. The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "**Registered Holder**"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the "**Accountholders**") (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly. In addition, holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

Payments

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to the person shown on the Register as the registered holder of the Global Certificate at the close of the Business Day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date for such payment.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

Notices

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders rather than by publication and delivery as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/ or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

Exchange for Definitive Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in Condition 15 (*Dissolution Events*)) has occurred; or (ii) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available. In the event of the occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Trustee and the Registrar may require to complete, execute and deliver such Definitive Certificates.

In this Prospectus, "**Definitive Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form and will apply to the Global Certificate.

Each of the U.S.$1,000,000,000 Trust Certificates due 2018 will represent an undivided ownership interest in the Trust Assets (as defined in Condition 6.1 (*The Trust – The Trust Assets*)) which are held by DEWA Sukuk 2013 Limited (the "**Trustee**") on trust (the "**Trust**") for, *inter alia*, the benefit of the registered holders of the Certificates pursuant to a declaration of trust (the "**Declaration of Trust**") dated 5 March 2013 (the "**Closing Date**") and made between the Trustee, Dubai Electricity and Water Authority ("**DEWA**") and Deutsche Trustee Company Limited (the "**Delegate**" which expression shall include any co-delegate or any successor). A sale and purchase agreement (the "**Sale and Purchase Agreement**") will be entered into in respect of the Asset Portfolio (as defined in Condition 6.1 (*The Trust – The Trust Assets*) on the Closing Date between DEWA Sukuk 2013 Limited (in its capacity as Trustee and in its capacity as purchaser, the "**Purchaser**") and DEWA (in its capacity as seller, the "**Seller**"). The Asset Portfolio will be leased pursuant to a lease agreement (the "**Lease Agreement**") entered into between the Trustee (in its capacity as lessor, the "**Lessor**") and DEWA (in its capacity as lessee, the "**Lessee**") on the Closing Date. Pursuant to the Lease Agreement, the Lessee shall agree to make periodic rental payments ("**Rental**") to the Lessor in respect of the Asset Portfolio.

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Closing Date (the "**Agency Agreement**") made between the Trustee, the Delegate, DEWA, Deutsche Bank AG, London Branch in its capacities as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor and, together with any further or other paying agents appointed from time to time in accordance with the Agency Agreement, the "**Paying Agents**", which expression shall include any successors) and calculation agent (in such capacity, the "**Calculation Agent**", which expression shall include any successor) and Deutsche Bank Luxembourg S.A. in its capacities as registrar (in such capacity, the "**Registrar**", which expression shall include any successor) and as transfer agent (in such capacity and together with the Registrar, the "**Transfer Agents**", which expression shall include any successors). The Paying Agents, the Calculation Agent and the Transfer Agents are together referred to in these Conditions as the "**Agents**".

Subject as set out below, copies of the documents set out below are available for inspection and obtainable free of charge by the Certificateholders during normal business hours at the specified office for the time being of the Principal Paying Agent. The holders of the Certificates (the "**Certificateholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the documents set out below:

(a) the service agency agreement between the Trustee and DEWA (in its capacity as service agent, the "**Service Agent**") dated the Closing Date (the "**Service Agency Agreement**");

(b) the purchase undertaking made by DEWA for the benefit of the Trustee and the Delegate dated the Closing Date (the "**Purchase Undertaking**");

(c) the sale undertaking made by the Trustee for the benefit of DEWA dated the Closing Date (the "**Sale Undertaking**");

(d) the Sale and Purchase Agreement;

(e) the Lease Agreement;

(f) the Declaration of Trust; and

(g) the Agency Agreement.

The documents listed above in (a) to (g) (inclusive) are referred to in these Conditions as the "**Transaction Documents**". The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders, to: (i) apply the sums paid by it in respect of its Certificates to the Purchaser in accordance with the Sale and Purchase Agreement; and (ii) enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

1. INTERPRETATION

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In addition, in these Conditions:

(i) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 11 (*Taxation*) and Condition 14 (*Capital Distributions of the Trust*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;

(ii) references to Certificates being "**outstanding**" shall be construed in accordance with the Declaration of Trust; and

(iii) any reference to a Transaction Document (as defined above) shall be construed as a reference to that Transaction Document as amended and/or supplemented from time to time,

and in these Conditions, the following expressions shall have the following meanings:

"**Appropriate Accounting Standards**" means, in relation to DEWA, the accounting standards used by DEWA in its consolidated financial statements as at and for the year ended 31 December 2012 or, if the same are then being used, International Financial Reporting Standards and, in relation to a Subsidiary, the accounting standards then used by DEWA;

"**Asset Portfolio**" has the meaning given to it in Condition 6.1 (*The Trust – The Trust Assets*);

"**Asset Sale**" means any sale, lease, sale and lease-back, transfer or other disposition by any member of the Group of all or any of the legal or beneficial interest in either any Capital Stock of any Subsidiary or any other property or assets of such member of the Group (either in one transaction or in a series of transactions, at the time or over a period of time) to any Person who is not a member of the Group;

"**Assets Test**" means that the aggregate book value of the assets over which one or more Security Interests are given does not exceed 10 per cent. of the book value of the consolidated total assets of DEWA, all as determined by reference to the Relevant Financial Statements;

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, Dubai and London;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any preferred stock of such Person, whether now outstanding or issued after the date hereof, including, without limitation, all series and classes of such Capital Stock;

"**Certificates**" means U.S.$1,000,000,000 Trust Certificates due 2018;

"**Change of Control Amount**" means, in relation to each Certificate to be redeemed pursuant to Condition 14.3(a) (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*), an amount equal to the face amount of such Certificate, together with any due but unpaid Periodic Distribution Amount;

"**Change of Control Event**" shall occur if: (i) the Government of Dubai ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of DEWA (if at any time DEWA has become a company with a share capital) or (ii) the Government of Dubai otherwise ceases to control DEWA. For this purpose, the Government of Dubai will be deemed to **control** DEWA if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of DEWA or otherwise controls, or has the power to control, the affairs and policies of DEWA;

"**Change of Control Notice**" has the meaning given to it in Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Put Notice**" has the meaning given to it in Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Put Option Date**" shall be: (i) a date falling not less than 60 days following the expiry of the Change of Control Put Period; and (ii) a Periodic Distribution Date;

"**Change of Control Put Period**" shall be the period of 30 days commencing on the date that a Change of Control Notice is given;

"**Change of Control Trustee Call Option**" has the meaning given to it in Condition 14.3(b) (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*);

"**Corporate Services Agreement**" means the corporate services agreement dated 21 February 2013 between the Trustee and the Trustee Administrator;

"**Definitive Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust;

"**DEWA Asset**" has the meaning given to it in Condition 6.1 (*The Trust – The Trust Assets*);

"**DEWA Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dispute**" has the meaning given to it in Condition 22.2 (*Governing Law and Dispute Resolution – Agreement to arbitrate*);

"**Dissolution Amount**" means, in relation to each Certificate, the aggregate face amount of that Certificate, together with any accrued but unpaid Periodic Distribution Amount;

"**Dissolution Date**" means, the earlier to occur of:

(a) the Scheduled Dissolution Date;

(b) the Tax Dissolution Date;

(c) the Total Loss Dissolution Date;

(d) the date on which all of the Certificates are redeemed following the exercise of the Change of Control Put Option or the Change of Control Trustee Call Option;

(e) the date on which all of the Certificates are cancelled following the purchase of such Certificates by or on behalf of DEWA and or any of its Subsidiaries pursuant to Condition 13.1 (*Purchase and Cancellation of Certificates – Purchases*); and

(f) the Dissolution Event Redemption Date;

"**Dissolution Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Notice**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Request**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Exercise Notice**" means an exercise notice served pursuant to the Purchase Undertaking or the Sale Undertaking (as the case may be);

"**Exercise Price**" means the amount set out in the relevant Exercise Notice;

"**Extraordinary Resolution**" has the meaning given to it in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*);

"**Fair Market Value**" means, with respect to any Capital Stock, asset or property, the sale value or rent amount, as the case may be, that would be paid in an arm's-length transaction between an independent, informed and willing seller or lessor (as the case may be) under no compulsion to sell or lease (as the case may be) and an independent, informed and willing buyer or lessee (as the case may be) under no compulsion to buy or lease (as the case may be);

"**Financial Indebtedness**" means, in relation to a member of the Group, its obligation (whether present or future, actual or contingent, as principal or surety) for the payment or repayment of money (whether in respect of deferred payment charges, principal or otherwise) incurred in respect of:

(a) moneys advanced or raised;

(b) any bond, note, loan stock, debenture or similar instrument;

(c) any acceptance credit, bill discounting, note purchase, factoring or documentary credit facility;

(d) any amount raised under any other transaction (including hire purchase agreement, conditional sale agreement or lease, where that agreement has been entered into primarily as a method of raising finance or financing the acquisition of an asset);

(e) any guarantee, bond, stand by letter of credit or other similar instrument issued in connection with the performance of contracts;

(f) any rate or currency swap agreement or any other hedging or derivatives instrument or agreement; or

(g) any guarantee, indemnity or similar insurance against financial loss given in respect of the obligation of any person;

"**Group**" means DEWA and its Subsidiaries for the time being;

"**Independent Appraiser**" means any independent investment bank, independent accounting firm, independent firm of property surveyors or independent firm of appraisers, in each case of international standing, selected by DEWA with the prior consent of the Trustee and the Delegate;

"**Material Subsidiary**" means any Subsidiary of DEWA:

(a) whose total income or whose total assets represent not less than 10 per cent. of the consolidated total income of DEWA, or, as the case may be, the consolidated total assets of DEWA, in each case as determined by reference to the Relevant Financial Statements; and/or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon: (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, **provided that** on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of subparagraph (a) above,

provided that if any acquisition or disposal has occurred after the end of the financial period to which the then latest audited consolidated financial statements of DEWA relate, in applying each of the above tests the reference in the relevant defined terms to the latest audited consolidated financial statements shall be deemed to be a reference to such audited consolidated financial statements as if the relevant acquisition or disposal had been reflected in such audited consolidated financial statements by reference (where applicable) to any relevant Subsidiary's then latest relevant financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries);

"**Payment Business Day**" means:

(a) in the case where presentation and surrender of a Definitive Certificate is required before payment can be made, a day on which banks in the relevant place of surrender of the Definitive Certificate are open for presentation and payment of securities and for dealings in foreign currencies; and

(b) in the case of payment by transfer to an account, a day on which banks are open for general business (including dealings in foreign currencies) in New York City, Dubai and London;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 8.1 (*Periodic Distributions – Periodic Distribution Amounts and Periodic Distribution Dates*);

"**Periodic Distribution Date**" has the meaning given to it in Condition 8.1 (*Periodic Distributions – Periodic Distribution Amounts and Periodic Distribution Dates*);

"**Permitted Asset Sale**" means:

(a) an Asset Sale which is entered into on the following terms:

(i) the sale is made for the purpose of raising unsecured finance in a manner which is intended to be *Shari'a*-compliant;

(ii) the only recourse of the purchaser in respect of the asset is to require the seller to repurchase the asset at a price no greater than the price at which it was sold; and

(iii) the seller of the asset is entitled to require the asset to be resold to it upon repayment of the financing raised; or

(b) an Asset Sale relating to assets the book value of which, when aggregated with the book value of all, if any, previous Permitted Asset Sales (other than a Permitted Asset Sale under paragraph (a) of this definition), does not exceed 5 per cent. of the book value of the consolidated total assets of DEWA, all such book values as determined by reference to the Relevant Financial Statements;

"**Permitted Security Interest**" means:

(a) any Security Interest existing on the Closing Date;

(b) any Security Interest securing Relevant Indebtedness of a Person and/or its Subsidiaries existing at the time that such Person is merged into, or consolidated with, DEWA or any Subsidiary, **provided that** such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of DEWA or any Subsidiary;

(c) any Security Interest existing on any property or assets prior to the acquisition thereof by DEWA or any Subsidiary and not created in contemplation of such acquisition;

(d) any Security Interest created or given by, or arising over, the assets from time to time of the Emirates Central Cooling Systems Corporation; or

(e) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (d) (inclusive) of this definition, **provided that** with respect to any such Security Interest the nominal amount secured has not increased and if the property or assets securing the indebtedness subject to such Security Interest are changed in connection with such refinancing, extension or replacement, the Fair Market Value of such property or assets is not increased;

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or agency, or political subdivision thereof, or other entity;

"**Proceedings**" has the meaning given to it in Condition 22.4 (*Governing Law and Dispute Resolution – Effect of exercise of option to litigate*);

"**Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project, **provided that**: (a) any Security Interest given by DEWA or the relevant Subsidiary is limited solely to assets of the project; (b) the Person or Persons providing such financing expressly agrees to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced; and (c) there is no other recourse to DEWA or the relevant Subsidiary in respect of any default by any Person under the financing;

"**Project Financing Indebtedness**" means any indebtedness incurred in connection with Project Financing;

"**Record Date**" means: (i) (where the Certificate is represented by the Global Certificate), at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the Periodic Distribution Date or Dissolution Date, as the case may be; or (ii) (where the Certificate is in definitive form), in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of the Dissolution Amount, the date falling two Payment Business Days before the Dissolution Date, as the case may be;

a Certificateholder's "**registered account**" means the account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date;

a Certificateholder's "**registered address**" means its address appearing on the Register at that time;

"**Relevant Date**" means, in relation to any payment, whichever is the later of: (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received;

"**Relevant Period**" has the meaning given to it in Condition 8.2 (*Periodic Distributions – Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date*);

"**Relevant Financial Statements**" means in relation to DEWA, its most recently available consolidated audited financial statements prepared in accordance with Appropriate Accounting Standards and, in relation to a Subsidiary, its most recently available audited financial statements (consolidated if the same are prepared) prepared in accordance with Appropriate Accounting Standards;

"**Relevant Indebtedness**" means any indebtedness (other than: (a) Project Financing Indebtedness; or (b) Securitisation Indebtedness) which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Relevant Jurisdiction**" means the Cayman Islands, the DIFC and the United Arab Emirates or any Emirate therein or, in either case, any political subdivision or authority thereof or therein having the power to tax;

"**Relevant Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Reserved Matter**" has the meaning given to it in Schedule 4 of the Declaration of Trust;

"**Return Accumulation Period**" has the meaning given to it in Condition 8.2 (*Periodic Distributions – Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date*);

"**Revenues Test**" means that the total income over which one or more Security Interests are given (measured over the most recent accounting period for which Relevant Financial Statements are available) does not exceed 25 per cent. of the consolidated total income of DEWA for the same period, all as determined by reference to the Relevant Financial Statements;

"**Rules**" have the meaning given to it in Condition 22.2 (*Governing Law and Dispute Resolution – Agreement to arbitrate*);

"**Scheduled Dissolution Date**" means 5 March 2018;

"**Securitisation**" means any securitisation (Islamic or otherwise) of existing or future assets and/or revenues, **provided that**: (a) any Security Interest given by DEWA or any Subsidiary in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (b) any Security Interest given by DEWA or any Subsidiary in connection therewith satisfies both the Assets Test and the Revenues Test; (c) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (d) there is no other recourse to DEWA or any Subsidiary in respect of any default by any Person under the securitisation;

"**Securitisation Indebtedness**" means any indebtedness incurred in connection with a Securitisation;

"**Security Interest**" has the meaning given to it in Condition 5.1 (*Negative Pledge and Other Covenants – Negative Pledge and Limitation on Asset Sales*);

"**Specified Denomination**" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"**Signing Date**" means 28 February 2013;

"**Subsidiary**" means, at any particular time, any person (the "**first person**") which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by another person (the "**second person**"). For the first person to be controlled by the second person means that the second person (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that first person or otherwise controls, or has the power to control, the affairs and policies of that first person;

"**Sukuk Obligation**" means any undertaking or other obligation, and any guarantee or indemnity in respect of any undertaking or other obligation, to pay any money given in connection with the issue of trust certificates whether or not in return for consideration of any kind;

"**Taxes**" means any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction;

"**Tax Dissolution Date**" has the meaning given to it in Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"**Tax Event**" has the meaning given to it in Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"**Total Loss Dissolution Date**" means the date falling 31 days after a Total Loss Event;

"**Total Loss Event**" is: (i) the total loss or destruction of, or damage to the whole of, the DEWA Assets or any event or occurrence that renders the whole of the DEWA Assets permanently unfit for any economic use and (but only after taking into consideration any insurances payable or other indemnity granted by any third party in respect of the DEWA Assets) the repair or remedial work in respect thereof is wholly uneconomical; or (ii) the expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the DEWA Assets in each case as determined by the Service Agent acting for and on behalf of the Trustee;

"**Total Loss Shortfall Amount**" has the meaning given to it in Condition 14.4 (*Capital Distributions of the Trust – Dissolution following a Total Loss Event*);

"**Transaction Account**" means, the non-interest bearing transaction account established by the Trustee and held with the Principal Paying Agent denominated in U.S. Dollars into which, among other things: (i) the Lessee will deposit the amounts of Rental due to the Trustee; and (ii) the Delegate will deposit all the proceeds of any action to enforce or realise the Trust Assets taken in accordance with Condition 16 (*Enforcement*);

"**Trust Asset**" has the meaning given in Condition 6.1 (*The Trust – The Trust Assets*);

"**Trustee Administrator**" means Deutsche Bank (Cayman) Limited; and

"**Value**" means, in respect of any DEWA Asset, the value of such DEWA Asset on the date it became part of the Asset Portfolio.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Certificates are issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 (each a "**Specified Denomination**") in excess thereof. A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**") which the Trustee will cause to be kept by the Registrar in accordance with the provisions of the Agency Agreement.

Upon issue, the Certificates will be represented by beneficial interests in the Global Certificate, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants.

2.2 Title

Title to the Certificates passes only by registration in the Register. Subject to the terms of the Global Certificate, the registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

The Trustee and the Delegate may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected an original certificate or letter of confirmation purporting to be signed on behalf of Euroclear or Clearstream, Luxembourg to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Certificates credited to his or her securities account.

3. TRANSFERS OF CERTIFICATES

3.1 Transfers

Subject to Condition 3.4 (*Transfers of Certificates – Closed Periods*), Condition 3.5 (*Transfers of Certificates – Regulations*) and the provisions of the Agency Agreement, a Certificate may be transferred whole or in an amount equal to the Specified Denomination(s) or any integral multiple thereof by depositing the Certificate, with the form of transfer on the back, duly completed and signed, at the specified office of any Transfer Agent together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

3.2 Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within three (3) business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five (5) business days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Global Certificate will not be entitled to receive physical delivery of Certificates.

3.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge on behalf of the Trustee by the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, Registrar or Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

3.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen (15) days ending on (and including) the due date for any payment of the Dissolution Amount or any Periodic Distribution Amount or any other date on which payment of the face amount (or any part thereof) or payment of any profit in respect of a Certificate falls due.

3.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Certificateholder shall be entitled to receive, in accordance with Condition 2.1 (*Form, Denomination and Title – Form and Denomination*), only one Certificate in respect of his or her entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2 (*Transfers of Certificates – Delivery of New Certificates*).

4. STATUS AND LIMITED RECOURSE

4.1 Status

Each Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

4.2 Limited Recourse

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Trustee, DEWA, the Delegate, the Agents or any of their respective affiliates. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that:

(i) they will not have recourse to any assets of the Trustee, the Delegate, the Agents, or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished; and

(ii) any recourse to the assets of DEWA shall be limited to the Trust Assets, which include obligations of DEWA under the Transaction Documents.

DEWA is obliged to make certain payments under the Transaction Documents directly to the Trustee (for and on behalf of the Certificateholders), and the Delegate (acting in the name of and on behalf of the Trustee) will have direct recourse against DEWA to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 16 (*Enforcement*), no holder of Certificates will have any claim against the Trustee, DEWA (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents, or any of their respective affiliates or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee, DEWA (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

4.3 Agreement of Certificateholders

By purchasing Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the Trust Assets;

(ii) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, administrators or shareholders), DEWA (and/or its directors, officers, administrators or shareholders) (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, DEWA, any Agents and their respective agents or affiliates shall be extinguished;

(iii) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

(iv) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any shareholder, member, officer, agent or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(v) it shall not be entitled to claim or exercise any right of set off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations by the Trustee under the Certificates.

5. NEGATIVE PLEDGE AND OTHER COVENANTS

5.1 Negative Pledge and Limitation on Asset Sales

DEWA has agreed in the Purchase Undertaking that for so long as any Certificate remains outstanding, it shall comply with the following covenants:

(a) it will not, and will ensure that none of its Material Subsidiaries (as defined below) will, directly or indirectly create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure: (i) any Relevant Indebtedness or Relevant Sukuk Obligation; or (ii) any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to the Certificates the same security as is created or subsisting to secure any such Relevant Indebtedness or Relevant Sukuk Obligation, guarantee or indemnity or such other security as either: (A) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders; or (B) shall be approved by an Extraordinary Resolution (as defined in the Declaration of Trust) of the Certificateholders; and

(b) it will not, and will ensure that none of its Material Subsidiaries will, directly or indirectly enter into any Asset Sale (other than a Permitted Asset Sale) unless: (i) the gross sales proceeds or consideration received by the seller is at least equal to the Fair Market Value of the asset or assets sold or disposed of; and (ii) in the case of any Asset Sale of one or more assets with an aggregate book value (as determined by reference to the Relevant Financial Statements) that exceeds 5 per cent. of the total assets of DEWA (as so determined), the determination as to whether such Asset Sale complies with (b)(i) above shall be made by an Independent Appraiser.

In addition, DEWA has covenanted that the net proceeds of each Asset Sale (whether at, above or below Fair Market Value) will be reinvested in the then existing business of the Group, save that a part of the net proceeds of such Asset Sales, not exceeding 10 per cent. of the aggregate amount of the net proceeds of all such Asset Sales since the Closing Date, may be used by DEWA to pay dividends or otherwise be returned to its shareholders.

6. THE TRUST

6.1 The Trust Assets

Pursuant to the Sale and Purchase Agreement, the Seller will sell a portfolio (the "**Asset Portfolio**") of identified assets (each such asset, a "**DEWA Asset**") specified in the Sale and Purchase Agreement to the Trustee as Purchaser and the Trustee will purchase the Asset Portfolio using the proceeds of the issue of the Certificates. Pursuant to the Lease Agreement, the Lessor will lease the Asset Portfolio to the Lessee in consideration for periodic payment of Rental by the Lessee. The Trustee has also entered into the Service Agency Agreement with the Service Agent as service agent in respect of the Asset Portfolio.

DEWA has entered into the Purchase Undertaking in favour of the Trustee and the Delegate under which it has granted the Trustee the right to require DEWA to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio on the Scheduled Dissolution Date or, if earlier, on the due date for dissolution in accordance with Condition 14 (*Capital Distributions of the Trust*) at the Dissolution Amount. The Purchase Undertaking may also be exercised ahead of a Change of Control Put Option Date to fund the redemption of the Certificates under Condition 14 (*Capital Distributions of the Trust*) through the purchase by DEWA of the Trustee's rights, title, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate value no greater than the aggregate face amount of such Certificates being redeemed.

Pursuant to the Sale Undertaking, subject to the Trustee being entitled to redeem the Certificates early pursuant to Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), DEWA may, by exercising its option under the Sale Undertaking and serving notice on the Trustee no later than 60 days prior to the Tax Dissolution Date (as defined in Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*)), oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio on the Tax Dissolution Date at the Dissolution Amount. If, following a Change of Control Event, 75 per cent. or more of the Certificateholders exercise their option to require the Trustee to redeem their Certificates, DEWA may, by exercising its option under the Sale Undertaking, oblige the Trustee to sell all of its rights, title, interest, benefits and entitlements in, to and under the Asset Portfolio on the date specified for that purpose (which must be within 30 days of the Change of Control Put Option Date) at the Dissolution Amount.

Following any purchase of Certificates by or on behalf of DEWA or any of its Subsidiaries pursuant to Condition 13.1 (*Purchase and Cancellation of Certificates – Purchases*), the Sale Undertaking may be exercised in respect of the purchase by DEWA of the Trustee's rights, title, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate Value no greater than the aggregate face amount of the Certificates so purchased in consideration for the cancellation of such Certificates.

The Sale Undertaking also grants DEWA the right to substitute any DEWA Asset in the Asset Portfolio for another asset, which has a value that is at least equal to the Value of the DEWA Asset being removed from the Asset Portfolio. Such a substitution may only occur on a Periodic Distribution Date.

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets upon trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates held by each holder. The term "**Trust Assets**" means:

(a) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Asset Portfolio;

(b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (excluding: (i) any representations given by DEWA to the Trustee and the Delegate pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee or the Delegate in any of the Transaction

Documents; and (ii) the covenant given to the Trustee pursuant to Clause 17.1 (Remuneration and Indemnification of the Trustee and the Delegate) of the Declaration of Trust; and

(c) all monies standing to the credit of the Transaction Account,

in each case and all proceeds of the foregoing which are held by the Trustee upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the terms of the Declaration of Trust and the Conditions.

6.2 Application of Proceeds from the Trust Assets

On each Periodic Distribution Date and on the Dissolution Date, the monies standing to the credit of the Transaction Account shall be applied by the Principal Paying Agent in the following order of priority:

(a) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under, or which it is entitled to receive pursuant to, the Transaction Documents in its capacity as Delegate in accordance with the terms of the Declaration of Trust and to any receiver, manager or administrative receiver or any other analogous officer and any agent appointed in respect of the Trust by the Delegate in accordance with the Declaration of Trust;

(b) *second*, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all amounts properly incurred and documented (each in the opinion of the Delegate) owing to it under the Transaction Documents in its capacity as Trustee; (ii) the trustee administrator (appointed under the Corporate Services Agreement) in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as trustee administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(c) *third*, only if such payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts which are due but unpaid;

(d) *fourth*, only if such payment is made on a Change of Control Put Option Date (which is not a Dissolution Date), to the Principal Paying Agent for application in or towards payment of the relevant Change of Control Amount;

(e) *fifth*, only if such payment is made on the Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Amount or the amount payable on a Total Loss Event, as the case may be; and

(f) *sixth*, only if such payment is made on the Dissolution Date, to the Service Agent to retain as an incentive payment in accordance with the Service Agency Agreement.

7. COVENANTS

The Trustee covenants that, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

(a) incur any indebtedness in respect of borrowed money whatsoever (including any Islamic financing), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;

(b) save as permitted by the Transaction Documents, grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets, except pursuant to the Transaction Documents;

(d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(e) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum and articles of association and by-laws;

(f) act as trustee in respect of any trust (other than pursuant to the Declaration of Trust);

(g) have any subsidiaries or employees;

(h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:

    (A) as provided for or permitted in the Transaction Documents;

    (B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

    (C) such other matters which are incidental thereto.

8. PERIODIC DISTRIBUTIONS

8.1 Periodic Distribution Amounts and Periodic Distribution Dates

Subject to Condition 6.2 (*The Trust – Application of Proceeds from the Trust Assets*) and Condition 9 (*Payments*), the Principal Paying Agent shall distribute to holders of the Certificates, *pro rata* to their respective holdings, out of amounts transferred into the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount. The Periodic Distribution Amount payable on each Periodic Distribution Date shall be U.S.$15 per U.S.$1,000 in face amount of Certificates (the "**Periodic Distribution Amount**"). For this purpose, "**Periodic Distribution Date**" means the fifth day of March and the fifth day of September in each year commencing on 5 September 2013 and, subject to Condition 8.3 (*Periodic Distributions – Cessation of Accrual*), ending on the Scheduled Dissolution Date).

8.2 Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of: (a) 3.0 per cent. per annum; (b) the face amount of the relevant Certificate; and (c) the number of days in such Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards). The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date is called a "**Return Accumulation Period**".

8.3 Cessation of Accrual

No further amounts will be payable on any Certificate from and including its due date for redemption, as a result of the failure of DEWA to pay the relevant Exercise Price and enter into a sale and purchase agreement in accordance with the terms of the Purchase Undertaking or Sale Undertaking (as the case may be), unless default is made in payment of the Dissolution

Distribution Amount, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8 (*Periodic Distributions*), provided that, in respect of such accrual, no sale and purchase agreement has been executed or a Total Loss Event has occurred.

9. PAYMENTS

9.1 Payments in respect of the Certificates

Subject to Condition 9.2 (*Payments – Payments subject to Applicable Laws*), payment of any Dissolution Amount and any Periodic Distribution Amount will be made by transfer to the registered account of each Certificateholder. Payments of any Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date

9.2 Payments subject to Applicable Laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

9.3 Payment only on a Payment Business Day

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Payment Business Day on which the relevant Definitive Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering its Definitive Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 9 (*Payments*) arrives after the due date for payment.

If the amount of the Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

10. AGENTS

10.1 Agents of Trustee

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

10.2 Specified Offices

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided, however, that:

(a) there will at all times be a Principal Paying Agent;

(b) there will at all times be a Registrar;

(c) there will at all times be a Calculation Agent; and

(d) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 18 (*Notices*).

11. TAXATION

All payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

(a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or

(b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union.

DEWA has covenanted in the Declaration of Trust that in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 11 (Taxation), it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to the Delegate (for the benefit of the Certificateholders) an amount equal to the liability of the Trustee in respect of any and all additional amounts required to be paid by it in respect of the Certificates pursuant to this Condition 11 (Taxation).

The Purchase Undertaking and the Sale Undertaking provide that payments and transfers thereunder by DEWA shall be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment or transfer, as the case may be, by DEWA, of additional amounts so that the full amount which would otherwise have been due and payable or transferable, as the case may be, is received by the Trustee.

12. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of 10 years (in the case of the Dissolution Amount) and a period of five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 9 (*Payments*).

13. PURCHASE AND CANCELLATION OF CERTIFICATES

13.1 Purchases

DEWA or any of its Subsidiaries may at any time purchase Certificates at any price in the open market or otherwise.

13.2 Cancellation of Certificates held by DEWA and/or any of its Subsidiaries

Following any purchase of Certificates by or on behalf of DEWA or any of its Subsidiaries pursuant to Condition 13.1 (*Purchase and Cancellation of Certificates – Purchases*), the Sale Undertaking may be exercised by DEWA to oblige the Trustee to transfer its rights, title, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate Value not greater than the aggregate face amount of the Certificates so purchased against cancellation of such Certificates pursuant to Condition 14.6 (*Capital Distributions of the Trust – Cancellations*)

13.3 Dissolution of the Trust upon cancellation of all outstanding Certificates

In the event DEWA and/or any of its Subsidiaries purchase all the outstanding Certificates and all such Certificates are subsequently cancelled by the Trustee, the Trust will be dissolved and the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14. CAPITAL DISTRIBUTIONS OF THE TRUST

14.1 Scheduled Dissolution

Unless the Certificates are previously redeemed, or purchased and cancelled, in full, the Trustee will redeem each Certificate on the Scheduled Dissolution Date at the Dissolution Amount together with any Periodic Distribution Amounts payable. Upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14.2 Early Dissolution for Tax Reasons

The Certificates may be redeemed by the Trustee in whole, but not in part at any time (such date, the "**Tax Dissolution Date**") on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), at the Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amounts, if a Tax Event occurs where "**Tax Event**" means:

(a) the determination by DEWA that: (1) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date; and (2) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(b) the receipt by the Trustee of notice from DEWA that: (1) DEWA has or will become obliged to pay additional amounts pursuant to the terms of the Lease Agreement as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date; and (2) such obligation cannot be avoided by DEWA taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given unless an exercise notice has been received by the Trustee from DEWA under the Sale Undertaking and no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which: (i) (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due; or (ii) (in the case of (b) above) DEWA would be obliged to pay such additional amounts if a payment to the Trustee under the Lease Agreement was then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Trustee shall deliver to the Delegate: (i) a certificate signed by one director of the Trustee (in the case of (a) above) or two directors of DEWA (in the case of (b) above) stating that the Trustee is entitled to effect such dissolution and redemption and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred; and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or, as the case may be, DEWA has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 14.2 (*Capital Distributions of the*

Trust – Early Dissolution for Tax Reasons), the Trustee shall be bound to redeem the Certificates at the Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amount and, upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14.3 Dissolution at the option of the Certificateholders (Change of Control Put Option)

(a) Promptly upon the Trustee becoming aware that a Change of Control Event has occurred, the Trustee shall give notice (a "**Change of Control Notice**") to the Certificateholders and the Delegate in accordance with Condition 18 (*Notices*) to that effect.

If a Change of Control Event occurs, the Trustee will, upon the holder of any Certificate giving notice (a "**Change of Control Put Notice**") within the Change of Control Put Period redeem such Certificate on the Change of Control Put Option Date at the Change of Control Amount.

If the holder of every Certificate outstanding delivers a Change of Control Put Notice within the Change of Control Put Period to the Trustee in accordance with Condition 18 (*Notices*) (unless prior to the giving of the relevant Change of Control Notice (as defined above) the Trustee has given notice of redemption under Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), the Trustee will: (i) redeem the Certificates at the Dissolution Amount on the Change of Control Put Option Date, which shall include, for the avoidance of doubt, Periodic Distribution Amounts accrued (if any), to the Change of Control Put Option Date; and (ii) dissolve the Trust.

(b) If the holders of 75 per cent. of the aggregate face amount of Certificates then outstanding deliver Change of Control Put Notices in accordance with Condition 14.3(a) (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*), provided that the Trustee has received an Exercise Notice from DEWA under the Sale Undertaking, the Trustee may, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (*Notices*) (such notice to be given within 30 days of the Change of Control Put Option Date), redeem all (but not some only) of the remaining outstanding Certificates at the Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amounts (the "**Change of Control Trustee Call Option**") on the Change of Control Put Option Date. Upon payment in full of such amounts to the Certificateholders: (i) the Trust will be dissolved; (ii) the Certificates shall cease to represent undivided ownership interests in the Trust Assets; and (iii) no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(c) To exercise the right to require redemption of this Certificate the holder of this Certificate must, if this Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of the Registrar at any time during normal business hours of the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certifcateholders (Change of Control Put Option)*) and the face amount thereof to be redeemed and, if less than the full amount of the Certificates so surrendered is to be redeemed, an address to which a new Certificate in respect of the balance of such Certificate is to be sent subject to and in accordance with the provisions of Condition 3.1 (*Transfers of Certificates – Transfers*).

If this Certificate is represented by a Global Certificate or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Certificate the holder of this Certificate must, within the Change of Control Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream and Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream and Luxembourg from time to time and if this Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Certificate pursuant to this Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certifcateholders (Change of Control Put Option)*) shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Certificates to be redeemed pursuant to Condition 15 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certifcateholders (Change of Control Put Option)*).

14.4 Dissolution following a Total Loss Event

Upon the occurrence of a Total Loss Event, the Certificates may be redeemed and the Trust dissolved on the Total Loss Dissolution Date. The Certificates will be redeemed using the proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event. Upon such redemption, the Trust will dissolve, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

*Under the Service Agency Agreement the Service Agent undertakes to be responsible for ensuring that the DEWA Assets are properly insured (on a takaful basis if at all possible) against total loss in an amount equal to their full reinstatement value (which value will be a sum not to be less than the aggregate outstanding face amount of the Certificates, together with a provision for 30 days' of profit). If the obligations of the Service Agent thereunder are not strictly complied with and as a result any insurance amounts paid into the Transaction Account are less than the full reinstatement value of the DEWA Assets (the difference between the amount (if any) paid into the Transaction Account and such full reinstatement value being the "**Total Loss Shortfall Amount**"), the Service Agent (unless it proves beyond any doubt that any shortfall in the insurance proceedings is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance) irrevocably and unconditionally indemnifies the Trustee for the Total Loss Shortfall Amount plus all other amounts then due and payable under the Transaction Documents, which will be payable directly into the Transaction Account on the 31st day following the occurrence of the Total Loss Event. Upon the occurrence of a Total Loss Event, all of the Rental that has accrued pursuant to the Lease Agreement shall be credited to the Transaction Account by the Lessee. The aggregate of such amounts and any insurance proceeds and/or Total Loss Shortfall Amount are intended to be equal to the aggregate face amount of the Certificates together with all accrued and unpaid Periodic Distribution Amounts.*

14.5 No other Dissolution

The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust, otherwise than as provided in this Condition 14 (*Capital Distributions of the Trust*), Condition 13 (*Purchase and Cancellation of Certificates*) and Condition 15 (*Dissolution Events*).

14.6 Cancellations

All Certificates which are redeemed, and all Certificates purchased by or on behalf of DEWA or any of its Subsidiaries and delivered by DEWA to the Principal Paying Agent for cancellation, will forthwith be cancelled and accordingly such Certificates may not be held, reissued or resold.

15. DISSOLUTION EVENTS

Upon the occurrence and continuation of any of the following events (each a "**Dissolution Event**"):

(a) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of ten (10) Business Days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of ten (10) Business Days; or

(b) the Trustee fails to perform or observe any one or more of its other duties, obligations or undertakings under the Certificates or the Transaction Documents, which failure is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not, in the opinion of the Delegate, remedied within the period of thirty (30) days following the service by the Delegate of a notice on the Trustee requiring the same to be remedied; or

(c) a DEWA Event occurs; or

(d) the Trustee repudiates the Declaration of Trust or does or causes to be done any act or thing evidencing an intention to repudiate the Declaration of Trust; or

(e) at any time it is or will become unlawful or impossible for the Trustee to perform or comply with any or all of its obligations under the Certificates or the Transaction Documents or any of the obligations of the Trustee under the Certificates or the Transaction Documents are not or cease to be legal, valid, and binding; or

(f) either: (i) the Trustee is (or is deemed by law or a court to be) insolvent or unable to pay its debts as they fall due; or (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); or (iii) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (iv) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or

(h) any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (f) and (g) above,

the Delegate, upon receiving notice thereof under the Declaration of Trust or otherwise becoming aware of a Dissolution Event and subject to it being indemnified and/or secured and/ or prefunded to its satisfaction, shall promptly give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 18 (*Notices*) with a request to such holders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved. Following the issuance of such notice, the Delegate in its sole discretion may, and if so requested in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates (each a "**Dissolution Request**") shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Dissolution Notice**") to the Trustee, DEWA and the holders of the Certificates in accordance with Condition 18 (*Notices*) that the Certificates are immediately due and payable at the Dissolution Amount, on the date of such notice (the "**Dissolution Event Redemption Date**"), whereupon they shall become so due and payable. If it has not already done so, (so long as a Total Loss Event has not occurred), the Trustee (or the Delegate acting on behalf of the Certificateholders) shall exercise its rights under the Purchase Undertaking by serving an Exercise Notice on DEWA.

Upon payment in full of such amounts, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of paragraph (a) above, amounts shall be considered due in respect of the Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Periodic Distributions*), Condition 14 (*Capital Distributions of the Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

For the purposes of this Condition 15 (*Dissolution Events*), "**DEWA Event**" shall mean each of the following events (but in the case of the happening of any of the events described in paragraph (c) below or paragraphs (e) to (i) (inclusive) below (other than the happening of any such event in relation to DEWA), only if the Delegate shall have certified in writing to the Trustee and DEWA that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders):

(a) if default is made by DEWA in the payment of: (A) any Rental to be paid into the Transaction Account by the Lessee in accordance with the terms of the Lease Agreement and the default continues for a period of ten (10) Business Days; or (B) any Exercise Price or any Total Loss Shortfall Amount and the default continues for a period of ten (10) Business Days;

(b) if DEWA fails to perform or observe any one or more of its other obligations referred to in Condition 5 (*Negative Pledge and Other Covenants*); or

(c) if DEWA fails to perform or observe any one or more of its other obligations under the Transaction Documents to which it is a party, which failure is, in the sole opinion of the Delegate, incapable of remedy or, if in the sole opinion of the Delegate capable of remedy, is not, in the sole opinion of the Delegate, remedied within the period of thirty (30) days following the service by the Delegate on the Trustee or DEWA (as the case may be) of notice requiring the same to be remedied, except that a failure by DEWA (acting in its capacity as Service Agent) to comply with its obligations set out in any of Clauses 6.1 and 6.2 of the Service Agency Agreement will not constitute a DEWA Event; or

(d) if any Financial Indebtedness or Sukuk Obligation of DEWA or any Material Subsidiary is not paid when due nor within any originally applicable grace period or any Financial Indebtedness or Sukuk Obligation of DEWA or any Material Subsidiary is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described) or any commitment for any Financial Indebtedness or Sukuk Obligation of DEWA or any Material Subsidiary is cancelled or suspended by a creditor of DEWA or such Material Subsidiary as a result of an event of default (howsoever described) or any creditor of DEWA or any Material Subsidiary becomes entitled to declare any Financial Indebtedness or Sukuk Obligation of DEWA or such Material Subsidiary due and payable prior to its specified maturity as a result of an event of default (howsoever described). No DEWA Event will occur under this paragraph (d) if the aggregate amount of the Financial Indebtedness or Sukuk Obligation or the commitment for Financial Indebtedness or Sukuk Obligation is less than U.S.$40,000,000 (or its equivalent in any other currency or currencies) save in each case where the liability in respect of the relevant Financial Indebtedness or Sukuk Obligation is being contested by DEWA or such Material Subsidiary, as the case may be, in good faith and by all appropriate means;

(e) if DEWA repudiates or challenges, or does or causes to be done any act or thing evidencing an intention to repudiate or challenge, these Conditions or any or any part of a Transaction Document to which it is a party or if at any time it is or becomes unlawful for DEWA to perform any or all of its obligations under or in respect of the Transaction Documents to which it is a party (or for any other party to any Transaction Document to perform any or all of its obligations) or any of the obligations of DEWA thereunder are not or cease to be legal, valid, binding or enforceable;

(f) if a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or (in the opinion of the Delegate) a material part of the property, assets or revenues of DEWA or any Material Subsidiary and is not discharged, withdrawn or stayed within 60 days;

(g) if any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by DEWA or any Material Subsidiary in respect of all or (in the sole opinion of the Delegate) a material part of the property, assets or revenues of DEWA or any such Material Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person);

(h) if DEWA or any Material Subsidiary is (or is deemed by a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or (in the sole opinion of the Delegate) a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of DEWA, or any Material Subsidiary;

(i) if an order is made or an effective resolution passed for the winding-up or dissolution of DEWA or any Material Subsidiary or DEWA or any Material Subsidiary ceases or threatens to cease, or is required to cease, to carry on all or (in the sole opinion of the Delegate) substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation: (i) on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in another Material Subsidiary;

(j) if any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable DEWA (in its different capacities) lawfully to enter into, exercise its rights and perform and comply with its obligations under the Transaction Documents (to which it is a party); (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Transaction Documents (to which it is a party) admissible in evidence in the courts of the United Arab Emirates or the Emirate of Dubai is not taken, fulfilled or done; and

(k) if any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

16. ENFORCEMENT

16.1 Enforcement

Upon: (i) the occurrence of a Dissolution Event and the delivery of a Dissolution Notice by the Delegate pursuant to Condition 15 (*Dissolution Events*), to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 15 (*Dissolution Events*); or (ii) the failure to pay the Dissolution Amount on the Total Loss Dissolution Date, subject to Condition 16.2 (*Enforcement – Delegate not obliged to take action*), the Delegate (acting on behalf of Certificateholders) shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), take one or more of the following steps:

(a) enforce the provisions of the Purchase Undertaking against DEWA and/or the Service Agency Agreement against the Service Agent; and/or

(b) take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing but subject to Condition 16.2 (*Enforcement – Delegate not obliged to take action*), the Delegate may at any time, at its sole discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or DEWA to enforce their respective obligations under the Transaction Documents, these Conditions and the Certificates.

16.2 Delegate not obliged to take action

The Delegate shall not be bound in any circumstances to take any action, proceeding or step to enforce or to realise the Trust Assets or take any action against the Trustee and/or DEWA under any Transaction Document unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all costs, losses, damages, expenses or liabilities to which it may thereby render itself liable or which it may incur by so doing, provided that the Delegate shall not be liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

16.3 Direct Enforcement by Certificateholder

No Certificateholder shall be entitled to proceed directly against the Trustee or DEWA or provide instructions (not otherwise permitted by the Declaration of Trust) to the Delegate to proceed against the Trustee and/or DEWA under any Transaction Document unless: (a) the Delegate, having become bound to proceed pursuant to Condition 16.2 (*Enforcement – Delegate not obliged to take action*) fails to do so within a reasonable period of becoming so bound and such failure is continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or DEWA as the case may be) holds at least one-fifth of the then aggregate face amount of the Certificates outstanding. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than pursuant to the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and DEWA shall be to enforce their respective obligations under the Transaction Documents.

16.4 Limited Recourse

Conditions 16.1 to 16.3 (inclusive) above are subject to the provisions of Condition 4.2 (*Status and Limited Recourse – Limited Recourse*).

17. REPLACEMENT OF DEFINITIVE CERTIFICATES

Should any Definitive Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar (and if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee, DEWA, the Registrar, the Paying Agent or the Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

18. NOTICES

All notices to Certificateholders will be valid if:

(a) published in a daily newspaper having general circulation in London (which is expected to be the Financial Times); or

(b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

Until such time as any Definitive Certificates are issued, there may, so long as the Global Certificate representing the Certificates is held on behalf of one or more clearing systems, be substituted for such publication in such newspaper(s) and/or mailing is accordance with paragraph (b) above the delivery of the relevant notice to the relevant clearing systems for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day after the day on which the said notice was given to the relevant clearing systems.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst the Certificates are represented by a Global Certificate held on behalf of one or more clearing systems, such notice may be given by any holder of a Certificate to the Principal Paying Agent through the clearing system in which its interest in the Certificates is held in such manner as the Principal Paying Agent and the relevant clearing system may approve for this purpose.

19. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

19.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or the provisions of the Declaration of Trust or any other Transaction Document. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than half of the aggregate face amount of the outstanding Certificates, or at any adjourned such meeting one or more persons present whatever the outstanding face amount of the Certificates held or represented by him or them, except that at any meeting the business of which includes the modification of certain provisions of the Certificates (including modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates or altering the currency of payment of the Certificates, amending the covenant given by the Trustee and the Delegate in Clause 13.1 (*Application of Moneys*) of the Declaration of Trust or Condition 6.2 (*The Trust – Application of Proceeds from the Trust Assets*), modifying the provisions contained in the Conditions and the Declaration of Trust concerning the quorum required at any meeting of the Certificateholders or the majority required to pass an Extraordinary Resolution or changing any of DEWA's covenants set out in the Purchase Undertaking or any of its covenants to make a payment under any Transaction Document to which it is a party), the quorum shall be one or more persons present holding or representing not less than three quarters in the outstanding face amount of the Certificates, or at any adjourned such meeting one or more persons present holding or representing not less than one quarter in the outstanding face amount of the Certificates. The expression "**Extraordinary Resolution**" is defined in the Declaration of Trust to mean either: (i) a resolution passed at a meeting duly convened and held by a majority consisting of not less than three-quarters of the votes cast; or (ii) a resolution in writing signed by or on behalf of the holders of the Certificates representing in the aggregate not less than 90 per cent. in the outstanding face amount of the Certificates who are entitled to receive notice of the meeting.

19.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification (other than in respect of a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or any other Transaction Document, or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or an event which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event shall not be treated as such if, in the sole opinion of the Delegate: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; or (iii) such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of the Certificateholders. No such direction or request will affect a previous consent, waiver, authorisation or determination.

19.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number)) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

19.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 18 (*Notices*).

20. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

20.1 The Declaration of Trust contains provisions for the indemnification of each of the Delegate and the Trustee in certain circumstances and for their respective relief from responsibility, including provisions relieving the Delegate from taking action unless indemnified and/or secured and/or prefunded to its satisfaction as well as provisions entitling the Delegate to be paid its costs and expenses in priority to the claims of the Certificateholders.

20.2 Neither the Delegate nor the Trustee makes any representation and assumes no responsibility for the validity, sufficiency or enforceability of the Trust Assets other than as expressly provided in the Declaration of Trust.

20.3 Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any decline in value or loss realised upon any sale or other disposition of any of the Trust Assets or any cash; (ii) any obligation to insure the Trust Assets pursuant to the Declaration of Trust and these Conditions; and (iii) any defect or failure in the right or title over any of the Trust Assets, unless such decline in value or loss defect or failure arises as a result of the gross negligence, wilful default or fraud by the Trustee or the Delegate, as the case may be.

20.4 The Declaration of Trust also contains provisions pursuant to which the Delegate is entitled, *inter alia*, (a) to enter into business transactions with DEWA and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to DEWA and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

20.5 Neither the Trustee nor the Delegate shall be responsible for monitoring or ascertaining whether or not a Dissolution Event, Total Loss Event or Change of Control Event has occurred or exists and, unless and until it shall have received express notice to the contrary, it will assume that no such event or circumstance exists or has occurred.

20.6 Neither the Trustee nor the Delegate has any duty to monitor the performance by the parties to the Transaction Documents of their obligations nor is it obliged (unless indemnified and/or secured and/or prefunded to its satisfaction) to take any other action, proceeding or step which may involve the Trustee or the Delegate in any personal liability or expenses.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22. GOVERNING LAW AND DISPUTE RESOLUTION

22.1 Governing law

The Declaration of Trust, the Certificates and these Conditions (including the remaining provisions of this Condition 22 (*Governing Law and Dispute Resolution*)) and any non-contractual obligations arising out of or in connection with the Declaration of Trust, the Certificates and these Conditions are governed by, and shall be construed in accordance with, English law.

22.2 Agreement to arbitrate

Subject to Condition 22.3 (*Governing Law and Dispute Resolution – Option to litigate*) below, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust, the Certificates and these Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or termination of the Declaration of Trust, the Certificates and these Conditions or the consequences of the nullity of any of them or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 22 (*Governing Law and Dispute Resolution*)). For these purposes:

(a) the place of arbitration shall be Paris;

(b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

(c) the language of the arbitration shall be English.

22.3 Option to litigate

Notwithstanding Condition 22.2 (*Governing Law and Dispute Resolution – Agreement to arbitrate*) above, the Delegate (or, but only where permitted to take action in accordance with the terms of the Declaration of Trust and these Conditions, any Certificateholder) may, in the alternative, and at its sole discretion, by notice in writing to the Trustee and DEWA:

(a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Delegate or, as the case may be, a Certificateholder, gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 22.4 (*Governing Law and Dispute Resolution – Effect of exercise of option to litigate*) and, subject as provided below, any arbitration commenced under Condition 22.2 (*Governing Law and Dispute Resolution – Agreement to arbitrate*) in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by DEWA), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate or, as the case may be, a Certificateholder, must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) the arbitrator's entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

22.4 Effect of exercise of option to litigate

In the event that a notice pursuant to Condition 22.3 (*Governing Law and Dispute Resolution – Option to litigate*) is issued, the following provisions shall apply:

(a) subject to paragraph (c) below, the courts of England, or the courts of the DIFC at the option of the Delegate, or as the case may be, at the option of the Certificateholders shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and DEWA submits to the exclusive jurisdiction of such courts;

(b) each of the Trustee and DEWA agrees that the courts of England, or the courts of the DIFC, as applicable, are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 22.4(c) (*Governing Law and Dispute Resolution – Effect of exercise of option to litigate*) is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (a) above, the Delegate and any Certificateholder (where permitted so to do) may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

22.5 Process Agent

Each of the Trustee and DEWA has in the Declaration of Trust appointed TMF Corporate Services Limited at its registered office at 6 St. Andrew Street, 5th Floor, London, EC4A 3AE as its agent for service of process and has undertaken that in the event of TMF Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Delegate as its agent for service of process in England in respect of any Proceedings or Disputes. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

22.6 Waiver of Interest

Each of the Trustee, the Delegate and DEWA has agreed in the Declaration of Trust that, if any arbitration or Proceedings are commenced in relation to a Dispute and/or any Proceedings are brought by or on behalf of a party under the Declaration of Trust or the Sale Undertaking, it will:

(i) not claim interest under, or in connection with, such arbitration and/or Proceedings; and

(ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by any arbitrator as a result of such arbitration and/or by any court as a result of such Proceedings.

For the avoidance of doubt, nothing in this Condition 22.6 (*Governing Law and Dispute Resolution – Waiver of Interest*) shall be construed as a waiver of rights in respect of Rental, Periodic Distribution Amounts or profit of any kind howsoever described payable by DEWA or the Trustee pursuant to the Transaction Documents or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

22.7 Waiver of Immunity

Under the Declaration of Trust, DEWA has agreed that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any Proceedings or Disputes. Further, DEWA has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings or Disputes. However, notwithstanding the foregoing, DEWA expressly disclaims whether Article 247 of Federal Law No. 11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property.

USE OF PROCEEDS

The Proceeds of the issue of Certificates will be paid by the Trustee (as Purchaser) to DEWA (as Seller) for the purchase from the Seller of all of its rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio.

DESCRIPTION OF THE TRUSTEE

General

The Trustee was incorporated in the Cayman Islands on 22 January 2013 as an exempted limited liability company under the Companies Law (2012 Revision) (as amended) under the name DEWA Sukuk 2013 Limited and with registered number 274892. The Trustee's registered office address is c/o Deutsche Bank (Cayman) Limited, 171 Elgin Avenue, Boundary Hall, Cricket Square, P.O. Box 1984, Grand Cayman KY1-1104, Cayman Islands, and its telephone number is +1 345 949 8244.

Business of the Trustee

The primary purpose of the Trustee is to issue the Certificates and enter into the transactions contemplated by the Transaction Documents. The Trustee is a newly formed Cayman Islands entity and as at the date of this Prospectus, has not commenced business and does not have any substantial assets or liabilities.

Share Capital of the Trustee

The Trustee has no subsidiaries. The Trustee has an authorised Share Capital of U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 par value each, of which 250 shares have been issued and fully paid up as at the date of this Prospectus.

The Trustee's entire issued share capital is held by Deutsche Bank (Cayman) Limited under the terms of an irrevocable declaration of trust dated 21 February 2013 (the "**Share Declaration of Trust**") under which Deutsche Bank (Cayman) Limited holds the shares of the Trustee in trust until the Termination Date (as defined in the Share Declaration of Trust).

Prior to the Termination Date, the trust is an accumulation trust but Deutsche Bank (Cayman) Limited (as trustee of the shares in the Trustee) has the power to benefit one or more Qualified Charities (as defined in the Share Declaration of Trust) or the holders of the Certificates. It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, Deutsche Bank (Cayman) Limited (as trustee of the shares in the Trustee) will wind up the trust and make a final distribution to charity. Deutsche Bank (Cayman) Limited (as trustee of the shares in the Trustee) has no beneficial interest in and derives no benefit (other than its fee for acting as trustee of the shares in the Trustee) from its holding of the shares in the Trustee.

Directors of the Trustee

The directors of the Trustee are all officers of the Trustee Administrator. The directors of the Trustee and their other principal activities as at the date hereof are as follows:

Name	Other principal activities
Alan Corkish	Banker with Deutsche Bank (Cayman) Limited
David Dyer	Banker with Deutsche Bank (Cayman) Limited
Alex McCoy	Banker with Deutsche Bank (Cayman) Limited

The business address of each director is c/o Deutsche Bank (Cayman) Limited, 171 Elgin Avenue, Boundary Hall, Cricket Square, P.O. Box 1984, Grand Cayman, KY1-1104, Cayman Islands.

Corporate Administration

Deutsche Bank (Cayman) Limited will also act as the Trustee Administrator. The office of the Trustee Administrator will serve as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator will perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement.

In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency.

Directors' Interests

No director listed above has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Trustee and no director has any conflict of interest and/or any potential conflict of interest between any of its duties to the Trustee and its private interests and/or other duties, save for the fact that each director is an employee and/or officer of the Trustee Administrator (or an affiliate thereof).

As a matter of Cayman Islands law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Trustee, regardless of any other directorships he or she may hold.

Financial Statements

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

CAPITALISATION

The following table sets forth DEWA's capitalisation as at 31 December 2012.

This table should be read together with "*Presentation of Financial Information*", "*Selected Historical Financial Data*", "*Operating and Financial Review*", "*Summary of Significant Differences Between DEWA GAAP and IFRS*" and the Financial Statements and the related notes thereto, appearing elsewhere in this Prospectus.

	As at 31 December 2012
	(AED thousands)
Cash and bank balances:	**768,353**
Debt:	
Short-term debt[(1)]	4,214,971
Long-term debt[(1)]	16,942,000
Total debt[(2)]	**21,156,971**
Equity:	
Government of Dubai account	29,817,517
General reserve	21,570,616
Non-controlling interest	538,800
Total equity	**51,926,933**
Total capitalisation[(3)]	**69,637,286**

(1) Includes AED 413.2 million current (short-term) and AED 3,122.4 million non-current (long-term) indebtedness pursuant to the Securitisation Programme (as defined herein).

(2) On 17 January 2013, DEWA made an early prepayment of the entire amount owed under the first tranche of Securitisation Programme (as defined herein). See "*Operating and Financial Review – Material Indebtedness – Securitisation Programme*".

(3) Total capitalisation is equal to cash and bank balances plus long-term debt plus total equity.

Other than as set forth in note 2 to the table above, there has been no material change to DEWA's capitalisation since 31 December 2012.

SELECTED HISTORICAL FINANCIAL DATA

The tables below set forth selected historical annual consolidated financial information for DEWA as of and for the years ended 31 December 2012 and 2011. This information has been extracted, without material adjustment, from the 2012 Financial Statements prepared in accordance with DEWA GAAP. DEWA GAAP is not an internationally recognised body of accounting principles and accordingly should not be considered as such. For a description of differences between DEWA GAAP and IFRS, see "Summary of Significant Differences Between DEWA GAAP and IFRS" in this Prospectus.

The presentation of the consolidated financial information for the year ended 31 December 2011 included in the 2012 Financial Statements differs from its presentation in the 2011 Financial Statements because the 2011 Financial Statements do not reflect a reclassification from advances from new connections to capital work in progress as described in note 25 to the 2012 Financial Statements.

The selected financial information set forth below should be read in conjunction with, and is qualified by reference to, "Presentation of Financial Information", "Operating and Financial Review", the Financial Statements and the related notes thereto included elsewhere in this Prospectus. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

	As at 31 December	
	2012	**2011**
	(AED thousands)	
Consolidated Statement of Comprehensive Income:		
Revenue	15,714,673	14,704,045
Cost of sales	(9,110,399)	(8,397,749)
Gross profit	6,604,274	6,306,296
Other income	594,624	618,785
Administrative expenses	(949,108)	(726,661)
Operating profit	6,249,790	6,198,420
Finance income	8,259	85,926
Finance costs	(1,607,215)	(1,910,223)
Finance costs – net	(1,598,956)	(1,824,297)
Total comprehensive income for the year	**4,650,834**	**4,374,123**

	As at 31 December	
	2012	**2011**
	(AED thousands)	
Consolidated Balance Sheet Data:		
Total non-current assets	87,794,415	85,719,324
Total current assets	7,354,095	7,098,177
Total assets	95,148,510	92,817,501
Total equity	51,926,933	47,788,457
Total non-current liabilities	32,398,293	35,411,922
Total current liabilities	10,823,284	9,617,122
Total equity and liabilities	**95,148,510**	**92,817,501**

	As at 31 December	
	2012	2011
	(AED thousands)	
Consolidated Cash Flow Data:		
Net cash from operating activities	7,490,967	7,396,291
Net cash used in investing activities	(3,642,478)	(4,854,398)
Net cash used in financing activities	(3,473,925)	(9,649,298)
Net increase/(decrease) in cash and cash equivalents	374,564	(7,107,405)
Cash and cash equivalents, beginning of the year	241,201	7,348,606
Cash and cash equivalents, end of the year	**615,765**	**241,201**

OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with the information included in "Presentation of Financial Information", "Selected Historical Financial Data", the Financial Statements and the related notes thereto included elsewhere in this Prospectus.

This discussion of DEWA's financial condition and results of operations is based upon DEWA's consolidated financial statements, which have been prepared in accordance with DEWA's internal accounting policies or DEWA GAAP. DEWA GAAP is not an internationally recognised body of accounting principles and accordingly should not be considered as such. For a description of the differences between DEWA GAAP and IFRS, see "Presentation of Financial Information" and "Summary of Significant Differences Between DEWA GAAP and IFRS" in this Prospectus.

The presentation of the consolidated financial information for the year ended 31 December 2011 included in the 2012 Financial Statements differs from its presentation in the 2011 Financial Statements because the 2011 Financial Statements do not reflect a reclassification from advances from new connections to capital work in progress as described in note 25 to the 2012 Financial Statements.

This discussion contains forward-looking statements that involve risks and uncertainties. DEWA's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

Overview

DEWA is the exclusive supplier of electricity and potable water in Dubai and is wholly-owned by the Government. As at 31 December 2012, DEWA's installed electricity capacity was 9,646 megawatts ("**MW**") and its installed water desalination capacity was 470 million imperial gallons per day ("**MIGD**"). As at the date of this Prospectus, DEWA believes that it has adequate electricity and water generation capacity to meet the forecasted demand for Dubai until 2020.

Factors Affecting Financial Condition and Results of Operations

The following is a discussion of the most significant factors that have affected, or are expected to affect, DEWA's financial condition and results of operations.

Revenue Growth

Substantially all of DEWA's revenue is derived from the sale of electricity and water to its customers in Dubai. Tariffs for electricity and water in Dubai are controlled by the Government (acting through the Supreme Council of Energy) and are binding on DEWA. Therefore, any proposed adjustment to tariff levels must be approved by the Government (acting through the Supreme Council of Energy) before it can be implemented.

In January 2011, the Government approved a tariff increase which resulted in the base tariff increasing by 15 per cent. In addition to this increase in the basic tariff, a fuel surcharge was introduced to enable DEWA to recover any fuel cost in excess of a fixed base cost. The fuel surcharge has resulted in DEWA being able to pass on increases in its variable cost of gas charged by DUSUP to the end consumers on a monthly basis. The net effect of this has been an increase in average tariffs across DEWA's aggregate customer base, with the exception of UAE nationals, who continue to be charged a flat rate for their residential electricity and water consumption (which were unaffected by the increases in tariffs).

Set forth below are the tables showing the volume of electricity and water sold (consumed by customers in Dubai) for the years presented, as well as the percentage change between these years:

	Year ended 31 December		Change (%)
	2012	**2011**	**2012/2011**
Electricity (GWh/year)[(1)]	32,101	30,623	4.8
Water (MIG/year)	84,946	81,136	4.7

(1) Actual volume sold, excluding consumption by DEWA power stations.

DEWA expects demand for electricity and water to continue to increase, reflecting the expected growth in both commercial and residential demand for electricity and water as a result of the growth in infrastructure and population of Dubai.

Cost and Availability of Fuel

Generally, the cost of natural gas necessary to produce one kWh of electricity or one imperial gallon of water is significantly lower than the cost of diesel or other fuel oils necessary to produce an equivalent amount. This situation has been exacerbated in recent years as fuel oil prices have increased at a higher rate than local natural gas prices. Accordingly, DEWA seeks to maximise the use of natural gas to operate its production facilities and DEWA's utilisation of fuel oils was minimal in the years ended 31 December 2012 and 31 December 2011.

Pursuant to Government regulations, DEWA is required to purchase all of its natural gas requirements from the Government through DUSUP. As a result of additional sources of natural gas becoming available at the end of 2007 and a new supply agreement entered into with Dolphin, DUSUP was able to meet substantially all of DEWA's natural gas requirements from 2008 until 2012.

DEWA's fuel costs increased to AED 5,345.2 million in the year ended 31 December 2012 as compared to AED 4,975.3 million in the year ended 31 December 2011 due to an increase in natural gas prices as well as increased consumption. Subsequent to the increase in tariffs in 2011, the additional cost incurred on fuel has been billed to the customers as a fuel surcharge. See "*Description of the Business – Principal Operations - Electricity – Sales*" and "*Description of the Business – Principal Operations – Water – Sales*".

Pursuant to conversations with DUSUP, DEWA expects that DUSUP will be able to meet all of DEWA's ongoing natural gas requirements through 2018 based on DEWA's current projected needs. However, there can be no assurance that DUSUP will be able to supply DEWA with sufficient amounts of natural gas as anticipated or beyond 2018. If DUSUP is unable to obtain additional sources of natural gas to supply DEWA's increased fuel needs, DEWA may be required to increase its use of fuel oils or electricity purchases to cover any shortfall in the supply of natural gas, which could adversely affect its profitability. See "*Risk Factors - Risks Related to DEWA – DEWA is dependent on DUSUP for its entire supply of natural gas and there can be no assurance that there will be enough natural gas or other cost efficient sources of fuel available to meet DEWA's production needs*".

Costs Related to Employment

DEWA's staff costs increased during the years under review principally due to an increase in the number of employees from 8,659 as at year ended 31 December 2011 to 9,033 as at year ended 31 December 2012 and increase in salary benefits of existing employees.

The table set forth below indicates the principal components of staff costs during the years presented:

	Year ended 31 December		Change
	2012	**2011**	**2012/2011**
	(AED in thousands)		(%)
Consolidated Statement of Comprehensive Income:			
Salaries	1,163,375	1,063,702	9.4
Bonus	66,700	62,700	6.4
Employees' end of service indemnity	56,320	48,734	15.6
Pension and other benefits	236,270	211,244	11.8
Total	**1,522,665**	**1,386,380**	**9.8**
Number of employees as of year end	9,033	8,659	4.5

DEWA expects that staff costs will continue to increase in the future reflecting necessary staff growth levels to satisfy maintenance requirements for its expanding transmission and distribution network as well as increases in salary levels due to the expected degree of competition for qualified employees in Dubai.

Costs Incurred in Expanding Production Capacity and Transmission and Distribution Networks

During the years under review, DEWA's electricity generation and water production capacity increased as a result of Phase II of Station M being commissioned in 2012. In addition, DEWA has increased its electricity transmission and water distribution networks in order to meet the demands of the growing Dubai population.

DEWA relies on third parties to construct its production facilities, as well as portions of its transmission and distribution systems. These contracts are generally awarded on a "turnkey" basis. The costs associated with these projects are capitalised and depreciated in accordance with DEWA's accounting policies, with depreciation recognised from the moment that the plant becomes operational. However, as at the date of this Prospectus, DEWA belives it has adequate electricity generation and water production capacity to meet forecasted demand until 2020 and therefore DEWA is focused on extending its transmission and distribution network instead of developing new power generation and desalination plants.

Despite its capital expenditure programme, DEWA does not anticipate that depreciation will decrease in the immediate future due to continued capitalisation of existing projects, plants and equipment. DEWA expects that the trend of increasing depreciation may continue in the foreseeable future, although at a reduced rate of increase as DEWA reduces its capital expenditure.

Transfers of Substations to DEWA and Amortisation of the Related Deferred Revenue

In order to accelerate their construction timetables, developers will sometimes construct substations for their properties to DEWA's specifications and then transfer ownership of the substations to DEWA once commissioned. To account for this transfer, these substations are recognised as an asset (valued at the price of construction to the developers) and a corresponding liability is created under "deferred revenue" on DEWA's balance sheet. These substations are depreciated from the date of DEWA's takeover of these substations in accordance with DEWA's accounting policies and an equivalent amount of the "deferred revenue" liability is amortised and included within "other income" in the consolidated statement of comprehensive income. Since 51 132kv substations were transferred to DEWA in the year ended 31 December 2012, other income arising from the amortisation of deferred revenue increased during the years under review.

Transfer of Land to DEWA

On 26 July 2008, a Government order was issued stating that title to all existing and future land granted by the Government to DEWA would be transferred to DEWA. The process of transferring legal title to this land to DEWA is almost complete as at the date of this Prospectus (title to 0.46 per cent. of total land granted to DEWA is yet to be transferred). Accordingly, DEWA has capitalised certain plots of land on the basis of valuations obtained from the Dubai Land Department and has treated such amounts as an equity contribution by the Government. As a result, as at 31 December 2012, DEWA had capitalised plots of land amounting to AED 21,256 million on the basis of valuations obtained from the Dubai Land Department. As at 31 December 2012, the total number of plots valued was 2,666 (72.9 million square metres) out of a total estimated 3,137 plots (73.1 million square metres). Capitalisation of the remaining plots of land is subject to renewal of site affection plans and subsequent valuations from the Dubai Land Department. Additional land transfers are expected during future years as the process of valuation continues.

The property, plant and equipment owned by DEWA (including the transferred land from the Government) may be used in connection with *Shari'a*-compliant financing, including sukuk, and may be mortgaged to third parties but cannot be sold or used for any other purpose other than in connection with DEWA's day-to-day operations.

Net Finance Costs

Until 2006, DEWA was able to fund its capital expenditure programmes from its internal cash flow generation. However, as a result of increasing capital expenditure requirements, since 2007 DEWA has been required to fund a portion of its capital expenditure through borrowings and the capital markets.

Net finance costs decreased in the year ended 31 December 2012 as compared to the year ended 31 December 2011, in large part due to a decrease in finance costs owing to significant repayment and pre-payment of debt by DEWA (see further "– *Material Indebtedness*"). This was partially offset by a decrease in DEWA's finance income reflecting a decrease in interest income on short-term bank deposits since DEWA utilised its existing cash to repay and pre-pay its debt.

Seasonality

DEWA's electricity sales are seasonal. Generally, demand for electricity in Dubai is up to three times higher in the warmer months of July, August and September than in the cooler months due to an increase in the use of air conditioning. There is very little seasonality in demand for water. As a result of the seasonality of electricity sales, DEWA's revenue and operating profit tends to be highest in the third quarter of the year.

Historical Results of Operations

The following discussion is based on DEWA's audited consolidated financial statements, which have been prepared in conformity with DEWA GAAP.

Explanation of line items in the consolidated statement of comprehensive income

Revenue

DEWA's revenue is comprised of income earned from tariffs charged on the provision of electricity and water in Dubai together with fuel surcharges. Revenue is recognised upon issuance of an invoice to the customer. Certain invoices to Designated Institutions and unpaid residential water invoices of UAE nationals are settled via credit notes issued to DEWA by the Government instead of cash payments. These invoices, however, are included within revenue.

Cost of Sales

Cost of sales includes: expenditures arising from the generation of electricity and desalination of water, which principally consist of fuel costs, depreciation of generation and desalination plants, staff costs and costs relating to repairs and maintenance of plants; expenditures arising from the transmission and distribution of electricity and water, which principally consist of depreciation of supply lines, substation equipment and pipe installations, staff costs and costs relating to repairs and maintenance of networks; and expenses due to the purchase of excess water from DUBAL.

Other income

Other income principally includes: amortisation of deferred income (relating to substation transfers); net income from customer installations (net of the costs of such installation); meter rental income; sale of scrap; meter reconnection, testing and service charges; foreign currency translation gains or losses; and income from damage claims. Damage charges are imposed upon parties for the late delivery of goods in accordance with contractual terms, as well as damages caused to DEWA property during the construction process. Auctions are conducted for the disposal of scrap metals, cables and transformers.

Administrative expenses

Administrative expenses principally includes: staff costs (relating to administrative and general management employees); provision for slow moving and obsolete inventory; repairs and maintenance of administrative assets such as office buildings and other equipments; insurance; and depreciation and amortisation of administrative property.

Net finance costs

Net finance costs principally include interest expense on bank borrowings and other debt and the amortisation of arrangement fees; interest expense and interest income recognised on the settlement of interest rate swap contracts; interest income on short term bank deposits; and the impact of amortisation of financial liabilities.

Taxation

There is currently no corporate tax applicable to corporate entities operating in Dubai. Accordingly, during the years under review, DEWA was not required to recognise any taxation expense, whether deferred or actual.

Consolidated statement of comprehensive income for the years ended 31 December 2012 and 2011

The following table sets forth DEWA's consolidated statement of comprehensive income for the years under review:

	As at 31 December		Change
	2012	**2011**	**2012/2011**
	(AED thousands)		*(%)*
Consolidated Statement of Comprehensive Income:			
Revenue	15,714,673	14,704,045	6.9
Cost of sales	(9,110,399)	(8,397,749)	8.5
Gross profit	6,604,274	6,306,296	4.7
Other income	594,624	618,785	(3.9)
Administrative expenses	(949,108)	(726,661)	30.6
Operating profit	6,249,790	6,198,420	0.8
Finance income	8,259	85,926	(90.4)
Finance costs	(1,607,215)	(1,910,223)	(15.9)
Finance costs – net	(1,598,956)	(1,824,297)	(12.4)
Total comprehensive income for the year	**4,650,834**	**4,374,123**	**6.3**

The following table sets forth the components of DEWA's revenue for the years under review:

	As at 31 December		Change
	2012	**2011**	**2012/2011**
	(AED thousands)		*(%)*
Electricity	11,561,625	10,930,582	5.8
Water	3,451,246	3,103,939	11.2
District cooling charges	701,802	669,524	4.8
Total	**15,714,673**	**14,704,045**	**6.9**

Year ended 31 December 2012 compared to the year ended 31 December 2011

Revenue

Revenue from the generation and sale of electricity and water for the year ended 31 December 2012 was AED 15,012.9 million as compared to revenue of AED 14,034.5 million for the year ended 31 December 2011, which represents an increase of 7.0 per cent., or AED 978.4 million. The increase in revenue reflects an increase in the volume of electricity and water sold and the fuel surcharge (see "*– Overview – Revenue Growth*").

Cost of sales

Cost of sales for the year ended 31 December 2012 was AED 9,110.4 million as compared to AED 8,397.7 million for the year ended 31 December 2011, which represents an increase of 8.5 per cent., or AED 712.7 million. This increase reflects an increase in expenditure relating to generation and desalination plants and transmission and distribution networks as discussed below.

Generation and desalination expenditure for the year ended 31 December 2012 was AED 7,206.2 million as compared to AED 6,655.3 million for the year ended 31 December 2011, which represents an increase of 8.3 per cent., or AED 550.9 million. This was primarily due to an increase in the volume of natural gas used, as well as an increase in the average cost of natural gas which was substantially offset by the fuel surcharge. Generation and desalination expenditure was also affected by an increase in depreciation, reflecting the commissioning of Phase II of Station M in 2012, as well as an increase in staff costs.

Transmission and distribution expenditure for the year ended 31 December 2012 was AED 1,875.4 million as compared to AED 1,715.1 million for the year ended 31 December 2011, which represents an increase of 9.3 per cent., or AED 160.3 million. This was primarily due to an increase in depreciation due to the transfer of additional substations to DEWA and an increase of 4.7 per cent. in the total number of substations in operation, as well as an increase in staff costs relating to an increase in repairs and maintenance due to growth of the transmission and distribution network.

Other income

Other income for the year ended 31 December 2012 was AED 594.6 million as compared to AED 618.8 million for the year ended 31 December 2011, which represents a decrease of 3.9 per cent., or AED 24.2 million. The decrease in other income was primarily due to a decrease in profit on disposal of property, plant and equipment, partially offset by an increase in income from the sale of scrap, amortisation of deferred income due to the transfer of additional substations to DEWA (as discussed above) and an increase in the overall number of customers, which resulted in an increase in net income earned from consumer installations.

Administrative expenses

Administrative expenses for the year ended 31 December 2012 were AED 949.1 million as compared to AED 726.7 million for the year ended 31 December 2011, which represents an increase of 30.6 per cent., or AED 222.4 million. This increase was due in large part to an increase in the provision for slow moving and obsolete inventory and in depreciation charges due to movement of certain inventory items from fixed assets to normal inventory and provisioning for stock obsolesce of such assets in accordance with DEWA's provisioning policy and an increase in repair and maintenance costs in respect of administrative assets such as office buildings and other equipments.

Operating profit

Operating profit for the year ended 31 December 2012 was AED 6,249.8 million as compared to AED 6,198.4 million for the year ended 31 December 2011, an increase of 0.8 per cent., or AED 51.4 million. This increase was primarily due to an increase in revenue, offset in part by an increase in the cost of sales and administrative expenses. Operating margin decreased to 39.8 per cent. in the year ended 31 December 2012 as compared to 42.2 per cent. in the prior year.

Operating margin is a non-GAAP measure (see "*Presentation of Financial Information – Non-GAAP Measures*").

Net finance costs

Net finance costs for the year ended 31 December 2012 were AED 1,599.0 million as compared to AED 1,824.3 million for the year ended 31 December 2011, which represents a decrease of 12.4 per cent. or AED 225.3 million. The decrease in net finance costs was primarily due to significant repayment and pre-payment of debt by DEWA (see further "*– Material Indebtedness*"). This was partially offset by a decrease in DEWA's finance income reflecting a decrease in interest income on short-term bank deposits since DEWA utilised its existing cash to repay and pre-pay its debt.

Profit for the year

As a result of the factors described above, DEWA made a profit of AED 4,650.8 million for the year ended 31 December 2012 as compared to a profit of AED 4,374.1 million for the year ended 31 December 2011, which represents an increase of 6.3 per cent., or AED 276.7 million.

Liquidity and Capital Resources

During the years under review, DEWA has funded its working capital needs and capital expenditure requirements from cash from operations and borrowings. As discussed below under *"– Capital Expenditure"*, DEWA has significant capital expenditure requirements for the foreseeable future relating to the planned expansion of its transmission and distribution network, which it expects to fund through a combination of future operating cash flow and future external borrowings. As at 31 December 2012, DEWA had AED 21,157.0 million of outstanding indebtedness (including indebtedness of Empower). DEWA has a significant amount of borrowings coming due in the next few years, including AED 3,801.8 million of debt (excluding the debt due under the first tranche of the Securitisation Programme, which was fully repaid on 17 January 2013), payments under the Sukuk Al Ijara (as defined below) in June 2013 and repayment of U.S.$112.5 million in monthly instalments through 2013 under the second tranche of the Securitisation Programme. DEWA also intends to repay some of its debt over the next 12 months (funding such repayments from operating cash flow and borrowings). As a result of the foregoing, DEWA will have significant refinancing requirements in the next 12 months.

As at 31 December 2012, DEWA had approximately AED 397.6 million available under certain framework agreements with a consortium of banks and export credit agencies to finance eligible capital expenditure and AED 2,282.1 million was available for utilisation pursuant to two overdraft facilities (see "– *Material Indebtedness*"). In addition, DEWA may also seek financing from the capital markets, subject to market conditions.

DEWA expects that a substantial portion of its capital expenditure in the future will continue to be funded by borrowings from third parties as well as from other debt instruments in the capital markets, subject to market conditions. There can be no assurance that funding from these sources will be available in the future or that such funding will be available on favourable terms, if at all. If DEWA is unable to obtain such funding, its ability to implement its growth strategy may be adversely affected. See "*Risk Factors – Risks Relating to DEWA – DEWA's strategy requires it to make substantial capital expenditure and there can be no assurance that it will be able to secure funding for its future capital expenditures*".

Cash Flow

The following table sets forth certain information about DEWA's cash flows for the years under review:

	As at 31 December	
	2012	**2011**
	(AED thousands)	
Consolidated Cash Flow Data:		
Net cash from operating activities	7,490,967	7,396,291
Net cash used in investing activities	(3,642,478)	(4,854,398)
Net cash used in financing activities	(3,473,925)	(9,649,298)
Net increase/(decrease) in cash and cash equivalents	374,564	(7,107,405)
Cash and cash equivalents, beginning of the year	241,201	7,348,606
Cash and cash equivalents, end of the year	**615,765**	**241,201**

Net cash from operating activities. Net cash from operating activities for the year ended 31 December 2012 was AED 7,491.0 million as compared to AED 7,396.3 million for the year ended 31 December 2011. This increase primarily reflects an increase in consumer security deposits and operating profit, offset in part by a decrease in inventories.

Net cash used in investing activities. Net cash used in investing activities for the year ended 31 December 2012 was AED 3,642.5 million as compared to AED 4,854.4 million for the year ended 31 December 2011. The decrease largely reflects a decrease in capital expenditure in year ended 31 December 2012 as a result of DEWA's completion of its planned projects and DEWA having adequate capacity to meet forecasted demand for electricity and water production until 2020.

Net cash used in financing activities. Net cash used in financing activities for the year ended 31 December 2012 was AED 3,473.9 million as compared to net cash used in financing activities of AED 9,649.3 million for the year ended 31 December 2011. The significant decrease in 2012 was principally due to the repayment of certain outstanding debts including the entire amount outstanding under the first tranche of the Securitisation Programme.

Material Indebtedness

The following is a description of DEWA's outstanding material indebtedness as at 31 December 2012.

	As at 31 December	
	2012	**2011**
	(AED thousands)	
Non-current		
GMTN loan	11,019,000	11,019,000
Securitisation of receivables	3,122,435	4,168,886
Export credit agency loans	2,644,456	2,694,694
Syndication loan	351,360	518,695
Other loan	—	33,719
Sukuk bond	—	3,200,000
Less: Deferred borrowing cost	(195,251)	(227,188)
	16,942,000	**21,407,806**
Current		
Sukuk bond	3,200,000	—
Securitisation of receivables	413,213	1,045,892
Export credit agency loans	289,521	265,971
Bank overdrafts	152,588	527,778
Syndication loan	167,321	167,321
Other loans	10,000	33,719
Less: Deferred borrowing cost	(17,672)	(23,397)
	4,214,971	**2,017,284**
Total borrowings	**21,156,971**	**23,425,090**

MTN Programme

On 1 April 2010, DEWA established a global medium term note programme ("**MTN Programme**") to issue notes up to an amount of U.S.$3,000 million. On 22 April 2010, DEWA issued notes amounting to U.S.$1,000 million which will be due for repayment in 2015. On 21 October 2010, DEWA issued U.S.$500 million 6.375 per cent. notes repayable in 2016 and U.S.$1,500 million 7.375 per cent. notes repayable in 2020. DEWA is subject to certain customary affirmative and negative covenants and customary events of default, including cross-default under the MTN Programme.

Securitisation Programme

In July 2007, DEWA, through a special purpose vehicle ("**SPV**") and two commercial paper conduits, established a U.S.$4,000 million commercial paper securitisation programme (the "**Securitisation Programme**").

DEWA issued commercial paper amounting to U.S.$1,000 million in each of August 2007 and May 2008 under the first tranche of the Securitisation Programme. Subsequently, DEWA issued commercial paper amounting to U.S.$350 million and U.S.$100 million in October 2011 and January 2012, respectively, under the second tranche of the Securitisation Programme. The proceeds from the Securitisation Programme were used by DEWA to fund its capital expenditure requirements.

As at 31 December 2012, U.S.$534.9 million and U.S.$427.7 million were outstanding under the first tranche and the second tranche, respectively, of the Securitisation Programme.

On 17 January 2013, DEWA repaid the entire amount outstanding under the first tranche of the Securitisation Programme. DEWA is due to make a repayment of U.S.$112.5 million in monthly instalments through 2013 under the second tranche of the Securitisation Programme.

ECA Facilities

In May 2009, DEWA entered into a framework agreement with a consortium of banks (the "**First Framework Agreement**") pursuant to which it may enter into multiple export credit agency loan facilities (each, a "**ECA Facility**") to borrow amounts up to an aggregate of U.S.$1,000 million that will be supported by European export credit agencies and used to finance certain plant and equipment imported from Europe. In March 2012, DEWA entered into a similar framework agreement to borrow amounts up to an aggregate of U.S.$500 million (the "**Second Framework Agreement**" and, together with the First Framework Agreement, the "**ECA Agreement**").

The ECA Agreement contains certain customary affirmative and negative covenants and customary events of default, including cross-default. In addition, the ECA Agreement contains a negative pledge over DEWA's assets (other than in connection with sukuk and securitisation) and limitations on DEWA's financial indebtedness.

As at 31 December 2012, DEWA had received an amount denominated in Euro of €519 million and an amount denominated in US Dollars of U.S.$302 million (maturing between 2021 and 2024, dependent on the relevant borrowing date) while €82.7 million was available for utilisation.

Syndication Loan

On 6 December 2010, Empower refinanced a three year loan facility amounting to AED 642.8 million with a five year syndicated loan of U.S.$175 million repayable in December 2015. In 2012, Empower repaid U.S.$45 million of this loan. The loan carries an interest rate at LIBOR plus a fixed margin.

Sukuk Al Ijara

On 16 June 2008, DEWA Funding Ltd. ("**DFL**"), a special purpose entity incorporated in the Cayman Islands, issued AED 3.2 billion of trust certificates due June 2013 (the "**Trust Certificates**"). The Trust Certificates evidence an undivided beneficial ownership interest in certain assets held in trust by DFL. Each holder of Trust Certificates is entitled to periodic distribution amounts based on the product of EIBOR plus a margin equal to 1.25 per cent. per annum, funded through the payment of rent by DEWA to DFL. The proceeds of the Trust Certificates were used to fund DEWA's capital expenditure programme. DEWA is subject to certain customary covenants in connection with the Trust Certificates, including a restriction on the grant of security and on the sale and disposal of assets, as well as customary events of default.

Overdraft Facility

DEWA is able to utilise an overdraft facility from Emirates NBD Bank, which carries interest at a floating rate linked to 1 month EIBOR plus an increasing margin based on the outstanding overdraft amount. The overdraft facility is available in dirham, Euro and US Dollars, up to a maximum amount of AED 2,000 million, and is next subject to renewal in April 2013. As at 31 December 2012, AED 1,914.8 million was available under the overdraft facility while AED 152 million was outstanding.

DEWA also has an overdraft facility from Standard Chartered Bank, which carried interest at a floating rate linked to LIBOR plus a margin. This overdraft facility is available in US Dollars, up to a maximum amount of U.S.$236 million, and is next subject to renewal on November 2013. As at 31 December 2012, the whole of this overdraft facility was available for utilisation.

Capital Expenditure

In the years ended 31 December 2012 and 2011, DEWA incurred capital expenditure of AED 3,649.8 million and AED 4,988.5 million, respectively. The decrease in capital expenditure in 2012 was principally due to DEWA's completion of its planned projects and not requiring incurrence of new capital expenditure in respect of construction of generation and desalination plants due to DEWA having adequate capacity to meet forecasted demand for electricity and water production until 2020. See "*Description of the Business – Expansion Projects*".

As at the date of this Prospectus, DEWA is in the process of extending its transmission and distribution network which is in various stages of development, construction and commissioning. DEWA expects that the expansion and upgrade of its existing transmission and distribution network will require capital expenditure of approximately AED 18,887 million between 2013 and 2018, which DEWA intends to fund through a combination of future operating cashflows as well as future external borrowings, including the proceeds received from the issuance of the Certificate. There can be no assurance that funding from theses sources will be available in the future at favourable terms, if at all. See "*Risk Factors – Risks Relating to DEWA – DEWA's expansion strategy requires it to make substantial capital expenditure and there can be no assurance that it will be able to secure funding for its future capital expenditures*".

Off-Balance Sheet Arrangements

Under DEWA GAAP, derivative financial instruments are not recognised on DEWA's balance sheet. See "*Summary of Significant Differences Between DEWA GAAP and IFRS*" and note 11 "*Borrowings – Interest rate risk exposure*" to the Financial Statements for more information. Other than such derivative financial instruments, which as at 31 December 2012 had a total notional amount of AED 5.6 billion with a negative fair value of AED 877 million, DEWA does not have any material off-balance sheet arrangements that have had or are reasonably expected to have a material current or future effect on its financial condition, revenue, expenses, results of operations, liquidity, capital expenditure or capital resources.

Critical Accounting Policies and Estimates

In preparing its financial statements, management is required to make certain estimates, judgments and assumptions. These estimates, judgments and assumptions affect the reported amounts of DEWA's assets and liabilities, including the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of DEWA's revenue and expenses during the years presented. DEWA evaluates these estimates and assumptions on an ongoing basis. DEWA bases its estimates and assumptions on historical experience and on various other factors that DEWA believes to be reasonable at the time the estimates and assumptions are made. However, future events and their effects cannot be predicted with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results may differ from these estimates and assumptions under different circumstances or conditions, and such differences may be material to the financial statements. A summary of DEWA's significant accounting policies and critical accounting estimate and judgements are contained in note 2 "*Summary of significant accounting policies*" and note 4 "*Critical accounting estimates and judgments*", respectively, to the Financial Statements.

DEWA believes the following critical accounting policies affect the more significant estimates and judgments in the preparation of DEWA's financial statements.

Revenue recognition

Revenue for electricity and water supply activities includes an estimate of the value of units (kWh or imperial gallons) supplied to customers between the date of the last meter reading and the end of the accounting period (such meter reading being unread). Unread electricity and water is estimated by using historical consumption patterns of that 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. DEWA believes that the applied judgements and the assumptions on which such judgments are based are appropriate. However, a change in these assumptions would impact the amount of revenue recognised.

Qualitative Disclosures about Market Risk

Foreign exchange risk

Although DEWA's operations and contracts are predominantly denominated in AED, DEWA does engage in certain borrowing or purchase contracts denominated in foreign currencies (predominantly in Euros) and recognised assets and liabilities in foreign currencies. Any exposure to currency other than AED or US Dollars (to which the AED is pegged and therefore not subject to any foreign currency exposure) is managed when considered appropriate through the purchase of the relevant foreign currency or entering into forward exchange contracts, generally at the time of the execution of the relevant purchase agreement. As at 31 December 2012, if the AED had weakened/strengthened by 1 per cent. against Euro with all other variables held constant, the profit for the year would have been higher/lower by AED 21 million.

Interest rate risk

DEWA is exposed to interest rate risk on its long term borrowings. DEWA enters into interest rate swaps in connection with its variable interest rate arrangements. As at 31 December 2012, DEWA's interest rate swap contracts had an off-balance sheet negative fair value of AED 877 million compared to AED 1,156 million as at 31 December 2011. DEWA will endeavour to mitigate interest rate risk in the future by monitoring and renegotiating the swap contracts, if so necessitated by market conditions.

Credit risk

DEWA's credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions and credit exposures to its customers. DEWA's customers are predominantly based in Dubai with no significant concentration of credit risk. DEWA seeks to limit its credit risk by monitoring outstanding receivables and requiring its customers to pay security deposits while DEWA's cash deposits are held with local and international banks with strong credit ratings. DEWA's maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statement of financial position.

Liquidity risk

DEWA monitors rolling forecast of its liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents on the basis of DEWA's expected cash flows). As at 31 December 2012, DEWA had financial liabilities of AED 10.1 billion maturing in less than one year, which included trade and other payables (see note 3.1(c) to the 2012 Financial Statements).

DESCRIPTION OF THE BUSINESS

DEWA is the exclusive supplier of electricity and potable water in Dubai and is wholly-owned by the Government. DEWA generates, transmits and distributes electricity throughout Dubai and is a member of the ENG. DEWA produces potable water principally through a desalination process, and distributes it to end users throughout Dubai. As at 31 December 2012, DEWA's installed electricity capacity was 9,646 MW and its installed water desalination capacity was 470 MIGD. As at the date of this Prospectus, DEWA believes that it has adequate electricity and water generation capacity to meet the forecasted demand until 2020.

DEWA was formed in 1992 as a result of the merger of the DEC and the DWD, which were each established in 1959 by H.H. Sheikh Rashid bin Saeed Al Maktoum, the then Ruler of Dubai. Prior to the establishment of DEC and DWD, there were no specific authorities responsible for power generation and the supply of potable water in Dubai.

The merger of the two entities brought the provision of these essential public utilities within one commercial organisation under the control of the Government as its sole owner. Since then, DEWA has been the exclusive supplier of electricity and potable water in Dubai and its business has grown along with Dubai's expanding economy, population and infrastructure. Dubai's fast pace of development has resulted in a rapid increase in the demand for electricity and water, a demand that, to date, DEWA has been able to meet. DEWA believes that it is therefore both integral to, and has itself benefited, and continues to benefit, from, Dubai's past and current economic growth.

History and Development

A chronological overview of the principal events in connection with the history and growth of DEWA's business is set out below.

Dubai Electricity Company

DEC began supplying electricity to consumers in Dubai in 1961. Electricity was initially produced by diesel generators in small power stations. However, as the demand for electricity grew and the fuel oils used to power the generators became more expensive, it became necessary for DEC to build larger, more efficient power stations that utilised both gas and steam turbines. DEC built the Satwa Gas Turbine Power Station ("**Station C**") in 1974 and the first phase of the Jebel Ali Power and Desalination Station ("**Station D**") in 1979. DEC took over the Hatta Power System in the same year. Each of these stations is described in more detail in *"– Principal Operations – Electricity – Generation"*.

Dubai Water Department

DWD was the principal supplier of potable water in Dubai. Water was initially sourced from underground water reserves, or aquifers, in Dubai. DWD opened aquifers at Al Aweer in 1961, followed by Wahoush in 1972 and Habab in 1977. The water was transported via pipelines to Dubai and was then distributed to consumers through a distribution network. The aquifers at Wahoush and Habab are still in use as at the date of this Prospectus.

As Dubai's population grew, it became evident that the aquifers might run dry in the future if water extraction continued at the same rate and an alternative feasible source of drinking water was therefore needed. The desalination of seawater became the most viable alternative, and accordingly DEC installed desalination units at Station D, which began producing potable water for sale in June 1979.

DEC and DWD Merge to Form DEWA

In 1992, DEC and DWD were merged by Decree No. (1) of the Year 1992 Concerning the Formation of Dubai Electricity and Water Authority ("**Decree No. 1**") of H.H. Sheikh Rashid bin Saeed Al Maktoum to form DEWA. The purpose of the merger was to bring the supply of electricity and water under the responsibility and management of a single commercial enterprise and reflected the fact that, since the development of Station D in 1972, electricity generation and water desalination processes had been combined within a single site, so that steam extracted or exhausted from the electricity generation process could be used in the desalination process. This made one process integral to the other.

DEWA implemented an expansion plan following the merger which involved the development of several additional power generation and water desalination plants. Between 1992 and 2007, DEWA "repowered or enhanced the capacity of Station D Phase II by converting it into a combined cycle plant, which improves electricity generation efficiency through the use of gas and steam turbines, and also added five new power generation and desalination stations to its network, namely: Jebel Ali Gas Power & Desalination Station E ("**Station E**"); Jebel Ali Gas Power & Desalination Station G (**"Station G**"); Jebel Ali Power & Desalination Station K ("**Station K**"); Jebel Ali Power Desalination Station L ("**Station L**"); Jebel Ali Power & Desalination Station M ("**Station M**", and together with Station D, Station E, Station G, Station K and Station L, the "**Jebel Ali Power and Desalination Complex**") and the Al Aweer Power Station ("**Al Aweer Power Station**" or "**Station H**"). See "*– Principal Operations – Electricity – Generation*".

Relationship with the Government

DEWA formed by Government decree

Decree No. 1, which was later amended by Decree No. (13) of 1999 Concerning Amendment of Some Provisions of Decree No. (1) of 1992 ("**Decree No. 13**") and Decree No. (9) of 2011 Amending Decree No. (1) of 1992 ("**Decree No. 9**"), appointed DEWA as the exclusive supplier of electricity and potable water in Dubai.

DEWA maintains an independent corporate status and has the power to own, operate and maintain power stations and desalination plants, aquifers, power and water transmission lines and power and water distribution networks. In addition, pursuant to Decree No. 13, the Government devolved each of the rights, property and assets previously owned by DEC and DWD to DEWA. DEWA has wide ranging powers to undertake projects relating to electricity generation and water production and the supply of electricity and potable water in order to satisfy consumer needs in Dubai, including establishing project companies in collaboration with private companies not incorporated in the UAE. See "*Risk Factors – Risks Related to DEWA – DEWA may face competition in the future*" and "*Regulation – Participation of Private Sector*".

Government as Sole Owner

The Government is the sole owner of DEWA and has the power to appoint its Board as well as its Managing Director, by way of a Government decree. Any renewal or change to the Board must also be approved by way of Government decree. Through its control of the Board, the Government has the ability to control the strategy, operations and management of DEWA.

Following the implementation of Law No. 7 of 2008 (Concerning the Procedures of Public Debt) ("**Law No. 7**"), any borrowings by government departments or entities wholly-owned by the Government require the prior approval of the Supreme Fiscal Committee. See "*Regulation – Financial Regulation*". As a Government owned entity, DEWA is required to ensure that its borrowings are approved by both the Supreme Fiscal Committee and its Board.

Although the Government has the power to control DEWA's borrowings, DEWA's financial obligations are not, absent an explicit guarantee, guaranteed by the Government. See "*Risk Factors – Risks Related to DEWA – DEWA's financial obligations, including its obligation to make payments pursuant to the Transaction Documents, are not guaranteed by the Government absent an explicit guarantee*". In the absence of any funding and/or any explicit Government guarantee for DEWA's borrowings, DEWA is solely responsible for meeting its funding requirements and its payment obligations to its creditors, including its obligation to make payments pursuant to the Transaction Documents and the Certificates.

Government as Regulator

As the sole owner of DEWA, the Government also has the power to regulate DEWA's business and operations. The water and electricity sector in Dubai has not historically been characterised by heavy or extensive regulation, with the exception of water and electricity tariffs, which are determined by the Government through the Supreme Council of Energy. See "*Regulation*".

In June 2009, the Government established the Supreme Council of Energy, a regulatory authority appointed to oversee the entire water and energy sector in Dubai, covering all aspects of production and distribution. See "*Regulation – Regulation of the water and energy sector in Dubai*". The Supreme Council of Energy has broad powers to regulate the activities of all water and energy providers including DEWA and also has powers to set the water and electricity tariffs charged by DEWA.

In January 2011, the Government approved an increase in the tariff for electricity and water which resulted in the base tariff increasing by 15 per cent. In addition to this increase in the basic tariff, a fuel surcharge was introduced to enable DEWA to recover any fuel cost in excess of a fixed base cost. The fuel surcharge has resulted in DEWA being able to pass on increases in its variable cost of gas charged by DUSUP to the end consumers on a monthly basis. Other than these amendments to DEWA's tariffs and the development of the Dubai Integrated Energy Strategy 2030 ("**DIES**") (see "*Regulation – Supreme Council of Energy*"), the Supreme Council of Energy has not, to date, implemented new regulations or policies which affect DEWA's business or operations. As at the date of this Prospectus, it is uncertain whether the Supreme Council of Energy will impose more extensive or stringent regulations on DEWA in the future. See "*Risk Factors – Risks Related to DEWA – The regulatory framework governing DEWA may change under the supervision of the Supreme Council of Energy*".

Government as Purchaser of Electricity and Water

The Government, including all Government ministries and offices, is a significant purchaser of water and electricity from DEWA. The Government is charged the same electricity and water tariffs as other consumers (with the exception of UAE nationals, who are charged reduced tariffs for their residential electricity and water bills). While the Government encourages UAE nationals to pay their own invoices, the Government issues credit notes to cover any unpaid residential water invoices of UAE nationals. Such credit notes are booked as a Government receivable and ultimately offset against DEWA's retained earnings for the relevant period. UAE nationals are required to pay their own electricity bills.

Historically, the Government had also settled the unpaid electricity and water invoices of certain Government ministries and departments as well as Designated Institutions by issuing credit notes on a monthly basis to DEWA. However, since March 2008, following a decree from the Government, all Government ministries and departments are required to settle their electricity and water invoices in cash. The Government continues to settle the unpaid electricity and water invoices of Designated Institutions and the unpaid residential water invoices of UAE nationals using monthly credit notes.

Government as Grantor of Land and Rights of Way

DEWA's offices and power and desalination stations are built on land transferred to it from the Government. By way of a Government order dated 26 July 2008, it was stated that full legal title to all land which had previously been granted to DEWA by the Government would be transferred to DEWA. The process of transferring legal title to this land to DEWA is almost complete as at the date of this Prospectus (title to 0.46 per cent. of total land granted to DEWA is yet to be transferred). Although DEWA has been granted legal title to the land, it may only use the land for its own business and commercial operations (although, pursuant to Decree No. 9, DEWA may grant usufruct or similar rights over such land to any entity which contributes to electricity and water production in Dubai). However, while DEWA is not permitted to sell its land to third parties, it is able to use it in connection with *Shari'a* compliant financing, including sukuk (such as the Certificates) and it may mortgage its land to third parties. Should the Government wish to re-possess any land granted to DEWA, it must provide a suitable substitute for the land and bear the cost of relocating any infrastructure built on it. As at the date of this Prospectus, the Government has not re-possessed any significant parcels of land granted by it to DEWA, except for the land on which its head office was built (which was re-possessed in 1992) and the land on which the central storage unit for transmission and distribution inventory was situated (which was re-possessed in 2012 pursuant to the construction of a road); for each of these, substitute land was provided. As at the date of this Prospectus, the central storage unit for transmission and distribution inventory had been completely transferred to such substitute land. However, none of DEWA's power and desalination stations or other major installations have been re-possessed and, given the size of the stations and installations and the costs and disruption involved in moving them, DEWA believes that the Government is unlikely to repossess any land owned by DEWA in the future, although no assurance can be provided.

DEWA has been granted rights of way for an indefinite period over specific corridors or routes reserved for use by DEWA through which it may lay cables and water pipelines for the transmission of electricity and water as well as fibre optic cables for data transmission. The rights of way over the corridors were previously granted to it by the Dubai Municipality but that function was subsequently taken over in 2010 by the Road Transport Authority (the "**RTA**"), a public authority wholly-owned by the Government and represented on the Government's Infrastructure Committee. As DEWA holds the legal rights of way over the corridors, DEWA has the ability to lease the corridors to third parties. As at the date of this Prospectus, DEWA leases the use of the fibre optic cables it has laid in such corridors to the UAE telecommunications provider, Emirates Integrated Telecommunications Company PJSC ("**du**").

Government as Supplier of Natural Gas

Natural gas is the principal fuel used by DEWA in its power generation and water desalination stations. All of DEWA's power and desalination stations are capable of burning both natural gas and fuel oils, but natural gas is preferred due to efficiency and cost. Supplies of natural gas in Dubai are arranged by the Government through DUSUP, which is the exclusive supplier of natural gas to DEWA. Pursuant to Government regulations, DEWA can only buy natural gas from DUSUP and may not enter into direct contracts with natural gas suppliers. DUSUP enters into gas purchase agreements with natural gas suppliers, receives natural gas transported through its pipelines to its gas control station at Jebel Ali and then sells natural gas to customers within Dubai. Currently, DUSUP's two largest customers are DEWA and DUBAL, a large scale industrial aluminium manufacturing company. DUSUP has not entered into any formal gas supply agreement with either DEWA or DUBAL but DUSUP is mandated by the Government to seek to obtain sufficient gas supplies to meet all of DEWA's and DUBAL's requirements. See *"Risk Factors – Risks Related to DEWA – DEWA has not entered into any formal contracts for the supply of natural gas from DUSUP*". DUSUP charges DEWA and DUBAL the same prices for natural gas and has typically charged prices which are generally lower than the market price for natural gas prevailing at the time.

Although the arrangements for the supply of natural gas by DUSUP to DEWA and DUBAL have to date been managed directly by the Government, it is possible that this arrangement will in the future be managed by the Supreme Council of Energy, which has been mandated to oversee the supply and distribution of natural gas supplies in Dubai.

Industry Overview

General Trends

Rising demand for water and electricity

Dubai's economic expansion and population growth has caused the demand for electricity and water to increase rapidly in recent years. The peak load (or highest demand recorded during the year) for electricity increased by approximately 7 per cent. between 2012 and 2011, from 6,206 MW to 6,637 MW. The peak demand for water increased by approximately 3 per cent. between 2012 and 2011, from 276 MIGD to 285 MIGD. Because of the increasing levels of consumption of electricity and water, DEWA has sought to ensure that it has sufficient installed capacity to meet peak loads at any point in time. DEWA increased its installed electricity generation capacity from approximately 8,721 MW in 2011 to approximately 9,646 MW in 2012 in order to meet expected increases in demand in the future. DEWA's installed water desalination capacity was 470 MIGD in 2012.

DEWA expects demand for electricity and water to continue to increase, however it expects to continue to remain in a position where it can maintain sufficient capacity to generate electricity and water in sufficient quantities to meet any sudden surges in demand. DEWA believes that it has adequate electricity generation and water production capacity to meet forecasted demand until 2020.

Controlled levels of electricity and water tariffs

DEWA's tariffs are regulated and controlled by the Government (which are binding on DEWA), previously through the Executive Council and, since June 2009, through the Supreme Council of Energy. Historically, the Government has sought to keep tariffs at low levels in order to mitigate the effects of inflation on Dubai's residents and businesses, rather than to adjust tariffs in line with DEWA's increasing costs of production. However, on 1 March 2008, the Government approved a tariff increase based on a tariff structure for electricity and water which was aimed at promoting energy efficiency through the establishment of a "slab rate" or tiered billing system, where the tariffs increase incrementally based on the volume of electricity and water consumed (the "**2008 Tariff Increase**"). For similar reasons, on 1 January 2011, the Government approved a tariff increase which resulted in the base tariff increasing by 15 per cent. In addition to this increase in the basic tariff, a fuel surcharge was introduced to enable DEWA to recover any fuel cost in excess of a fixed base cost. The fuel surcharge has resulted in DEWA being able to pass on increases in its variable cost of gas charged by DUSUP to the end consumers on a monthly basis (the "**2011 Tariff Increase**" and, together with the 2008 Tariff Increase, the "**Tariff Increases**").

The Tariff Increases represented a significant milestone for DEWA. The net effect of the adjustment has been an increase in the average tariff across DEWA's aggregate customer base (with the exception of UAE nationals who continue to be charged a flat rate for their residential electricity and water invoices which has remained unchanged since 1998) and an absorption of most of DEWA's variable operating costs.

Fluctuations in the supply of natural gas and high prices of fuel oils

DEWA's power and desalination plants run most efficiently on natural gas. Between 2006 and 2007, DUSUP experienced a shortage of natural gas supplies and was therefore unable to provide adequate levels of natural gas to meet DEWA's requirements. As a result, DEWA had to operate its power plants using fuel oils, which are more expensive than natural gas. In contrast to natural gas, DEWA purchases fuel oils directly from the market at spot prices and enters into annual contracts with oil suppliers for the supply of fuel oils by way of a tendering process. The cost of generating electricity using fuel oils is significantly more expensive than the cost of production using natural gas. In view of the high cost of fuel oils, the Government introduced a cost-sharing initiative which took effect in February 2001, whereby the additional costs of fuel oils would be allocated to DEWA and DUBAL in accordance with their respective energy consumption rates, being approximately 70 per cent. and 30 per cent., respectively. The total cost of fuel oils incurred by DEWA and DUBAL is then totalled and settled at the end of the year and allocated between them in accordance with the aforementioned consumption rates.

As a result of additional sources of natural gas becoming available to DUSUP from the Dolphin gas pipeline in Qatar, as well as from gas pipelines in Abu Dhabi at the end of 2007, DUSUP has been able to meet substantially all of DEWA's natural gas requirements from 2008 through to 2012, thereby reducing DEWA's reliance on fuel oils for its production needs. DEWA currently expects that DUSUP will be able to meet all of its ongoing natural gas requirements through 2018 based on its current projected needs. See "*Risk Factors – Risks Related to DEWA – DEWA is dependent on DUSUP for its entire supply of natural gas and there can be no assurance that there will be enough natural gas or other cost efficient sources of fuel available to meet DEWA's production needs*".

The purchase of electricity from third parties

In order to mitigate the high operating costs resulting from the use of fuel oils, in 2007 DEWA entered into an arrangement with ADWEC, a subsidiary of ADWEA, for the purchase of electricity. The purchase price of electricity is set by mutual agreement and, in 2007 although higher than the tariffs charged by DEWA to its customers prior to the 2008 Tariff Increase, it was lower than the cost of producing an equivalent amount of electricity using fuel oils and therefore it was more economical for DEWA to purchase electricity than generate its own electricity using fuel oils. In 2007, DEWA purchased 25 per cent. of the total volume of electricity it sold from ADWEC. However, DEWA did not purchase any electricity from ADWEC from 2008 to 2012 as DUSUP was able to meet all of DEWA's natural gas requirements during those years. As DEWA expects to receive sufficient amounts of natural gas from DUSUP to meet its production needs through 2018, DEWA expects that its purchases of electricity from third parties, if any, will continue to remain low. See "*Risk Factors – Risks Related to DEWA – DEWA may be unable to mitigate increases in its cost of production in the future by purchasing electricity from third parties*".

Diversification of energy sources

The Supreme Council of Energy is tasked with the governance of the DIES, which was launched in 2011 to set Dubai's strategic direction towards securing sustainable supply of energy and enhancing demand efficiency of water, power and fuel. Pursuant to the DIES, the Supreme Council of Energy is responsible for planning and coordinating with any public or private authority licensed to operate in the energy and water sector in Dubai (including DEWA) to deliver new energy sources with a view to diversifying energy sources for developing sustainable and efficient energy practices (see "*Regulation – Supreme Council of Energy*"). In support of this strategy, a 13MW solar photovoltaic power plant in Seih Al Dahal, as the first phase of the Mohammad Bin Rashid Al Maktoum Solar Park, is currently being implemented under the aegis of the Supreme Council of Energy. The solar plant will be constructed as a partnership project with the investment and ownership shared between the member entities of the Supreme Council of Energy, including DEWA. As at the date of this Prospectus, DEWA had invested approximately AED 1 million to AED 2 million in this project and expects to further invest approximately AED 120 million in the foreseeable future. Further, it is likely that DEWA may in the future consider the construction of new power generation plants with clean coal burning capacity in order to meet the fuel capacity targets set under DIES 2030. As part of this process, DEWA is currently undertaking a study in respect of the infrastructure development requirements in connection with using clean coal as a potential fuel source at the Hassyan site (see "– *Expansion projects – Hassyan*").

Water and Electricity Authorities

Although DEWA is the sole provider of electricity and water in Dubai, there are several other water and electricity authorities that operate within the UAE: ADWEA; the Sharjah Electricity and Water Authority ("**SEWA**"); and FEWA (which, together with ADWEA, SEWA and DEWA, are collectively referred to as the "**Authorities**"). The Authorities each provide electricity and water in their own respective Emirates but do not sell electricity or water to customers within other Emirates (other than electricity sold to other Authorities).

Emirates National Grid

A significant development in the UAE electricity market was the establishment of the ENG, which interconnects the electricity transmission grids of the four Authorities. In light of the rapid increase in the number of new developments and projects as well as the surge in the population of the UAE, the ENG was established with the objective of ensuring a constant and stable electricity supply throughout the UAE by allowing each of the Authorities to share one another's electricity reserves. Construction of the ENG commenced in 2003 and the first interconnection was established in May 2006 between ADWEA's Taweelah Power Station in Abu Dhabi and DEWA's Al Aweer Power Station via 400 kiloVolt ("**kV**") overhead transmission lines. The second interconnection was established between DEWA's Al Aweer Power Station and SEWA's Dhaid Station in Sharjah in mid-2007. The final interconnection was made between SEWA and FEWA in 2008. The ENG is operated and monitored from a control centre at the Al Aweer Power Station and can accommodate a power flow of up to 1,450 MW.

The ENG establishes a framework to enable one Authority to purchase electricity from another in case a need arises. It is supervised by a High Committee established by the UAE federal government. Each Authority is represented on the High Committee. The Authorities may enter into individual purchase contracts for electricity, as and when required, and the cost of electricity will be determined by mutual agreement between the parties. No additional charges will be levied for the transmission of electricity between the electricity grids. The Authorities are not required to allocate particular amounts of electricity as reserves and will only be required to make electricity available via the ENG if they have a surplus. Each Authority is responsible for the maintenance of its respective section of the network.

GCC Power Grid

The ENG forms part of a Gulf-wide regional grid system, linking the national grids of the GCC, being the UAE, the State of Qatar, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Kuwait and the Sultanate of Oman. As a result, member states are able to purchase electricity from one another, utilise their surplus output and ensure an uninterrupted electricity supply.

The first phase of the grid, which links the power grids of Kuwait, Saudi Arabia, Bahrain and Qatar, was completed in July 2009. This was linked with the ENG in April 2011 and in October 2011, the power grids of Oman and the UAE were linked to form a regional power grid. The operation and usage of the GCC grid is overseen and regulated by the Gulf Cooperation Council Interconnection Authority ("**GCCIA**"), a corporate entity jointly owned by the GCC member states.

Competitive Strengths

Exclusive Supplier of Electricity and Potable Water in Dubai

DEWA has been granted the exclusive right and responsibility for supplying electricity and potable water in Dubai by Government decree. DEWA has significant discretion with respect to the generation and supply of electricity and potable water, including construction and commissioning of power and water desalination stations, as well as the transmission and distribution of electricity and water to end users in Dubai. As at the date of this Prospectus, DEWA is not aware of any intention by the Government to revoke its exclusive mandate to supply electricity and potable water. Notwithstanding amendments made pursuant to Law No. (6) of 2011 Regulating the Participation of the Private Sector in Electricity and Water Production in the Emirate of Dubai, DEWA continues to be the sole transmission operator and distributor of electricity and potable water in Dubai (see "*Regulation – Participation of Private Sector*").

DEWA is positioned favourably in respect of benefiting from increase in the population of Dubai due to growth of Dubai's economy (see "*Overview of the UAE and the Emirate of Dubai – The Emirate of Dubai*"). DEWA does not currently face competition from any other entity in Dubai in connection with the generation, transmission and distribution of electricity and potable water. In exceptional cases, certain entities may be given the right by the Government to produce or distribute desalinated water for their own use or for specific projects. For instance, DUBAL produces non-potable desalinated water for use in its own operations. However, these entities are not permitted to sell or distribute water to the general public and the construction of desalination plants or transmission or distribution networks by any of these entities requires the prior consent of DEWA. In addition, DEWA does not face competition from the other Authorities, which may only sell electricity to one another through the ENG and may not sell electricity directly to consumers in other Emirates.

Essential to Dubai's Economic Development

DEWA's management believes that Dubai has established itself as an important commercial and financial centre in the Middle East. The Government, under its present Ruler, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, has invested heavily in Dubai's infrastructure and tourism industry. One of the cornerstones of Dubai's infrastructure is the constant and reliable supply of electricity and water to individuals, businesses, hotels and industrial and commercial zones. DEWA believes that the demand for electricity and water will continue to increase at a steady rate in the foreseeable future. It will therefore be necessary for DEWA to continue enhancing its levels of water and electricity output by improving the efficiency of its processes.

Efficient Equipment, Operation and Processes

DEWA utilises efficient and modern equipment and processes in order to produce and supply electricity and potable water. In order to increase fuel efficiency and reduce its impact on the environment, DEWA's power and desalination plants combine the process of generating electricity with the production of desalinated water on a single site. Additionally, in order to expand its generation capacity, DEWA has converted many of its simple cycle gas turbine plants into combined cycle generation plants, which generate electricity more efficiently and incur lower energy losses. DEWA has also enhanced its electricity generation capacity by installing cooling systems in its gas turbines in order to generate additional amounts of electricity with only a marginal increase in fuel consumption. DEWA believes that by adopting efficient techniques and processes, it is able to produce a constant and regular supply of electricity and water in a manner which is cost-efficient and that minimises both fuel consumption and adverse effects on the environment.

Strategy

DEWA's vision is to be a recognised world-class utility supplier. This strategy is closely aligned with the Government's strategy to make Dubai a centre of commerce, industry and innovation and an attractive tourist and lifestyle destination. As the provision of electricity and water is one of the cornerstones of Dubai's infrastructure, DEWA aims to ensure that its production capacity is always sufficient to meet demand, while also ensuring that its operations and processes meet international standards and adopt the most up to date "environmentally friendly" technologies.

Strategic Expansion

Historically, DEWA has adopted a strategy of investing in capital expenditure to ensure a sufficient output of electricity and water to meet the growing demands of utility consumption in Dubai over the long term. It therefore initiated a series of expansion projects in 2006 to increase the production capacities of its existing power and water desalination stations as well as to construct new stations. DEWA's expansion strategy commenced in 2006 with the commissioning of Station L, and continued until 2008 with the construction of new phases of existing stations as well as the development of new stations, namely Station M. As a result of global economic conditions, DEWA adjusted its expansion plans in 2008 to take into account the decrease in the rates of growth of demand for water and electricity in Dubai caused by the decline in construction activity in Dubai and the resulting delay in completion of new developments. DEWA therefore deferred the construction of some of its power and water desalination stations, thereby ensuring that its operations continue to be aligned with Dubai's infrastructure requirements. As at the date of this Prospectus, DEWA has completed its planned projects and believes that it has adequate electricity generation and water production capacity to meet forecasted demand until 2020. Therefore, DEWA is focused on extending its transmission and distribution network instead of developing new power generation and desalination plants. The expansion and upgrade of DEWA's existing transmission and distribution network will require capital expenditure of approximately AED 18,887 million between 2013 and 2018, which DEWA intends to fund through a combination of future operating cashflows as well as future external borrowings, including the proceeds received from the issuance of the Certificates.

Adopt Innovative Environmental Programmes

Alongside its expansion strategy, DEWA is also pursuing "green" initiatives in order to minimise or counteract any negative effect that its power and water desalination plants may have on Dubai's environment. For example, all of DEWA's major generation and desalination operations are subject to environmental impact studies which are conducted by external consultants. These environmental impact studies are assessed against international environmental guidelines which are applied by the Dubai Municipality, with the particular aim of reducing the emission of greenhouse gases into the environment. In addition, DEWA and the Dubai Carbon Centre of Excellence ("**DCCE**") (which is majority owned by DEWA) have signed a memorandum of understanding in respect of initiating a carbon credits programme pursuant to the Kyoto Protocol's Clean Development Mechanism ("**CDM**") of the United Nations. Further to this, DEWA has initiated a UAE-wide programme of activities ("**PoA**") in partnership with the DCCE with a view to facilitating carbon credits trade for solar projects in the UAE. As at the date of this Prospectus, both of these entities are in the process of registering certain projects with the CDM executive board (established under the United Nations Framework Convention on Climate Change). Upon establishing the eligibility of each project presented to the United Nations Framework Convention on Climate Change, DEWA would be granted carbon credits, having demonstrated that it has implemented initiatives to reduce the carbon emissions in respect of the approved projects. The carbon credits could then be sold in the international markets, creating additional revenue for DEWA. The solar photovoltaic plant in Seil al Dahal (see "*– Industry Overview – General Trends – Diversification of energy sources*") has already been registered with the CDM executive board while DEWA is in the process of registering the PoA.

In addition, during 2013 DEWA anticipates the completion of its "Sustainable Building", the first green building for the public sector in the world. The building adopts conservation criteria for electricity and water and uses solar energy to supply electricity. In addition, DEWA is exploring other sources of renewable energy, such as energy from waste, wind and geothermal power.

Promote Energy and Water Conservation

DEWA seeks to promote conservation and the reduction of water and electricity waste through the structure of its "slab rate" tariffs, fuel surcharge and through public campaigns. In 2009, DEWA launched the "Summer Peak-Load" campaign to reduce energy usage by Government departments and the "Conservation for Better Tomorrow Campaign" to encourage schools and universities to reduce their energy and water consumption. In 2012, DEWA launched the "Do Good to Planet Earth" campaign to encourage consumers to use "eco-friendly" energy and water saving home appliances. Through campaigns on its website and other public media, DEWA seeks to educate the public on methods of saving water and electricity. Furthermore, DEWA has established a programme to reduce the consumption of electricity and water by Designated Institutions by providing them with energy saving lamps, modern air-conditioning systems and water saving taps.

Principal Operations

DEWA's power generation and desalination stations, their respective commission dates and capacities as at 31 December 2012 are shown in the table below:

Station		Commission Dates	Power Generation Plants* No. of Plants(1)	Unit Capacity (MW)	Total Capacity (MW)	Water Desalination Plants** No. of Plants	Total Capacity (MIGD)
Station D	Phase I	1979-1980	5 ST	68	340	5	16
	Phase II	1984	3 ST	70	210	3	19
	GT 9-10	1982/1983	2 GT	40	80	—	—
	Repowering	2002	3 GT	132.33	397	—	—
Station E	Phase I	1989/1991	3 GT	84	252	4	25
	Phase II	1992	2 GT	87	174	—	—
	Phase III	1996	1 ST	105	105	—	—
	Phase IV	1997	1 BPST	58	58	—	—
Station G	Phase I	1993-1994	4 GT	114.25	457	8	53
	Phase II	1996	1 GT	121	121	—	—
	Phase III	1997	2 BPST	70	140	—	—
	Phase IV	2000	—	—	—	1	7
Station H	Phase I	1998-1999	6 GT	101.14	607	—	—
	Phase II	2007/2008	3 GT	136.34	409	—	—
	Phase III	2009	4 GT	204.6	818	—	—
Station K	Phase I	2001	—	—	—	2	20
	Phase II	2002-2003	3 GT	186.66	561	3	40
	Phase II	2003	2 BPST	135	270	—	—
Station L	Phase I	2006-2007	3 GT	183	549	5	70
	Phase I	2007	2 BPST	156	312	—	—
	Phase II (part 1)	2007/2009	4 GT	235.4	941	4	55
	Phase II (part 2)	2009-2010	2 CEST	196	392	—	—
Station M	Phase I	2010	2 GT	234	468	—	—
	Phase II	2012	4 GT	234	936	4	140
		2012	3 CEST	218.4	655		
JAPS Augmentation					394		
JA RO(2)		2007	—	—	—	—	25
TOTAL					9,646		470

(1) "GT" refers to gas turbines, "ST" refers to steam turbines, "BPST" refers to back pressure steam turbines, "DG" refers to diesel generators, and "CEST" refers to Condensing Extraction Steam Turbines.

(2) Jebel Ali Reverse Osmosis water desalination plant.

* At an ambient temperature of 50ºC.

** At a seawater temperature of 37ºC and a high temperature operation.

In addition to the stations listed above, DEWA maintains Station C and the station at Hatta as standby facilities in the case of emergencies. Station C, which was commissioned between 1974 and 1979, has 16 gas turbines with a total capacity of 150 MW. Hatta, which was commissioned between 1980 and 1992 has one gas turbine with a total capacity of 15MW.

Each plant is designed to have an average useful life of approximately 30 years, after which it will need to be either upgraded or replaced. DEWA also implements remaining life assessment and adequate lifetime extension ("**LTE**") measures in its plants in order to achieve a plant life of 40 to 50 years. For instance, Phase I and Phase II of Station D have undergone extensive LTE measures and their useful life has been extended to 2033.

Electricity

Generation

DEWA currently generates electricity from power stations located at the Jebel Ali Power and Desalination Complex, Al Aweer and Hatta. DEWA initially relied on simple cycle gas turbine generators and gas powered steam turbines, later switching to combined cycle co-generation plants associated with Multi-Stage Flash ("**MSF**") desalination units which combine the generation of electricity with the desalination of seawater in a single location. In the gas powered steam turbines, such as those found in Station D, thermal power is generated by firing natural gas (or fuel oils as a standby) into steam boilers in order to generate high pressure steam. The steam is then passed through a steam turbine consisting of several levels of both fixed and rotating blades. The steam turbine drives the electrical generator coupled to it, thereby generating electricity. Part of the steam produced by the steam turbines is also extracted and used in the desalination process.

DEWA also utilises combined cycle co-generation plants consisting of gas turbines, waste heat recovery boilers (“**WHRBs**”), steam turbines and MSF desalination plants. The combined cycle co-generation plants rely on gas turbines which compress the atmospheric air to a high pressure, with the resulting hot compressed air flowing into the combustion chamber into which natural gas or fuel oil is fired. The hot gases from the combustion chamber flow through the gas turbine consisting of various stages of fixed and rotating blades. The hot gases drive the gas turbine, which in turn drive the generator coupled to the turbines, thereby generating electricity. In order to use the waste heat available in the gas turbine exhaust, a WHRB is installed alongside the gas turbine which utilises the waste heat to produce steam, which in turn is used in the steam turbines to produce additional electricity and in the desalination process.

Several of DEWA’s earlier simple cycle gas turbine plants were later converted into combined cycle co-generation plants by combining gas turbines with condensing extraction steam turbines (“**CESTs**”) (as in Station E Phase II) or back pressure steam turbines (“**BPSTs**”) (as in Station E Phase IV). The energy contained in the steam produced in the WHRB drives the CEST or BPST and the steam extracted from the CEST or from the exhaust of the BPST is used in the desalination process. Combined cycle plants have higher capacities and generate electricity more efficiently than single cycle plants. At its maximum operating capacity, 88 per cent. of heat input is utilised in the combined cycle co-generation and desalination process, with the remaining 12 per cent. being lost through flue gas exhaust from chimneys, or through the cooling of sea water and other miscellaneous sources such as steam or water drains.

The demand for electricity in Dubai tends to vary throughout the year (being up to three times higher in the warmer months of July, August and September than in the cooler months due to an increase in the use of cooling systems) but the demand for water does not tend to be seasonal. In order to allow for this variation in power demand, each power and desalination station is equipped with auxiliary boilers which produce steam for the desalination process. This supplements the steam produced by the WHRBs at the relevant plant, which may be insufficient due to a lower demand for electricity during the winter months.

Set out below is a map indicating the locations of DEWA’s existing power and desalination plants.

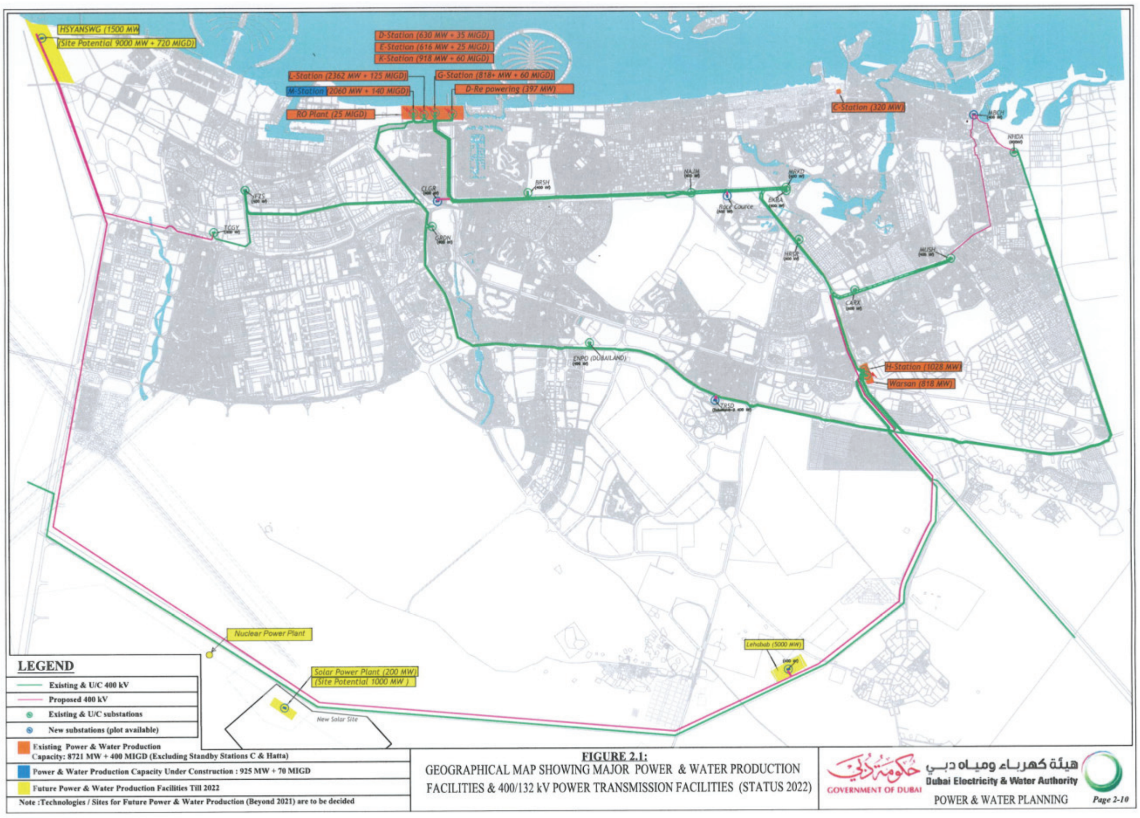


FIGURE 2.1:
GEOGRAPHICAL MAP SHOWING MAJOR POWER & WATER PRODUCTION FACILITIES & 400/132 kV POWER TRANSMISSION FACILITIES (STATUS 2022)

Station C

Station C was commissioned between 1974 and 1979 and consists of 16 simple cycle gas turbine generators with a total current installed capacity of 150 MW. Although this station is not currently used by DEWA, the gas turbines have been retained on standby for use in emergencies as peak lopping machines, which are back-up generators that automatically switch on during system disturbances. As at the date of this Prospectus, DEWA has no plans to upgrade or replace Station C.

Station D

Phase I of Station D was commissioned during the period of 1979 to 1980. It consists of five steam turbines, each with an installed capacity of 68 MW and five MSF desalination plants, each with an installed capacity of 3.2 MIGD. In addition to the steam turbines, two simple cycle gas turbine generators of 40 MW capacity each were added during 1982 and 1983 to the power plants at Station D to be used primarily during peak demand hours in the summer months. These gas turbines can be brought into operation immediately during system emergencies.

Phase II of Station D was constructed in 1984 and consists of three steam turbines, each with an installed capacity of 70 MW, together with three MSF desalination plants, each with an installed capacity of 6.33 MIGD. The capacity and efficiency of Station D Phase II was enhanced in 2002 by converting it into a combined cycle co-generation plant with the addition of three 132 MW (total 396 MW) gas turbines with evaporative cooling systems and three WHRBs to improve cycle efficiency. The three existing desalination units of Phase II were also upgraded in the same year. The total installed capacity of Station D is 1,027 MW and 35 MIGD.

Station E

Station E is located adjacent to Station D. The first phase of Station E was commissioned in 1989 and the last phase, Phase IV, was commissioned in 1997. Phase I involved the installation of a gas turbine power plant with an installed capacity of 252 MW (consisting of three gas turbines, each with a capacity of 84 MW) and four MSF desalination plants with a total installed capacity of 25 MIGD.

Phase II of Station E involved adding two simple cycle gas turbine generators of 87 MW capacity each, both of which were commissioned in 1992. In 1996, DEWA initiated Phase III whereby the simple cycle gas turbine generators of Station E Phase II were converted into a combined cycle co-generation plant by adding two WHRBs and a CEST unit to the existing plant. A further expansion under Phase IV was initiated in 1997 whereby a BPST was added to the plants in Phase I, bringing Station E's total installed capacity to 589 MW and 25 MIGD.

Station G

Phase I of Station G, located adjacent to Station E, was completed between 1993 and 1994 and consists of four gas turbine power plants with a combined installed capacity of 456 MW and eight MSF desalination plants with a combined capacity of 53 MIGD. The gas turbines were commissioned over the course of 1993 and 1994 and the desalination plants were commissioned in 1994. In 1996, Station G was extended under Phase II by the addition of a fifth gas turbine with an installed capacity of 121 MW. Under the expansion of Station G into Phase III in 1997, the gas turbines were converted into combined cycle co-generation plants by the addition of two BPSTs and the further addition of one MSF desalination plant with a capacity of 7 MIGD under Phase IV, which brought the overall installed capacity of Station G to 718 MW and 60 MIGD.

Station H /Al Aweer Gas Turbine Power Station

The Al Aweer Power Station H Phase I consists of six gas turbine power plants commissioned between 1998 and 1999. Unlike the Jebel Ali Power and Desalination Complex, Station H does not include desalination plants because it is situated inland, making it more difficult to supply cooling seawater to the site. Moreover, it was mainly designed to function as a peak lopping power station to meet the increase in demand for electricity at peak hours of the day during the hot summer months. During the winter months, this station serves as a standby plant and is used as a complement to Station C in order to provide electricity during an emergency.

Phase I of Station H consists of six simple cycle gas turbines, each with an installed capacity of 101 MW as well as a 400 kV substation which supplements the existing 400 kV substation at Al Quoz and Mushrif. In addition, 400 kV overhead transmission lines were laid to interconnect Station H Phase I to the Dubai network.

A unique feature of Phase I of Station H is that the gas turbines are also capable of being remote controlled from the system control centre at Al Quoz. This means that the gas turbines can be brought into service quickly during system emergencies and are less dependent on manual intervention.

Phase II of Station H was commissioned between 2007 and 2008 and was completed in April 2009. It consists of three gas turbines with a combined installed capacity of 408 MW. In addition, 400 kV overhead transmission lines were laid to interconnect Station H Phase 2 to the Dubai network.

Phase III of Station H was commissioned in 2009 and consists of four gas turbines, bringing the overall capacity of Station H to 1,834 MW.

Station K

Station K was commissioned in two phases between 2001 and 2003. Phase I of Station K was commissioned in 2001 and consists of two MSF desalination plants with a combined installed capacity of 20 MIGD. Phase II of Station K consists of a combined cycle co-generation plant which was commissioned between 2002 and 2003 and consists of three gas turbines with a combined installed capacity of 561 MW, three WHRBs and two BPSTs with a combined installed capacity of 270 MW and three MSF desalination plants with a total installed capacity of 40 MIGD.

Station L

Phase I of Station L was commissioned between 2006 and 2007 and consists of a combined cycle co-generation plant comprising three gas turbines with a combined installed capacity of 549 MW and two BPSTs with a combined capacity of 312 MW, three WHRBs and five MSF desalination plants with total installed capacity of 70 MIGD.

Phase II of Station L was commissioned between 2007 and May 2010. It consists of four gas turbines and two CEST units with a combined installed capacity of 1,333 MW and four desalination plants with a total capacity of 55 MIGD.

Station M

Station M was commissioned in two phases between 2008 and 2012. Phase I of Station M was commissioned in 2008 and consists of two gas turbines with a combined capacity of 468 MW. Phase II of Station M was commissioned in 2012 and consists of four gas turbines and three CEST units with a combined installed capacity of 1,591 MW and four desalination plants with a total capacity of 140 MIGD.

Jebel Ali Power and Desalination Complex Augmentation

Pursuant to DEWA's plan to upgrade its existing plants, DEWA augmented a number of its existing power stations in Jebel Ali Power and Desalination Complex (the "**JAPS Power Augmentation**") between 2010 and 2011. As at the date of this Prospectus, Stations E, G, H, K, L and M have already been augmented, resulting in a total increase in electricity generation capacity of 394 MW.

The augmentation process resulted in increased capacity and improved levels of efficiency. The augmentation process involved, amongst other things, upgrading turbine blades and lowering the gas turbine inlet temperatures.

Hatta Power System

DEC took over the existing power station in 1979. It initially contained four diesel generators with a total installed capacity of 2.56 MW. Later, nine more diesel generators were installed and a gas turbine generator was added, bringing Hatta Power System's total installed capacity to 14.7 MW. In 1995, the Hatta Power System was integrated with the Dubai power distribution system via 132 kV transmission lines and since November 1995, all consumers in Hatta have been receiving power from DEWA's other stations. The Hatta Power Station is not currently in use but is kept on standby for emergencies.

Sales

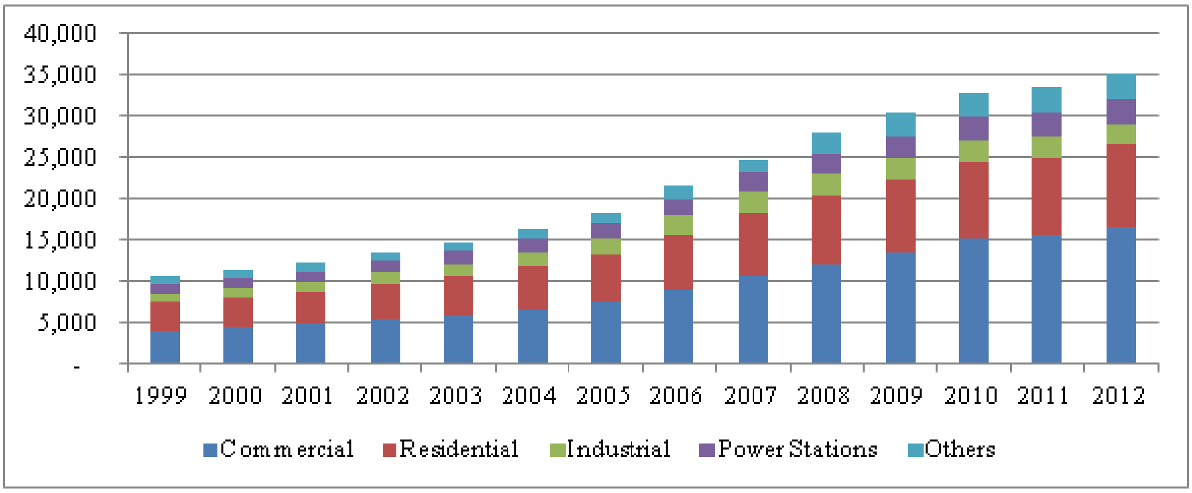
Since 2004, the commercial sector has been the largest consumer group due to the significant increase in commercial developments as well as an increase in the number of hotels and businesses in Dubai.

In the year ended 31 December 2012, the commercial sector accounted for approximately 47.3 per cent. of electricity consumed, the residential sector accounted for approximately 28.1 per cent., the industrial sector accounted for approximately 7.2 per cent. and DEWA's own power stations accounted for approximately 8.6 per cent. as compared to 46.8 per cent., 27.8 per cent., 7.5 per cent. and 8.6 per cent., respectively, in the year ended 31 December 2011, with the remainder of electricity being consumed by other entities, such as Government ministries, schools, hospitals and mosques.

As at 31 December 2012, DEWA served 624,445 electricity customers, as compared to 600,931 customers as at 31 December 2011, representing an increase of 3.9 per cent.

The trend in electricity consumption (electricity sold by DEWA) is shown in the chart below:

Electricity Consumption by Sector (GWH)



Tariffs are based on a tiered billing system whereby the price per kWh increases incrementally based on the volume of electricity consumed. Different rates apply to each consumer sector, except for UAE nationals who are charged a flat rate reduced tariff for their residential consumption. Subsequent to the 2011 Tariff Increase, the tiered billing system continues and the current electricity tariffs range from 23-38 fils/kWh for non-UAE nationals and both private and public sector entities and 7.5 fils/kWh for UAE nationals (which has not been changed by the Tariff Increases). In addition, pursuant to the 2011 Tariff Increase, all of DEWA's fuel costs in excess of a fixed base rate are passed directly to the consumer as a fuel surcharge. This fuel surcharge applies to non-UAE nationals and varies in accordance with the rate of the actual cost of fuel supplied to DEWA by DUSUP.

Customers are charged on the basis of monthly meter readings. DEWA also charges an initial connection fee, a meter rental for each residence or unit and requires customers (apart from UAE nationals and certain Designated Institutions) to pay a security deposit charged at a flat rate. This security deposit payable by each DEWA customer is equal to approximately two months consumption of electricity and water. DEWA does not impose any distribution or transmission charges on the basis that these are already embedded in the electricity tariff. Any unpaid bills must be settled within 47 days, after which DEWA will issue a final warning and may disconnect the electricity and/or water supply. DEWA believes that its rates of delinquency are low because of the deterrent effect posed by the potential disconnection in the event of non-payment.

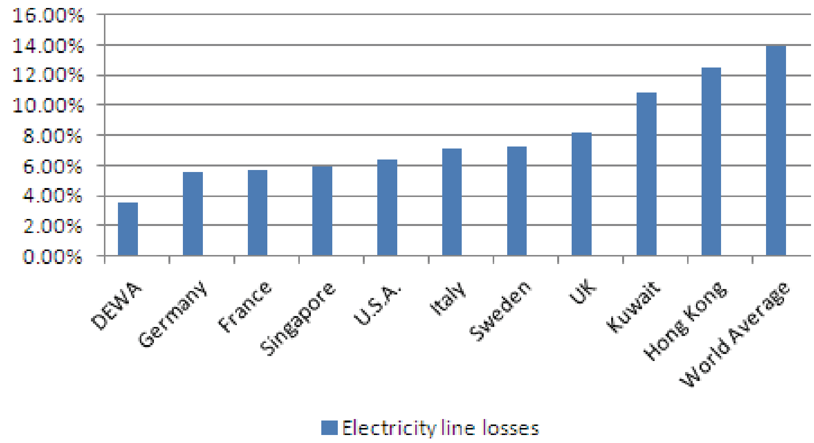
Power Transmission

DEWA operates an electricity supply network which transmits and distributes electricity generated by the power stations to its customers. Electricity is mainly carried through a 400 kV, 132 kV and 33kV network of overhead transmission lines connected to substations set up in districts across Dubai. Electricity is then distributed to customers within those districts through underground cables. The table below shows the number of substations, the length of overhead transmission lines and underground cables in DEWA's network as at 31 December 2012 and 2011:

	As at 31 December 2012	As at 31 December 2011
Number of Substations		
400 kV	18	17
132 kV	184	165
33 kV	135	135
11 and 6.6 kV	26,756	25,564
Length of Overhead Transmission Lines (km)		
400 kV	876	875
132 kV	437	437
33 kV	113	113
11 and 6.6 kV	—	—
Length of Underground Cables (km)		
400 kV	3	—
132 kV	1,486	1,250
33 kV	1,992	1,985
6.6 and 11 kV	24,942	23,978

The operation of the electricity supply network is monitored through a system control centre which utilises the Supervisory Control and Data Acquisition ("**SCADA**") system, a sophisticated and centralised monitoring system which ensures that a reliable and continuous supply of electricity is provided to consumers at the correct frequency and voltage. Under the SCADA system, real-time data is collected by Remote Terminal Units ("**RTUs**") and is transmitted to computers at DEWA's distribution and transmission control centres which then process the data and transmit the appropriate signals and commands from the control centre to the field equipment. Through this sophisticated monitoring system, DEWA has been able to minimise the occurrence of power outages or power interruptions (see "*– Information Technology – SCADA*").

The transmission lines, substations and cables are frequently checked by DEWA engineers and regularly maintained so as to minimise electricity line losses. DEWA's electricity network has sustained a low level of annual electricity line losses of approximately four per cent. or less which, according to the World Bank (in 2006) and the McKinsey Power Benchmarking Report (in 2009), ranks amongst the lowest level of electricity line losses sustained by electricity grids worldwide. DEWA's electricity line losses in the year ended 31 December 2011 were 3.5 per cent., compared to 7.0 per cent. in the year ended 31 December 1998. According to a survey commissioned by DEWA, electricity line losses in various countries in the year ended 31 December 2011 were as follows:



DEWA estimates that reduced electricity line losses have occasioned savings of approximately AED 650 million between 2008 and 2011.

As part of its expansion strategy, DEWA intends to increase its transmission and distribution network significantly by the end of 2015. See "– *Expansion Projects – Transmission and Distribution Network*".

Water

Desalination

DEWA's desalination stations (Stations E, G, K, L and M) are located at Jebel Ali because of its proximity to the sea. The capacity of the desalination plants is determined by DEWA on the basis of a seawater temperature of 37 degrees Celsius and a high temperature operation. Most of DEWA's desalination plants use MSF technology whereby seawater is passed through a series of evaporator stages that serve as heat exchangers. The seawater is gradually heated by steam which raises the temperature of the seawater to boiling point. The steam is either extracted from a CEST (as in Station D) or from the exhaust of BPSTs (as in Station E, Station G and Station K). The seawater is heated to boiling point and is allowed to expand in a series of evaporator stages that are held under a vacuum which causes the seawater to "flash" into steam. The steam then condenses on the exterior of the metal cooling tubes through which seawater passes at lower temperatures, extracting heat from the steam and the water is then collected in distiller water trays. The distilled water is then treated in a blending plant so as to make it potable. About two-thirds of the high saline water or brine resulting from the desalination process is then discharged back into the sea. However, due to naturally occurring sea currents, DEWA does not believe that the brine has a material adverse effect on the sea or the environment.

The desalination plants also contain auxiliary boilers which produce additional steam to supplement the steam produced by WHRBs in the power plants which tends to be lower during the winter months due to lower electricity generation as a result of reduced electricity demand.

Seawater is supplied to the desalination plants through pipes or intake channels that extend approximately 1km into the sea. The seawater is pumped to the Jebel Ali Power and Desalination complex and is pre-treated before being supplied to the desalination plants and steam turbine condensers.

The potable water received from the Jebel Ali Power and Desalination complex is stored in reservoirs. DEWA operates five water reservoir complexes: Jebel Ali reservoir complex (with a capacity of 100 million gallons ("**MIG**")), Mushrif reservoir complex (with a capacity of 180 MIG); Rashidiya reservoir complex (with a capacity of 12 MIG); Hatta reservoir complex (with a capacity of 5.3 MIG); and Lusailly reservoir complex (with a capacity of 5.2 MIG). In addition to providing water reserves, these reservoirs assist in balancing daily flows of water through the water transmission system. DEWA requires all customer premises (including homes) to maintain on-site water reserves equivalent to one day's supply, which helps DEWA balance daily peak flows. By ensuring sufficient water is stored in its reservoirs, DEWA has been able to ensure that it has water reserves equal to 2.7 days of peak demand, including customer storage. Each of the stations in the Jebel Ali Power and Desalination Complex also has an in-plant storage reservoir to balance water production and demand. DEWA's current water output capacity is 470 MIG per day. Approximately 95 per cent. of potable water supplied by DEWA comes from DEWA's desalination plants, with the remaining 5 per cent. coming from underground acquifiers.

In addition to Stations E, G, K, L and M, DEWA also has a standalone water desalination plant ("**JA RO**"), using reverse osmosis technology, at the Jebel Ali Power and Desalination Complex. JA RO was completed in September 2007 and has a total capacity of 25 MIGD.

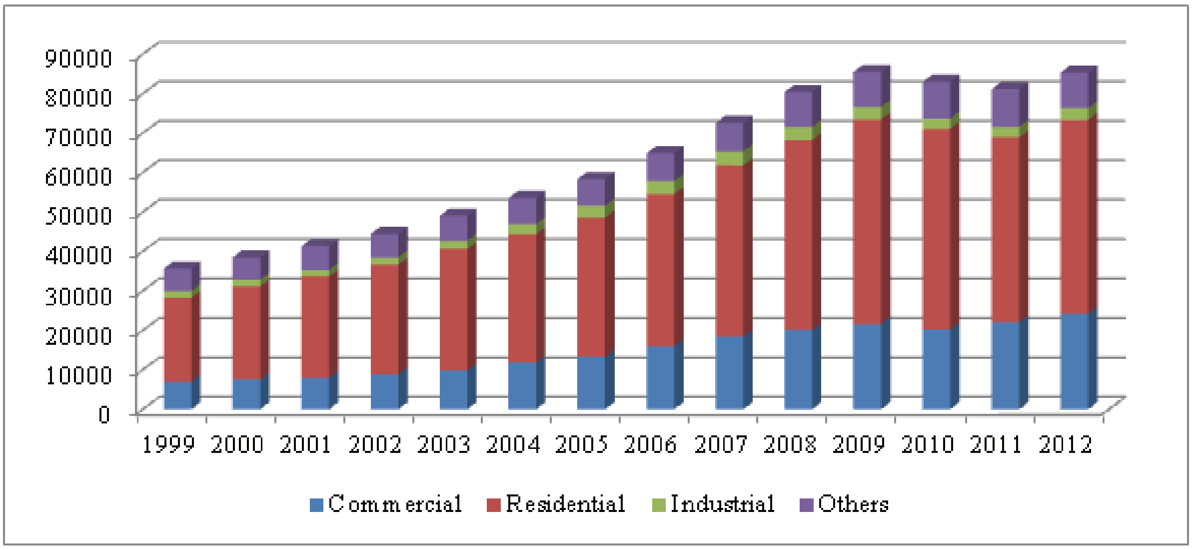
Sales

The residential sector has been and continues to be the largest consumer group for potable water. For the year ended 31 December 2012, the residential sector accounted for approximately 57.7 per cent. of water consumed, the commercial sector accounted for approximately 28.3 per cent. and the industrial sector accounted for approximately 3.4 per cent., as compared to 57.7 per cent., 27.2 per cent. and 3.3 per cent. in the year ended 31 December 2011, with the remainder being consumed by other entities, such as Government ministries, schools, hospitals and mosques.

As at 31 December 2012, DEWA served 554,562 water customers, as compared to 532,885 customers as at 31 December 2011, representing an increase of 4.1 per cent.

The levels of water consumption (potable water sold by DEWA) have risen steadily due to Dubai's growing population as is indicated in the chart below:

Water Consumption by Sector (MG)



Certain customers, such as those in the commercial agricultural or industrial sectors, do not receive water supplies from DEWA as they do not require potable water. Instead they rely on their own or alternative sources of water. For example, DUBAL supplies its own water from its own water desalination plants and the Dubai Municipality supplies water from waste treatment plants to farms for irrigation purposes.

As at the date of this Prospectus, water tariffs range from 3.5 to 4.6 fils/imperial gallon for non-UAE nationals and public and private sector entities and are based on a tiered billing system where the price per gallon increases incrementally as more water is consumed. The tariff charged to UAE nationals has remained unchanged at a flat rate of 1.5 fils/imperial gallon. In addition, pursuant to the 2011 Tariff Increase, all of DEWA's fuel costs in excess of a certain base rate are passed directly to the consumer as a fuel surcharge. This fuel surcharge applies to non-UAE nationals and varies in accordance with the rate of the actual cost of fuel supplied to DEWA by DUSUP.

DEWA charges customers on the basis of meter readings for each residence or unit and also levies a minimal charge for sewerage which it collects on behalf of the Dubai Municipality. The sewerage levy is based on the amount of water consumed during the collection process. DEWA does not own or require any additional infrastructure for the performance of this service.

While the Government encourages UAE nationals to pay their own invoices, the Government still issues credit notes on a monthly basis to cover any unpaid residential water bills of UAE nationals.

Transmission and Distribution

Desalinated water is pumped from the Jebel Ali Power and Desalination Complex directly into the transmission system and, through a series of interconnecting transmission mains and booster pumping stations, to the water reservoirs. The water is then transported via the main transmission pipeline to a further network of transmission pipelines, ranging in size from 550 mm to 900 mm in diameter, to convey water to the major consumption areas. Additional transmission capacity is provided through some of the larger distribution pipelines ranging between 225 mm and 300 mm in diameter, which run in parallel with the transmission lines. A booster pumping station located at Al Quoz boosts the flow of water through 1,200 mm and 900 mm diameter water mains so as to restore the water pressure which may be reduced by friction caused by the transmission of water from Jebel Ali to Al Quoz. A smaller booster pumping station is located at Rashidiya to boost the flow to the Khawaneej area and the higher elevation areas in Rashidiya. The water flow is controlled by switching the pumps on and off at Al Quoz, which is done manually based on the water level indication of the Mushrif and Rashidiya reservoirs.

Water is transmitted from distribution lines which are then tapped to provide each residence or building with water. In 2012, the total length of the distribution network in Dubai was measured at 1,359 km (compared to 1,079 km in 2009). In the early stages of DEWA's water supply network, a considerable percentage of water was lost as a result of leakages in the distribution pipelines. This was because the distribution pipelines consisted of polyethylene pipes which were suitable for well water, the initial source of potable water in Dubai, but were less durable for the transmission of desalinated water, which reaches approximately 40 degrees centigrade when it is transmitted through the network. To solve this problem, DEWA initiated the Leakage Detection and Network Restitution Project (the "**LNDR Project**") which involved an extensive upgrade of the network to reinforce and improve the quality of the pipes so as to withstand soil and climatic conditions. As a result of the LNDR Project, DEWA managed to significantly reduce the amount of water lost through leakages to 10.26 per cent. in 2009.

The supply and demand of water is monitored by bulk flow meters which measure the total input of water contributed to the water supply system by each water source, the flows entering and leaving the reservoirs and pumping stations as well as the flows entering or leaving selected parts of the transmission and/or distribution system.

District Cooling

DEWA also diversified its range of operations by entering into a venture in December 2003 with TECOM, a subsidiary of Dubai Holding, to establish Empower (see "*– Subsidiaries and Joint Ventures – Empower*").

Power cable production

In March 2009, DEWA entered into a joint venture with ADWEA and Dubai Cable Company (Private) Limited ("**DUCAB**") to manufacture, sell and install high-voltage cable systems (see "*– Subsidiaries and Joint Ventures – DUCAB-HV*").

Expansion projects

In order to meet the anticipated future increase in the demand for water and electricity, DEWA has initiated substantial investments in order to expand and upgrade its existing transmission and distribution network. The expansion plan envisages a medium growth scenario which anticipates that the demand for electricity and potable water will continue to grow at a steady pace. Should the predicted growth in DEWA's business deviate from current projections, DEWA has the flexibility to move towards either a low or high growth scenario expansion plan. A high growth expansion plan would necessitate an increase in capital expenditure as compared to the medium and lower growth scenarios. See "*Risk Factors – Risks Related to DEWA – DEWA cannot guarantee the accuracy of its forecasts for future demand for electricity and potable water in Dubai*". Furthermore, as a long term strategy, DEWA believes it will be necessary to construct more power and desalination plants outside the Jebel Ali area so as to service newly developed areas as well as to mitigate the potential risks caused by the concentration of power and desalination plants in Jebel Ali. See "*Risk Factors – Risks Related to DEWA – DEWA's operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events that are beyond DEWA's control*". However, as at the date of this Prospectus, DEWA believes that it has adequate power generation and water production capacity to meet projected demand until 2020. Thereafter DEWA may consider additional projects as necessary to meet customer needs.

Hassyan

Whilst, as at the date of this Prospectus, DEWA believes that it has adequate power generation and water production capacity to meet projected demand until 2020, as part of its long-term expansion strategy, DEWA may consider building new power and/or desalination plants at, amongst other sites, Hassyan. DEWA is currently undertaking a study in respect of the infrastructure development requirements for using clean coal as a potential fuel source at the Hassyan site. This will enable the diversification of DEWA's fuel sources by providing for clean coal based electricity generation and for setting up a coal gasification plant for synthetic natural gas (including construction of an onshore LNG terminal).

Transmission and Distribution Network

Since DEWA already has adequate production/generation capacity, it is currently in the process of extending its transmission and distribution network. The expansion and upgrade of DEWA's existing transmission and distribution network, will require capital expenditure of approximately AED 18,887 million between 2013 and 2018.

The table below shows the planned expansion scheme in respect of the 400 kV network of overhead transmission lines and substations.

Year of commission	Expansion project	Length of line
2013	Mamzar Beach 400/132 kV substation	20 km (400 kV cables in underground tunnels)
	Related 132 kV shifting	4 km 132 kV cable
	Four 400 kV series reactors	—
	Two 400 kV static VAR compensators at Nahda and Car Complexes (existing substations)	—
	132 kV emergency links	18 km 132 kV cable
	132 kV reinforcements to the 132 kV loop	14 km 132 kV cable
	132 kV gas insulated switchgear with 30 bays at Mushrif	—
2014	400 kV overhead lines between certain existing substations	224 km overhead line
2015	400/132 kV substation at The Residence	4 km overhead line
	Related 132 kV shifting	41 km 132 kV cable

The table below shows the planned expansion scheme in respect of the 132 kV network of overhead transmission lines and substations.

Year of commission	No. of 132 kV substations	Length of 132 kV cable (km) including shifting and other reinforcement/ modification works
2013	16	132
2014	7	73
2015	5	72
2016	8	35
2017	5	18

Subsidiaries and Joint Ventures

Empower

DEWA diversified its operations by entering into a venture in December 2003 with TECOM, a subsidiary of Dubai Holding, to establish the Emirates Central Cooling Systems Corporation ("**Empower**"). On 23 November 2009, DEWA acquired an additional 20 per cent. equity stake in Empower at a cost of AED 165 million, increasing its shareholding to 70 per cent. Empower provides district cooling services to various real estate projects operated by subsidiaries of Dubai Holding such as Jumeirah Beach Residences, Dubai Healthcare City and Business Bay as well as other developments, which are not owned by Dubai Holding, such as the Dubai International Financial Centre. District cooling is a system of air conditioning which produces chilled water and distributes it through a network of insulated pipes to individual customer buildings. It is more efficient and environmentally sound than conventional air-cooled chiller systems for individual buildings.

DEWA supplies water to Empower for use in the chilling process at its standard tariff. The tariffs charged by Empower to customers for providing district cooling are not regulated by the Government but are charged at commercial rates.

DUCAB-HV

In March 2009, DEWA entered into a joint venture with ADWEA and DUCAB to manufacture, sell and install high-voltage cable systems. DEWA and ADWEA each acquired a 25 per cent. equity stake in the joint venture ("**DUCAB-HV**") for AED 100 million each, while DUCAB holds the remaining 50 per cent. DEWA has invested an additional AED 350 million in DUCAB through loans. The board of DUCAB-HV has four members, including DEWA's Managing Director and Chief Executive Officer. DUCAB-HV commenced commercial production of high voltage cables during 2012.

DEWA-RWE JV

In 2012, DEWA entered into a joint venture with RWE Technology GmbH to establish an engineering consultancy firm for the Middle East utility and energy sectors. DEWA anticipates that this joint venture company shall commence operations during 2013.

Relationship with Third Parties

Construction Firms

DEWA relies on third party construction firms for the design and construction of its power and desalination plants, substations and networks. DEWA seeks construction projects on an open tender basis and awards contracts exclusively on a turnkey basis. Leading international construction companies such as Mitsubishi Corporation, Fisia Italimpianti S.p.A, Siemens Aktiengesellschaft, Hyundai Engineering & Construction and Doosan Heavy Industries have all participated in the design, construction and delivery of DEWA's projects. The construction firm will generally be required to carry out the design, construction and commissioning of the plant and assume the majority of the risks related to design and construction. Typically, the turnkey contracts would also include the provision of a performance guarantee by the contractor for the satisfactory and timely completion of the project and DEWA would be entitled to deduct a certain percentage from the contract price in the event that the deadline is not met.

Developers

DEWA also plans and co-ordinates the development of its new projects in order to meet the electricity and water requirements of large scale property development companies in Dubai such as Dubai Properties LLC, Emaar Properties PJSC and Nakheel PJSC. These property development companies may build large-scale master planned communities consisting of residential units, businesses and hotels that will require access to the electricity and water distribution network. As part of the master plan, the property development companies will reserve land within the development area in order to build substations and reservoirs. In some cases, these substations or reservoirs may even be built by the property development companies themselves and then handed over to DEWA for operation. The RTA also grants a right of way to DEWA over service corridors to lay power cables, fibre optic cables, overhead transmission lines and water pipelines within the development project. These service corridors are usually reserved for DEWA at the initial planning stage. In other cases, property developers may engage certain private companies to purchase water from DEWA and then transmit and distribute the water to the occupants of the developments using a separate transmission and distribution network.

Consultants

DEWA engages engineering consultancy firms to provide consultancy services for project management, including engineering, design and site supervision, during the construction phase and in connection with the commissioning of power and desalination stations and substations as well as to conduct feasibility studies and carry out risk assessments with respect to its projects. The consultancy contracts are awarded by way of competitive tenders. Consultancy contracts in respect of power and desalination stations projects are typically awarded for a five year period and require the consultant to provide a performance guarantee.

Employees

As at 31 December 2012, the total number of employees employed by DEWA was 9,033 as compared to 8,659 employees as at year ended 31 December 2011. The table below sets forth DEWA's total number of employees by division as at 31 December 2012:

	Number of employees as at 31 December 2012
General Management Division	269
Power and Water Planning	126
Business Support	401
Information Technology	208
Human Resources	165
Customer Services	1,063
Projects and Engineering	40
Generation	1,993
Transmission Power	1,089
Distribution Power	2,518
Water and Civil	1,161
Total number of employees	**9,033**

Employee benefits

DEWA endeavours to provide employee compensation that it considers to be competitive with other organisations in Dubai. DEWA also provides a range of employee benefits such as health insurance and performance linked bonuses as well as additional benefits to senior executives such as overseas flight tickets and a children's educational allowance. These employee benefits are periodically reviewed based on market studies by external consultants, to ensure that DEWA can attract and maintain a skilled workforce.

In accordance with the laws of the UAE, DEWA provides end of service benefits to non-UAE national employees. Entitlement to these benefits is based on the employee's length of service and the completion of a minimum service period. UAE national employees benefit from a Government instituted pension plan to which both DEWA and UAE national employees contribute at prescribed rates.

Emiratisation

DEWA is committed to increasing the proportion of staff who are UAE nationals and to develop their training and expertise. For the year ended 31 December 2012, UAE nationals made up approximately 18.3 per cent. of DEWA's workforce. Although the Government does not impose a mandatory quota on the number of UAE nationals DEWA must employ, DEWA has taken initiatives to involve more UAE nationals in its business. For example, DEWA has initiated a number of scholarship programmes for high school students who are UAE nationals, including providing scholarships for the Bachelor of Electrical and Mechanical Engineering in the UAE University, the Bachelor of Electrical and Mechanical Engineering in the Higher College of

Technology and the *Intilaq* scholarship for a bachelors degree in electrical and mechanical engineering in any Ministry of Higher Education and Scientific Research accredited university or college. DEWA also intends to launch a scholarship programme in 2013 for a bachelors degree in renewable energy from any foreign university accredited by the Ministry of Higher Education and Scientific Research. In conjunction with this, DEWA provides work placement opportunity in various divisions for students who are UAE nationals (including to its scholarship candidates) and encourages employees who are UAE nationals to pursue higher education in UAE or abroad by providing scholarships for post-graduate programmes in technical fields.

Health and Safety

DEWA seeks to ensure that strict health and safety standards are observed throughout its operations. It established the Occupational Health & Safety section (the "**OH&S Section**") under the Shared Services Division to monitor health and safety standards at every level of DEWA's business. The OH&S Section implements health and safety standards that DEWA believes exceed those required by federal and local laws and regularly audits the health and safety practices in each division. DEWA also requires all contractors and technicians to qualify for an Electrical Contractor's Competency Licence in order to install electrical connections in any dwelling or building in Dubai. In addition, any person who conducts works near DEWA's water or electricity network must first obtain a certificate of no-objection ("**NOC**") from DEWA prior to commencement of works and must comply with the conditions in the NOC. As this requirement has been imposed by law, any person who fails to obtain an NOC or does not comply with its conditions may be subject to prosecution, which may result in fines, as well as confiscation of equipment. In recognition of its consistently excellent standards in health and safety, DEWA was awarded the British Safety Council Globe of Honour and the British Safety Council Sword of Honour in 2012. DEWA has also been the recipient of the British Safety Council's 5-Star Grading Certificate for seven straight years.

DEWA is ISO 9001, ISO 14001 and OHSAS 18001 certified and has received Bureau Veritas certification for its health and safety procedures. DEWA also maintains quality control procedures for the purchase of any equipment exceeding AED 1.0 million in value. In order to purchase any such product, a senior DEWA engineer must first verify that the product conforms to certain specifications, which ultimately reduces any costs associated with defective products.

Insurance

DEWA has arranged for property insurance in respect all of its assets, including all buildings, plant and equipment as well as stock in trade, fuel, electrical goods and spare parts, but excluding underground cables and water pipelines, which covers machinery breakdown as well as fire, but not lost profits. The assets are evaluated by independent consultants who advise DEWA of any particular risks and carry out asset valuations and risk assessment surveys in order to enable DEWA to take all necessary preventative steps to minimise the risks of accidents and losses. DEWA has also obtained insurance for employers liability against employee negligence and general tort claims. In addition, DEWA has a provision for self insurance for a certain portion of machine breakdown. See "*Risk Factors – Risks Related to DEWA – DEWA may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business*".

Information Technology

SCADA

DEWA's extensive electricity supply and distribution network was monitored and controlled centrally from the main systems control centre in Najma and an identical system control centre in Mushrif, which gave the operators the ability to perform certain operational functions remotely. However an operator could only control and issue a command from one control centre at any given time.

In 2008-2009, DEWA launched two projects for replacing the distribution and the transmission control centres with "multisite" centres which can control a specific region and will be able to take over the responsibility of a part or the entire distribution or transmission network at any time for operational purposes or in case of one control centre failing. The new distribution control centres and transmission control centres became operational in the last quarter of 2012 with the distribution control centres being housed in Qusais and Warsan and the transmission control centres located in Warsan and Najma. All indications and alarms are presented on the control centre systems in the form of graphical and topological displays, printouts and mimic indications. Real-time data is collected from all parts of the network by RTUs which are then transmitted to the systems control centres.

Through the implementation of the SCADA system, DEWA has been able to minimise the occurrence of power outages or power interruptions. The only significant power outage in recent years took place in June 2005, due to a fault at one of the 400 kV substations in the Jebel Ali Power and Desalination Complex. However, DEWA was able to re-establish the power supply to hospitals and palaces within 15 minutes on a priority basis and to the rest of Dubai within a few hours. DEWA subsequently appointed an external consultant, Tractebel, to analyse the causes of the power failure. The preventive measures recommended by Tractebel were reviewed by DEWA's operation committee and implemented principally through the SCADA system. The new distribution control centres and transmission control centres in Qusais, Warsan and Najma have been functioning without any material operational failures.

Geographical Information Systems

DEWA further updated its information technology system by adopting the Geographical Information System in 1997, which computerised the mapping of all of DEWA's installations, facilities and transmission and distribution lines. Although SCADA and the Geographical Information System are not integrated, their functions complement one another. Problems detected by SCADA in the cables, transmission or distributions lines, substations or installations can be easily located through the Geographical Information System which allows technicians to quickly locate the physical assets needing attention in order to rectify the problem as quickly as possible.

SAP

The SAP program consists of three phases, with the first phase relating to billing and management of customer relationships. In October 2009, DEWA implemented a new billing system that is tied to the identity of the customer rather than the location of the premises being serviced. As a result, DEWA has created profiles for each of its customers such that outstanding bills are now sent to the person responsible for payment, even if they move to another location. The second phase of SAP implementation related to the creation of certain financial accounting systems and human capital management was implemented in January 2012 as a result of which customer management processes were extended to include the process for new connections and project management processes were enhanced by linking utilisation of materials and services to project status and capitalisation. The third phase of SAP implementation relates to enhancement of processes linked to production of electricity and water and is expected to commence in 2013.

Demand Forecasting

The efficiency of DEWA's transmission network is largely dependent on its ability to carry electricity loads at peak times. In order to maintain a particular voltage and frequency throughout an electricity grid, the amount of electricity drawn from the grid and the amount generated must balance. It is therefore essential for DEWA to be able to make accurate forecasts so it can predict the demand for electricity at any given time and ensure an adequate supply. There are various methods of forecasting and each method requires a large amount of historical data on energy consumption, floor space and land use inventory, the use of energy consuming appliances, the pace and trends of economic development as well as demographic parameters. DEWA also utilises information gathered from developers and the Dubai Municipality to create its forecasting models.

E-services

In addition to DEWA's eight collection offices and an agreement with Etisalat Telecommunication Corporation ("**Etisalat**") enabling DEWA's customers to settle bills at Etisalat payment terminals in Dubai, DEWA believes that it can enhance customer satisfaction by making its services available to consumers online via its website such as online bill payments and setting up accounts for connection. In 2012, DEWA redesigned its web service platform to ensure real-time integration with its business management system.

For the year ended 31 December 2012, approximately 57.4 per cent. of all payment transactions were made online while the number of online transactions increased by approximately 32 per cent. over the year ended 31 December 2012. DEWA's promotion of e-services is aligned with the Government's objective of promoting "e-government" or the provision of public services via the internet. DEWA's information security management systems are ISO 27001:2005 certified.

DEWA's internet systems were recognised in 2010 where DEWA received the Arab ACN Technology Award for "Best IT Department of the Year (Middle East)". DEWA was also judged the winner of the GCC Middle East Government and eServices Excellence Award in the "ePayment Excellence Award" category for electronic payment service for electronic invoices in 2010 and in the "eServices Excellence Award" category in 2011. In 2012, DEWA was placed first in Dubai eGovernment eService Quality Evaluation report for 2011/2012 in the category of Government bodies offering less than 50 eServices, making this the fifth consecutive year when DEWA has received this recognition. Also in 2012, DEWA was the winner of the SAP Quality Awards for the Middle East and North Africa region and was placed third for the Europe, the Middle East and Africa region.

Litigation

DEWA has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which DEWA is aware) during the last 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on its financial position or profitability.

MANAGEMENT

Board of Directors

DEWA's Board was appointed by the Government by Decree No. (14) of the Year 2012 Concerning the Formation of the Board of Directors of Dubai Electricity and Water Authority. The Board has wide ranging corporate powers including the power to ratify DEWA's annual budget, approve electricity and water supply services and authorise and enter into agreements. The Board also issues governing regulations and approves DEWA's administrative, financial and technical affairs. The regulations issued by the Board are binding on DEWA although the Government may amend the regulations or exempt any party from complying with part or all of the regulations adopted by the Board.

The members of the Board are as follows:

Name	Position
Matar Humaid Al Tayer	Chairman of the Board
Saeed Mohammad Ahmad Al Tayer	Member
Hilal Khalfan Bin Dhaher	Member
Abdulla Al Sayed Mohammad Al Hashemi	Member
Khalfan Ahmad Harib	Member
Majid Hamad Al Shamsi	Member
Obeid Saeed Bin Mes har	Member
Saeed Mohammad Al Sharid	Member
Nabil Abdul Rahman Arif	Member

The term of service of the Board is three years and is automatically renewable. The current Board has been appointed with effect from 24 September 2012. Saeed Mohammad Ahmad Al Tayer is the Managing Director and Chief Executive Officer of DEWA.

Mr. Matar Humaid Al Tayer

Mr. Al Tayer has been Chairman of DEWA since 2004. He has also been the Chairman of Oman Insurance since 2002. Between 1992 and 1996, he was the Under Secretary at the UAE Ministry of Communication and, between 1997 and 2004, was the UAE Minister of Labour and Social Affairs. Mr. Al Tayer obtained a degree in business administration from the University of Denver, Colarado, U.S.A. in 1981.

Mr. Saeed Mohammad Ahmad Al Tayer

Mr. Al Tayer was appointed Managing Director and Chief Executive Officer of DEWA in 2004. He has more than 24 years experience in Dubai in the fields of telecommunication, energy and water. He was appointed as General Manager of DEC in 1991 and subsequently, upon the merger of DEC and DWD, was appointed as General Manager of DEWA. Mr. Al Tayer is also the Vice Chairman of the Supreme Council of Energy, a member of the Executive Council, Dubai Economical Council, Emirates National Grid Committee, Director on the board of directors of DUBAL, Chairman of the Infrastructure Committee, Chairman of EMPOWER, Member of the Higher Committee for Dubai Quality Award and Deputy Chairman of Zayed International Prize.

Mr. Hilal Khalfan Bin Dhaher

Mr. Bin Dhaher has been a director of DEWA since 2002. He has 25 years experience working for Citibank N.A., U.A.E., including as Outsource Director Vice President since 1996. He is also a member of the Technical Committee of the UAE Bankers Association and a member of the board of directors of DUBAL. Mr. Bin Dhaher obtained a Bachelor of Science in business administration from the University of Arizona, Tucson, Arizona, U.S.A. in 1982.

Mr. Khalfan Ahmad Harib

Mr. Harib has been a director of DEWA since 2002. He is currently Managing Director of the Victory Team, Chairman of the Central Committee for Grievances for employees of Government departments, Deputy Chairman of the Sheikh Zayed Housing Programme and a board member of Dubai International Humanitarian City. Mr. Harib holds a degree in Management Information Systems from the University of Arizona, U.S.A.

Mr. Abdulla Al Sayed Mohammad Al Hashemi

Mr. Al Hashemi has been a director of DEWA since 2004. He is currently a board member of the Dubai Islamic Bank. He also acts as an arbitrator for the UAE Federal Government and for the Government and is involved in the design of all projects undertaken by the Al Hashemi Consultant Office, a legal consultancy firm providing support to the Dubai courts. Mr. Al Hashemi holds a Bachelor of Architecture degree from the Fine Arts Academy in Egypt.

Mr. Majid Hamad Al Shamsi

Mr. Al Shamsi has been a director of DEWA since 1990. He is also a board member of the Dubai Economic Council. Mr. Al Shamsi holds a degree in management and finance from the New York University, New York, U.S.A.

Mr. Obeid Saeed Bin Mes'har

Mr. Mes'har has been a director of DEWA since 2004. He is also Chairman of Etisalat Investment Committee, Chairman of Canartel (CDMA) Operator in Sudan, Chairman of Zantel (Fixed and Mobile Operator in Tanzania), Chairman of the Etisalat Academy, a member of the Dubai e-Government Executive Team, a member of the board of directors of Ettihad Etisalat, a member of the board of directors of Cable TV Co. (e-vision), a member of the board of directors of Sheikh Mohammed Bin Rashid Housing Establishment, a member of the Dubai University College (Business School) Advisory Committee and a member of the American University – Dubai Advisory Committee. Mr. Mes'har obtained a degree in finance and business administration from the University of the UAE in 1983 and, as at the date of this Prospectus, is in the process of completing an EMBA at the University of Minnesota.

Mr. Saeed Mohammad Al Sharid

Mr. Al Sharid has been a director of DEWA since 1990. He is also General Manager of Emirates Transport, Chairman of the board of directors of Emirates Islamic Bank, a director of Etisalat and a member of the UAE Accounting Association.

Mr. Nabil Abdul Rahman Arif

Mr. Arif has been a director of DEWA since 1990. He obtained a Bachelor of Science in civil engineering from the Loughborough University of Technology, Leicestershire, United Kingdom in 1973.

The business address for each of the directors is P.O. Box 564, Dubai, UAE.

Mr. Saeed Mohammed Ahmed Al Tayer and Mr. Khalfan Ahmed Harib are both members of the Executive Council, which, from time to time, due to the role of the Executive Council in the Government, may give rise to potential conflicts of interest with their duties to DEWA. The Executive Council has a wide remit in that it is responsible for ensuring coordination among Government departments, implementing an overall strategy for the Government, preparing an overall budget to fund the requirements of the various Government departments and recommending new laws and regulations. See "*Overview of the UAE and the Emirate of Dubai – The Emirate of Dubai – Government of Dubai*". The Executive Council is not able to consider or promote the interests and strategies of one Government department or authority to the exclusion of any other. Potential conflicts of interest may therefore arise in situations where Mr. Al Tayer and Mr. Harib feel obliged to discharge their duties as members of the Executive Council in a manner which would not necessarily serve the interests of DEWA.

Except as stated above, no member of the Board has any actual or potential conflict of interest between his duties to DEWA and his private interests or other duties.

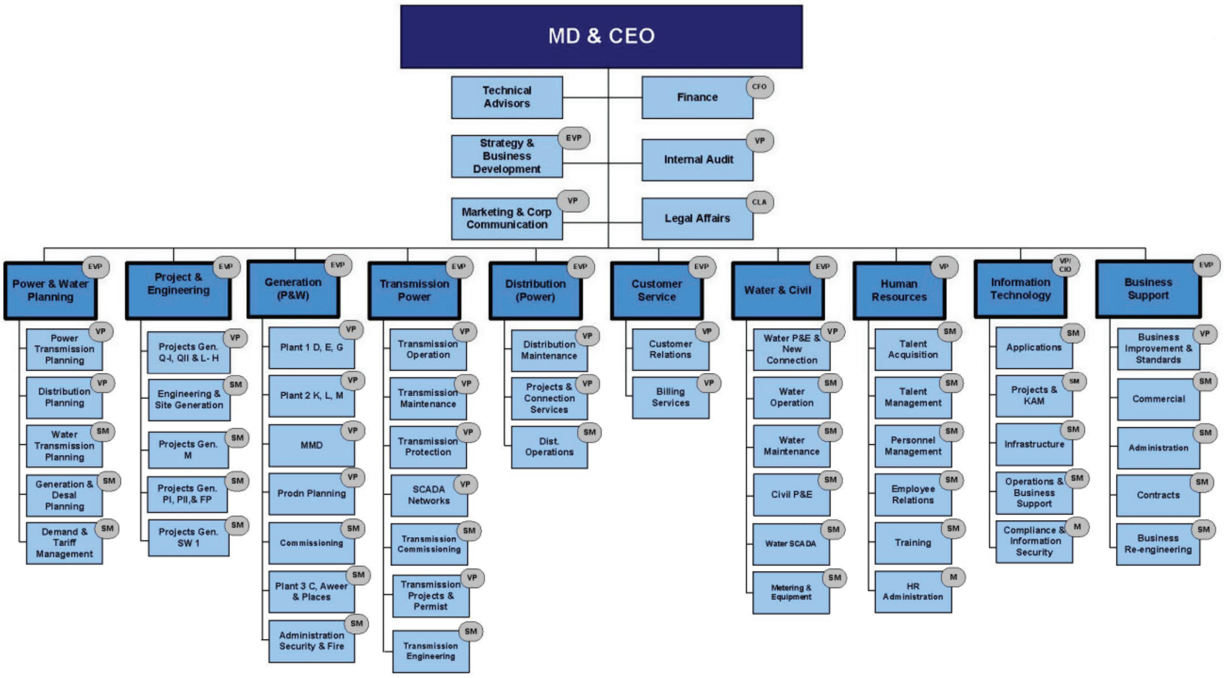
In the five years preceding the date of this Prospectus, no member of the Board has been convicted of any fraudulent offence, served as director, partner, founder or senior manager of any organisation at the time of any bankruptcy, receivership, any official public incrimination or sanctions by statutory or regulatory authorities, including designated professional bodies, or has been disqualified by a court from acting as a director of an issuer or from acting in the management or conduct of affairs of any issuer.

Senior Management

DEWA's business is divided into the following divisions: the Power & Water Planning Division; the Generation Power & Water Division; the Transmission (Power) Division; the Distribution (Power)

Division; the Water and Civil Division; the Human Resources Division; the Information Technology Division; the Business Support Division; the Projects & Engineering Division; and the Customer Service Division.

DEWA's organisational structure is set out below.



The members of senior management are as follows:

Name	Position(s)
Saeed Mohammed Ahmad Al Tayer	Managing Director and Chief Executive Officer
Thomas Varghese	Chief Financial Officer
Jassim Ali Rajab	Financial Controller
Nasser Akil Abbas	Senior Director – Treasury
Abdullah Obaidullah	Executive Vice President – Water and Civil
Rashid Humaidan	Executive Vice President – Distribution Power
Nasser Mohammed Hussain Bin Lootah	Executive Vice President – Generation Power and Water
Hussain Eissa Ibrahim Lootah	Executive Vice President – Transmission Power
Yousef Badi	Chief Legal Adviser
Yousef Jebril	Executive Vice President – Power and Water Planning
Haneef Lakhani	Vice President – Internal Audit
Dr Yousef Al Akraf	Vice President – Human Resources and Executive Vice President – Business Support
Mr. Waleed Ali Ahmed Salman	Executive Vice President – Strategy & Business Development

Mr. Saeed Mohammed Ahmad Al Tayer – Managing Director and Chief Executive Officer

See *"– Board of Directors"* above.

Mr. Thomas Varghese – Chief Financial Officer

Mr. Varghese joined DEWA in 1998. He has 30 years experience in a range of industrial and commercial organisations, including as a Finance Manager at Galadari Automobiles Co. Ltd. (KKC), Dubai, a Financial Controller at Emirates Stone Co. Ltd., Sharjah and a Manager in Project Finance at The Associated Cement Co. Ltd., Mumbai.

Mr. Jassim Ali Rajab – Financial Controller

Mr. Rajab has been in the Finance Department at DWD and subsequently upon the Merger, at DEWA since 1987. Between 1982 and 1987, Mr. Rajab worked at EMARAT, the UAE petroleum company.

Mr. Nasser Akil Abbas – Senior Director – Treasury

Mr. Abbas joined DEWA in 2007. He has 23 years experience in banking and finance, including as the Director, Treasury at the Department of Finance, a Manager at the Union National Bank and a Branch Manager at the Bank of Fujairah.

Mr. Abdullah Obaidullah – Executive Vice President – Water and Civil

Mr. Obaidullah is the Executive Vice President of the Shared Services (Human Resources, IT, Commercial and Administration Division). He joined DEWA in 1993 as Deputy Head of Systems and was promoted to Assistant General Manager of the Administration & Distribution and Production Department.

Mr. Rashid Humaidan – Executive Vice President – Distribution Power

Mr. Humaidan is the Executive Vice President of the Customer Services Division. He joined DEWA in 1993 and has previously held positions as an Electrical Engineer, Deputy Head of the Customer Services Department and Head of the Customer Services Department.

Mr. Nasser Mohammed Hussain Bin Lootah – Executive Vice President – Generation Power and Water

Mr. Bin Lootah has been the Executive Vice President of the Generation (Power & Water) Division since 2004. He joined DEWA as Deputy Station Manager of the Jebel Ali Power Station in 1996.

Mr. Hussain Eissa Ibrahim Lootah – Executive Vice President – Transmission Power

Mr. Lootah has been the Executive Vice President of the Transmission and Distribution Division since 1996. He joined DEWA in 1993 and has been Vice President of Transmission (Operations & Maintenance), Deputy Head of the Field Services Sector, Maintenance Department Manager, Deputy Manager of the Maintenance Department and a Maintenance Engineer (Relays & Meter). Mr. Lootah is also Chairman of the Committee of Empower.

Mr. Yousef Badi – Chief Legal Adviser

Mr. Badi has been Chief Legal Advisor to DEWA since 1994. Between 1986 and 1993 he was a Civil Judge at the Abu Dhabi Civil Court and in 1985 was a Judge of the Supreme Court of Sudan. Since 1995, Mr. Badi has been a member of the Commercial Arbitration Centres in Dubai and Bahrain and has over 30 years legal experience.

Mr. Yousef Jebril – Executive Vice President – Power and Water Planning

Mr. Jebril joined DEWA in 1997. He is a chartered engineer with 28 years experience in the utilities and consultancy sector and in electrical power systems engineering, which includes system analysis and planning, technical specification and standards, engineering works, construction and testing and system operations.

Mr. Haneef Lakhani – Vice President – Internal Audit

Mr. Lakhani joined DEWA in 1993. He has several years experience in external audits, internal audits, finance and accounting departments.

Dr. Yousef Al Akraf – Vice President – Human Resources and Executive Vice President – Business Support

Dr. Al Akraf joined DEWA in 2000. Dr. Al Akraf holds a PhD from the University of Ohio, U.S.A.

Mr. Waleed Ali Ahmed Salman – Executive Vice President – Strategy & Business Development

Mr. Salman joined DEWA in 2008. He is also a member of the Supreme Council of Energy and is the Vice Chairman of the Dubai Nuclear Energy Committee. Mr. Salman has over 18 years of experience in the energy sector.

The business address of each of the members of senior management named above is P.O. Box 564, Dubai, United Arab Emirates.

No member of senior management described above has any actual or potential conflict of interest between his duties to DEWA and his private interests or other duties.

In the five years preceding the date of this Prospectus, no member of senior management described above has been convicted of any fraudulent offence, served as director, partner, founder or senior manager of any organisation at the time of any bankruptcy, receivership, any official public incrimination or sanctions by statutory or regulatory authorities, including designated professional bodies, or has been disqualified by a court from acting as a director of an issuer or from acting in the management or conduct of affairs of any issuer.

Compensation

For the year ended 31 December 2012, the aggregate total remuneration paid by DEWA to its directors and key management was AED 24.1 million as compared to AED 22.8 million for the year ended 31 December 2011.

Corporate Governance

In 2008, DEWA established a corporate governance manual (the "**CGM**") which sets forth its corporate governance standards. The CGM provides a set of procedures, principles and standards in relation to matters such as DEWA's corporate structure, accountability and delegation of authority, internal audit, establishment of management committees, risk management, internal and external reporting, health and safety, social responsibility and retention of records, which DEWA expects its Board, senior management and employees to follow. The CGM also incorporates policies and procedures to protect against unlawful practice, including the acceptance of gifts and bribes, and enforces strict compliance of all employees. As at the date of this Prospectus, there is no record of complaints alleging any such illegal conduct by DEWA or its directors, employees, representatives, agents or consultants. As at the date of this Prospectus, the Board has not established any committees relating to corporate governance, other than the Budget Committee which is described below.

Budget Committee

Certain members of the Board constitute a committee to review and approve DEWA's annual budget and remuneration of DEWA personnel. The members of the Budget Committee are appointed by the Board on a yearly basis. The members of the Budget Committee for 2012 are Mr. Majid Hamad Al Shamsi, Mr. Khalfan Ahmad Harib, Mr. Saeed Mohammad Al Sharid, Mr. Nabil Abdul Rahman Arif and Mr. Saeed Mohammed Ahmad Al Tayer. Mr. Al Shamsi is the present Chairman of the Budget Committee. The Budget Committee meets twice a year.

Risk Committee

DEWA has constituted a Risk Committee constituted by the Executive Vice Presidents of its various departments, the Chief Financial Officer and Senior Director – Treasury. Mr. Saeed Mohammed Ahmad Al Tayer is the present Chairman of the Risk Committee. The Risk Committee is tasked with considering internal risks and risk management measures in respect of DEWA's business. The Risk Committee meets once every two months.

REGULATION

Introduction

DEWA is subject to the regulatory control of the Government. See "*Business Description – Relationship with the Government of Dubai – Government of Dubai as Regulator*". The Government regulates the water and energy sector in Dubai and also imposes infrastructure, environmental and financial regulations that impact DEWA's business, operations and financial condition. DEWA is also subject to certain environmental laws imposed by the UAE Federal Government.

Supreme Council of Energy

On 28 June 2009, the Government established the Supreme Council of Energy to regulate the water and energy sector in Dubai. The Supreme Council of Energy was established pursuant to Law No. 19 of 2009 (Establishing the Supreme Council of Energy) and has been granted broad powers to regulate any public or private authority licensed to operate in the energy and water sector in Dubai ("**Service Providers**"), including those entities involved in the generation, transmission and distribution of electricity, water, oil, gas and central cooling. The Supreme Council of Energy is composed of a Chairman, a Deputy Chairman and members of not less than five representatives from the energy and water sector in Dubai, which include DEWA, DUBAL and DUSUP. Pursuant to Decree No. (36) of the Year 2009 Forming the Supreme Council of Energy, DEWA's Managing Director and Chief Executive Officer was appointed as the Deputy Chairman of the Supreme Council of Energy.

The primary objectives of the Supreme Council of Energy are, *inter alia*, to ensure that Dubai's primary water and energy resources are supplied at a reasonable cost and in a manner that reduces the negative impact upon the environment; to regulate the rights and duties of each Service Provider and set the guidelines for their operations; and to ensure cooperation between each Service Provider and cooperation between the Service Providers and environmental and urban planning bodies. In order to achieve its objectives, the Supreme Council of Energy has powers to, *inter alia*:

- regulate the tariffs and fees charged by each Service Provider to the public;
- require each Service Provider to provide the Supreme Council of Energy with information relating to its strategic plans, operational plans, financial documents, contracts and records in order to ensure that strategies are effectively co-ordinated across the water and energy sector;
- evaluate the performance and service quality of each Service Provider; and
- make recommendations to the Government on all energy and water related policies with a view to diversifying energy sources for developing sustainable and efficient energy practices.

In particular, the Supreme Council of Energy is tasked with the governance of the DIES which was launched in 2011 to set Dubai's strategic direction towards securing sustainable supply of energy and enhancing demand efficiency of water, power and fuel. The Supreme Council of Energy is responsible for planning and coordinating with the Service Providers to deliver new energy sources with the target of eliminating reliance on diesel and achieving a fuel mix of 71 per cent. gas, 12 per cent. clean coal, 12 per cent. nuclear and 5 per cent. solar by 2030.

As at the date of this Prospectus, apart from facilitating the approval of the tariff increase and fuel surcharge in 2011 (see "*Description of the Business – Industry Overview – General Trends – Controlled levels of electricity and water tariffs*" for more information), the Supreme Council of Energy has not promulgated or implemented any specific regulations which impact upon the business and operations of DEWA.

Infrastructure Regulation

Any major infrastructure projects, which include the building of roads, highways and the provision of utilities, also come under the scope of the Government's regulation. The Government's Infrastructure Committee (the "**Infrastructure Committee**") plans and monitors the overall development of infrastructure in Dubai. While the Infrastructure Committee has not promulgated or implemented any specific regulations in relation to the construction of power and desalination stations or transmission and distribution networks, it can direct DEWA to carry out its projects in a way that meets Dubai's infrastructure requirements. In addition, the grant of specific routes or corridors for the laying of cables and water pipelines is controlled by the RTA, which may impose certain regulations and specifications or require DEWA to move its corridors in order to, for example, accommodate new roads or other infrastructure, although the RTA would bear the costs of such relocation. Further to this, the Dubai Municipality exercises control over land allocation with respect to DEWA's power stations and other sub stations within Dubai. Pursuant to an order by H.H. Sheikh Mohammed bin Rashid al Maktoum on 26 July 2008, all existing and future lands utilised by DEWA shall be deemed to be DEWA's private property owned by DEWA and constituting part of its assets.

Environmental Regulation

DEWA is subject to environmental regulations issued under UAE federal law and under Dubai law. The UAE federal environmental laws provide the basic regulatory framework in respect of environmental matters, and are supervised by the Ministry of Environment. The Ministry of Environment has delegated the enforcement of the federal environmental laws in Dubai to the Dubai Municipality, which has implemented them in Dubai through Federal Law 24. Dubai Municipality is the legal enforcer for the environmental laws in Dubai pursuant to 61/91 Local Order (the "**Local Order**"). The Local Order applies to commercial and industrial establishments and contains a set of regulations covering a wide range of areas including the disposal of waste water on land and in marine waters, air pollution, the handling of hazardous substances and chemicals, occupational health and safety on construction sites and at the workplace and also dictates the level of liability for non-compliance with the regulations. The Environmental Protection and Safety Section of the Dubai Municipality issues environmental permits for these controlled activities and conducts environmental impact assessments on the activities of companies to ensure that they are in compliance with the regulations. Penalties for non-compliance include fines and the obligation to pay damages or compensation. In addition, any entity which has caused environmental damage could be subject to civil liability for negligence.

Financial Regulation

DEWA's borrowings are controlled by the Supreme Fiscal Committee, which was established in November 2007 pursuant to Decree No. (24) of the Year 2007 Concerning the Formation of the Higher Committee for Financial Policy in the Emirate of Dubai. The Supreme Fiscal Committee was appointed to formulate the fiscal policies of the Government and to regulate borrowings by the Government and Government owned entities. The Supreme Fiscal Committee aims to improve coordination between various Government entities, and to enable them to meet their development targets in a cost efficient manner. Pursuant to Law No. 7 of 2008, any borrowings by the Government or Government owned entities would require a certificate of approval by the Supreme Fiscal Committee, either in respect of a specific financing or in respect of borrowings by the relevant entity up to a particular limit and for a specified period. Therefore, any borrowing by DEWA (including any bank financing, bond or sukuk issuance) must be approved by both the Board and the Supreme Fiscal Committee. DEWA has received a certificate of approval from the Supreme Fiscal Committee in respect of its payment obligations under the Transaction Documents and the Certificates.

On 17 December 2009, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Vice President of the UAE, in his capacity as the Ruler of Dubai, issued Law No. 35, which provides, *inter alia*, that:

(i) Government agencies which are deemed to be financially independent are required, *inter alia*, to refer their annual balance sheet to the Supreme Fiscal Committee for consideration and ratification, to be later referred by the Committee to the Department of Finance to give its opinion thereon;

(ii) such financially independent agencies are required to transfer their annual surplus revenues to the Investment Corporation of Dubai;

(iii) profits realised by Government companies and investments and surplus revenues of financially independent agencies will constitute a part of the Government's general revenues and the Investment Corporation of Dubai will manage these investments and surpluses. The Investment Corporation of Dubai will then transfer distributed profits earned from its management of such investments and surplus revenues to the Public Treasury; and

(iv) upon the approval of the Supreme Fiscal Committee, recommendation of the Department of Finance and coordination with the Investment Corporation of Dubai, the profits of government companies and investments and surplus revenues of financially independent agencies may be reinvested before transfer to the Public Treasury of the Government.

DEWA received written confirmation dated 16 March 2010 (the "**Law No. 35 Waiver**") from the Supreme Fiscal Committee stating that even though DEWA is deemed to be a financially independent entity for the purposes of Law No. 35, the Supreme Fiscal Committee would have no objection to DEWA's reinvestment of its profits and surplus revenue in the implementation of its future projects. Accordingly, the Government, through the Supreme Fiscal Committee, has exempted DEWA from the requirement under Law No. 35 to transfer its annual surplus revenue to the Investment Corporation of Dubai and, in accordance with past practice, DEWA intends to continue to reinvest its profits and surplus revenue in the implementation of its projects. DEWA is not aware of any reason which would prevent the Dubai courts from recognising and giving judicial effect to the Law No. 35 Waiver.

Participation of Private Sector

On 4 April 2011, H.H. Sheikh Rashid bin Saeed Al Maktoum, the Ruler of Dubai, issued Law No. (6) of 2011 Regulating the Participation of the Private Sector in Electricity and Water Production in the Emirate of Dubai ("**Private Sector Participation Law**"). The Private Sector Participation Law allows a public or private entity to obtain a licence from the Electricity and Water Sector Regulation and Control Office of Dubai permitting it to conduct any activity related to generating electricity and water desalination for the purpose of supplying electricity and/or water to DEWA.

In addition, pursuant to the Private Sector Participation Law, DEWA may establish project companies in collaboration with third parties (including with private entities not incorporated in the UAE) in order to produce and/or supply water or electricity and carry out any other activity in connection with this. However, such ventures can only be entered into in accordance with rules approved by the Supreme Council of Energy. As at the date of this Prospectus, no relevant rules have been issued by the Supreme Council of Energy.

As a result of the Private Sector Participation Law, DEWA can now enter into partnerships with private developers in order to commission/procure water and electricity generation projects while retaining significant control over the generation business. DEWA will continue to be the sole off-taker, transmission operator and distributor.

OVERVIEW OF THE UAE AND THE EMIRATE OF DUBAI

The UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by the Emirate of Abu Dhabi.

On 28 January 2012, Moody's reaffirmed the UAE's long term credit rating of Aa2 with a stable outlook. The principal reason cited for this high investment grade rating is the assumption that the obligations of the federal government will be fully supported by the Emirate of Abu Dhabi. The UAE is not rated by the other rating agencies.

Governance, Legislation and Judiciary of the UAE

UAE Constitution

The original constitution of the UAE (the "**Constitution**") was initially provisional and provided the legal framework for the federation. The Constitution was made permanent pursuant to a constitutional amendment in May 1996.

The major principle adopted by the Constitution was that jurisdiction for enacting substantive legislation was confined to the federal government, but the local governments of the seven Emirates were authorised to regulate those matters that were not the subject of legislation by the federal government.

Pursuant to Articles 120 and 121 of the Constitution, the federal government is responsible for foreign affairs; security and defence; nationality and immigration; education; public health; the currency; postal, telephone and other communications services; air traffic control and the licensing of aircraft and a number of other matters including labour relations; banking; the delimitation of territorial waters; and the extradition of criminals. Federal matters are regulated through a number of specially created federal ministries which include the Ministries of Defence, Economy, Finance, Foreign Affairs and Justice. Although most of the federal government ministries are based in the Emirate of Abu Dhabi, many also maintain offices in the Emirate of Dubai. The UAE's monetary and exchange rate policy is managed on a federal basis by the UAE Central Bank. Article 122 of the Constitution states that the Emirates shall have jurisdiction in all matters not assigned to the exclusive jurisdiction of the federation, in accordance with the provision of the preceding two Articles.

The individual Emirates are given flexibility in the governance and management of their own Emirates. The Constitution permits individual Emirates to elect to maintain their own competencies in certain sectors. Based on this flexibility, the Emirate of Dubai has elected to assume responsibility for its own education, judicial and public health systems. The natural resources and wealth in each Emirate are considered to be the public property of that Emirate.

Each Emirate manages its own budget on an independent basis and no Emirate has any obligation to contribute to the budget of any other Emirate. Each Emirate makes contributions to the federal budget in agreed amounts.

Federal Supreme Council

The UAE is governed by the Supreme Council of the Rulers of all the Emirates (the "**Supreme Council**"). This is the highest federal governing body and consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five-year terms). Decisions relating to substantive matters are decided by a majority vote of five Emirates, provided that the votes of both the Emirate of Abu Dhabi and the Emirate of Dubai are included in that majority, but matters that are purely procedural are decided by a simple majority vote.

The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees, plans general policy and approves the nomination of the Prime Minister and accepts his resignation. It also relieves him from his post upon the recommendation of the President.

Federal Council of Ministers

The Federal Council of Ministers (the "**Cabinet**") is described in the Constitution as the executive authority for the federation and is responsible for implementing policy decisions of the Supreme Council. The Cabinet is the principal executive body of the federation. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget.

Based in the Emirate of Abu Dhabi, the Cabinet is headed by the Prime Minister and consists of the Deputy Prime Minister and a number of other Ministers. These Ministers are normally selected (for no fixed term) by the approval of the Supreme Council on the recommendation of the Prime Minister.

Federal National Council

The Federal National Council is a parliamentary body which comprises 40 members who are UAE nationals. Half of the members are appointed by their respective rulers and the other half is elected under an electoral process. Each Emirate appoints members for a particular number of seats based on such Emirate's population and size. The Emirates of Abu Dhabi and Dubai have eight members each, the Emirates of Ras Al Khaimah and Sharjah have six members each and the other Emirates have four members each. The nomination of representative members is left to the discretion of each Emirate, and the members' legislative term is four calendar years. The members represent the UAE as a whole rather than their individual Emirates.

Presided over by a speaker, or either of two deputy speakers elected from amongst its members, the Federal National Council has both a legislative and supervisory role under the Constitution. This means that it is responsible for examining and, if required, amending, all proposed federal legislation, and is empowered to summon and to question any federal minister regarding ministry performance. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself.

Legal and Court System

There are three primary sources of law in the UAE, namely: (i) federal laws and decrees (applicable in all seven Emirates); (ii) local laws and decrees (i.e. laws and regulations enacted by the Emirates individually); and (iii) the Shari'a (Islamic law). The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government of each Emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-Emirate disputes and disputes between the federal government and the Emirates.

In accordance with the Constitution, three of the seven Emirates (the Emirates of Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective Emirates. The judicial system in Dubai is comprised of: (i) a Court of First Instance; (ii) a Court of Appeal; and (iii) a Court of Cassation.

The Emirate of Dubai

The Emirate of Dubai is the second largest Emirate in the UAE after the Emirate of Abu Dhabi, and is situated on the west coast of the UAE in the south-western part of the Arabian Gulf. It covers an area of 3,885 square kilometres and, except for a tiny enclave in the Hajar Mountains at Hatta, the Emirate of Dubai comprises one contiguous block of territory. The Ruler of Dubai is Sheikh Mohammed bin Rashid Al Maktoum who is also the Vice President and Prime Minister of the UAE.

The Dubai Statistics Centre has estimated the population of Dubai to be 2.0 million at the end of 2011. The majority of the population of Dubai is estimated to be non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. Approximately 77 per cent. of the population is estimated to be male and 23 per cent. female, reflecting the large male expatriate workforce unaccompanied by family members.

The number of 'active individuals' present during the day in Dubai are estimated at considerably more (approximately 3 million at year-end 2011), many of whom work within Dubai yet reside outside of it.

Estimated Population of Dubai:

	2007	2008	2009	2010	2011
Total population, Dubai	**1,529,792**	**1,645,973**	**1,770,978**	**1,905,476**	**2,003,170**

Source: Dubai Statistics Centre

Government of Dubai

The laws of Dubai are passed by Decree of the Ruler, Sheikh Mohammed bin Rashid Al Maktoum, who is also the Vice-President and Prime Minster of UAE. The Crown Prince of Dubai is Sheikh Hamdan bin Mohammed Al Maktoum. The Deputy Rulers are Sheikh Hamdan bin Rashid Al Maktoum and Sheikh Maktoum bin Mohammed Al Maktoum.

The key entities in the structure of the Government are: (i) the Ruler's Court; (ii) the Supreme Fiscal Committee (the "**SFC**"); and (iii) the Executive Council (the "**Executive Council**"). The Dubai Department of Economic Development (the "**DED**") and the Dubai Department of Finance (the "**DOF**") are administrative bodies. All five of these entities have distinct roles:

The Ruler's Court: Except in relation to applicable federal laws, His Highness the Ruler of Dubai is the sole legislator for the Emirate and all Dubai laws are passed by His Highness after drafts of the laws have been approved by the Ruler's Court in consultation with the Executive Council. All other matters that require the involvement of His Highness the Ruler of Dubai are channelled through the Ruler's Court.

Supreme Fiscal Committee: The SFC was established in November 2007 to formulate the fiscal policies of the Government and to regulate Government borrowings. The SFC is authorised to approve borrowings by the Government and Government-owned entities on behalf of the Government. The SFC also aims to improve coordination between various Government entities, and to enable government entities to meet their respective development targets in a cost efficient manner.

Executive Council: The Executive Council seeks to ensure coordination amongst Government departments such as the courts, the police, the Health Authority, the Land Department, the Department of Civil Aviation, the DED and the Department of Tourism and Commerce Marketing. The Executive Council works with these departments to implement an overall strategy for the Government, while considering the requirements and strategies of each particular department. In addition, the Executive Council works with the DOF to prepare an overall budget to fund the requirements of the various government departments. In addition to this broad coordination role, the Executive Council also recommends new laws and regulations, and is involved in the implementation of laws promulgated at both the Emirate and federal levels.

Department of Economic Development: The DED is a regulatory and administrative body responsible for licensing and regulation of the business sector. All businesses operating in Dubai are required to be registered with and licensed by the DED. The DED also helps formulate Government policy in relation to economic planning and the promotion of Dubai as a business centre. The DED works closely with relevant government bodies such as the Ministry of Labour and the Real Estate Regulatory Authority.

Department of Finance: The DOF is the local ministry of finance and treasury for the Government. All revenues of the Government are collected within the DOF and all Government authorities are funded through the DOF. In addition, the DOF also functions as an administrative office of the SFC for executing and monitoring compliance with the SFC's decisions.

Economy of Dubai

Dubai has a diversified economy which has demonstrated renewed growth, with real GDP increasing by approximately 3.4 per cent. in 2011 and 2.8 per cent. in 2010 after the effects of the global economic recession led to a decline in real GDP in 2009 (and a nominal GDP of AED 306 billion (over U.S.$83 billion) in 2011, representing approximately 31 per cent. of the UAE's total GDP). Since the UAE was established, when approximately 50 per cent. of Dubai's GDP was oil related, the Emirate's reliance on oil has decreased significantly, with the mining and quarrying sector accounting for 1.5 per cent. of real GDP in 2011.

Reflecting Dubai's strategic geographic location, rising levels of international trade and the Government's long-standing strategy of positioning the Emirate as a trading centre, the wholesale and retail trade and repairing services sector is the principal component of GDP, accounting for 30.7 per cent. of Dubai's GDP in 2011 at constant prices.

Other significant growth sectors for Dubai in recent years have been manufacturing, transport, storage and communications, restaurants and hotels and electricity and water. Each of these sectors has benefitted from the Government's policies aimed at improving the business and investment environment and positioning Dubai as a regional hub, including specific high profile developments initiated by the Government and the establishment of a range of specialised free zones designed to attract new companies and investment.

In addition, other supply side factors supporting Dubai's longer term economic growth have included the availability of labour and land for real estate development, significant levels of liquidity prior to 2008 and increasing consumer wealth in the GCC.

The Government continues to focus on economic diversification and in this respect is targeting the travel and tourism, financial services, professional services, transport and logistics, trade and storage.

Foreign Direct Investment and Free Zones

In addition to several free zones which seek to attract foreign direct investment, as further described below, both local and foreign investors can establish a business presence in Dubai outside of the free zones. Foreign corporate entities can freely operate in the free zones and free zone entities can be 100 per cent. foreign owned, unlike entities registered elsewhere in the UAE which require various degrees of local participation. Free zone entities are exempt from paying corporate tax for 15 years, renewable for an additional 15 years, and individuals are exempt from paying income tax. There are no currency restrictions levied on the capital or the profits of free zones entities and 100 per cent. of their capital and/or profit can be repatriated. The ability to import into the free zones and to export abroad without any import duties, taxes or currency restrictions being levied on the free zone entity is a strong incentive for foreign corporate entities wishing to carry on such activities from and into the Middle East region to set up in one of the free zones.

Dubai has a number of free zones, of which the most important are the Jebel Ali Free Zone, the Dubai Technology and Media Free Zone, the Dubai International Financial Centre and the Dubai Airport Free Zone. In addition, a number of sector-specific free zones for services and industry have been established, including Dubai Healthcare City, Dubai Textile City, Dubai Outsource Zone and Dubai Gold and Diamond Park.

The Government's Support of Strategic Government Related Entities

The Government owns, or has significant investments in, strategic Government-related entities ("**GREs**") which have played a significant role in supporting and facilitating the Government's strategic development plan. Certain GREs have incurred indebtedness, including indebtedness from international financial institutions and in the international capital markets. As a result of the global financial crisis, sharp falls in international oil and gas prices, financial sector instability, limited access to credit and the significant decline in real estate values, both globally and in the Emirate of Dubai and the UAE, certain GREs have suffered from asset value deterioration, limited cash flow and have also experienced liquidity issues. Whilst not legally obliged to do so (under any guarantee or otherwise), the Government has announced its intention to support certain entities in order to maintain stability in the UAE economy, the banking system and investor confidence and protect stakeholders.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available: (i) electronically from the Principal Paying Agent; and (ii) for inspection at the offices of the Principal Paying Agent (as defined in the Conditions) during normal business hours.

Sale and Purchase Agreement

The Sale and Purchase Agreement will be entered into on the Closing Date between DEWA Sukuk 2013 Limited (in its capacities as Trustee and as Purchaser) and DEWA (in its capacity as Seller) and will be governed by the laws of the Emirate of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE.

Pursuant to the Sale and Purchase Agreement, on the Closing Date the Seller will sell to the Purchaser, and the Purchaser will buy from the Seller, an identified portfolio of assets consisting of electricity substations, generating equipments, plant and machinery (as more particularly described in the Sale and Purchase Agreement, the "**Asset Portfolio**") together with the transfer of all of the Seller's rights, title, interests, benefits and entitlements in, to and under the assets comprising the Asset Portfolio in consideration for the Purchase Price.

Lease Agreement

The Lease Agreement will be entered into on the Closing Date between DEWA Sukuk 2013 Limited (in its capacity as Lessor) and DEWA (in its capacity as Lessee). The Lease Agreement will be governed by English law.

Under the terms of the Lease Agreement, the Lessor will lease to the Lessee, and the Lessee has agreed to lease from the Lessor, the Asset Portfolio during the term of the Lease. The term of the Lease will commence on the Closing Date and end (subject to certain provisions in respect of the Additional Rental Period as more particularly described in the Lease Agreement) on the Dissolution Date.

The Lessor and the Lessee have also agreed that if a substitution or reduction (in whole or in part) of the Asset Portfolio takes place following:

(a) the execution of a Sale Agreement in respect of Change of Control DEWA Assets specified in an Exercise Notice served pursuant to clause 3.1(d) of the Purchase Undertaking;

(b) the execution of a Transfer Agreement in respect of New Assets and Substituted Assets specified in a Substitution Notice served pursuant to clause 3.1(b) of the Sale Undertaking; or

(c) the execution of a Transfer Agreement in respect of Cancellation Assets specified in a Cancellation Notice served pursuant to clause 3.1(c) of the Sale Undertaking,

the Asset Portfolio subject to the Lease (as more particularly described in the schedule to the Lease Agreement) shall be amended to reflect such amendments or substitutions to the DEWA Assets comprising the Asset Portfolio.

During the term of the Lease, the Lessee will agree to pay the Lessor the rent specified in the Lease Agreement for each rental period as specified in the Lease Agreement. The rental payments due under the Lease Agreement in respect of the Asset Portfolio will be sufficient to pay the relevant Periodic Distribution Amounts payable on the Periodic Distribution Dates in respect of the Certificates.

All payments by the Lessee to the Lessor under the Lease Agreement shall be paid in full without any set-off (save as provided in the Service Agency Agreement) or counterclaim of any kind and without any deduction or withholding for or on account of tax unless the deduction or withholding is imposed or levied by or on behalf of any relevant taxing authority, in which event the Lessee shall forthwith pay to the Lessor such additional amount so that the net amount received by the Lessor will equal the full amount which would have been received by it had no such deduction or withholding been made.

Under the terms of the Lease Agreement, the Lessee will agree that, from the date of commencement of the Lease, it shall bear the entire risk of loss or damage to (the whole or part of) the Asset Portfolio and no liability shall attach to the Lessor for any loss arising due to or in connection with the negligent or inappropriate usage of (the whole or part of) or operation or deliberate misuse of the Asset Portfolio by the Lessee. The Lessee shall, at its own cost and expense, be responsible for the performance of all ordinary maintenance and repair in respect of the DEWA Assets comprising the Asset Portfolio. The Lessor shall be responsible for: (i) the performance of all major maintenance and structural repair; (ii) the payment of any proprietorship taxes; and (iii) insuring the DEWA Assets, and the Lessee acknowledges that the Lessor will instruct the Service Agent, in accordance with the terms of the Service Agency Agreement, to perform, or to procure the performance of, the major maintenance and structural repair, the payment of any proprietorship taxes and the insurance of the DEWA Assets, in each case on behalf of the Lessor.

If a Total Loss Event occurs with respect to the Asset Portfolio, the Lease Agreement and the Lease shall automatically terminate and the Lessor will be entitled to all insurance proceeds payable pursuant to the Service Agency Agreement as a result of the Total Loss Event, together with any accrued and unpaid rental to the date on which the Total Loss Event occurred.

Service Agency Agreement

The Service Agency Agreement will be entered into the Closing Date by DEWA Sukuk 2013 Limited (in its capacity as Lessor) and DEWA (in its capacity as Service Agent) and will be governed by English law.

Under the terms of the Service Agency Agreement, the Service Agent will be responsible on behalf of the Lessor for: (i) ensuring that the Asset Portfolio is properly insured; (ii) the performance of all major maintenance and structural repairs; and (iii) the payment of any proprietorship taxes charged, levied or claimed in respect of the Asset Portfolio. Wherever the Service Agent is to procure insurances in accordance with the terms of the Service Agency Agreement, it will use its reasonable endeavours to obtain such insurances on a *takaful* basis if such *takaful* insurance is available or is available on commercially viable terms.

Other than on the first Rental Payment Date (as defined in the Lease Agreement), the Lessor shall reimburse the Service Agent any Service Charge Amount that has been incurred on the Rental Payment Date falling at the end of the immediately following rental period in which the Service Charge Amount was incurred or, in the case of the final rental period, on the Lease End Date (as defined in the Lease Agreement).

An amount equal to the Service Charge Amount to be paid by the Service Agent (as Lessee under the Lease Agreement) to the Lessor as part of any: (i) rental; or (ii) Exercise Price under the Purchase Undertaking or the Sale Undertaking (as the case may be) may be set-off against the Service Charge Amount to be paid by the Lessor to the Service Agent under the Service Agency Agreement.

If a Total Loss Event occurs and, due to any negligence or breach of the terms of the Service Agency Agreement by the Service Agent, an amount less than the Full Reinstatement Value is credited to the Transaction Account (the difference between the Full Reinstatement Value and the amount credited to the relevant Transaction Account being the "**Total Loss Shortfall Amount**"), then the Service Agent will irrevocably and unconditionally undertake to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the relevant Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event occurred.

Upon the occurrence of a Partial Loss (as defined in the Lease Agreement) of any DEWA Asset (each such asset, a "**Lost Asset**"), the Service Agent shall apply all insurances received in respect of such Lost Asset towards the addition of a replacement asset to the Asset Portfolio (a "**Replacement Asset**"). On the date falling two Business Days prior to a Dissolution Date, any insurance proceeds held by the Service Agent which have not been applied towards the addition of a Replacement Asset shall be paid to the Lessor by crediting such amounts to the Transaction Account (such amount being the "**Remaining Partial Loss Insurance Amount**").

Purchase Undertaking

The Purchase Undertaking will be executed as a deed on the Closing Date by DEWA in favour of DEWA Sukuk 2013 Limited (in its capacity as Trustee) and the Delegate and will be governed by English law.

Pursuant to the Purchase Undertaking and subject to the provisions contained therein, the Trustee and/or the Delegate, as the case may be, may, by exercising their rights under the Purchase Undertaking, be able to oblige DEWA to purchase all of the Trustee's rights, benefits and entitlements in and to the Asset Portfolio on the Dissolution Date at the Asset Portfolio Exercise Price which shall be an amount in U.S. dollars equal to the aggregate of:

(a) the Base Amount (as defined in the Purchase Undertaking) as at the Dissolution Date, less an amount equal to the Remaining Partial Loss Insurance Amount;

(b) (without double counting) an amount equal to all accrued and unpaid Rental (if any) pursuant to the Lease; and

(c) an amount equal to the sum of any outstanding due and unpaid amount equivalent to the Service Charge Amount, provided that the Lessee has not rejected such amount.

In order to exercise the rights granted pursuant to the Purchase Undertaking, the Trustee (or the Delegate acting on its behalf) shall deliver an Exercise Notice to DEWA.

The Trustee will also be entitled to exercise its rights under the Purchase Undertaking following any exercise by the Certificateholders of their right to require the Trustee to redeem their Certificates on a Change of Control Put Option Date. In which case DEWA will be required to purchase a portion of the Asset Portfolio (comprising the Change of Control DEWA Assets) with an aggregate Value no greater than the aggregate face amount of the Certificates to be redeemed. The Change of Control Exercise Price (together with the Asset Portfolio Exercise Price, each an "**Exercise Price**") payable for the Change of Control DEWA Assets will be calculated on a similar basis to the Asset Portfolio Exercise Price save that the amounts described in subparagraph (c) of that definition shall only apply in the event that 100 per cent. of Certificateholders exercise their right to require the Trustee to redeem their Certificates.

DEWA will undertake in the Purchase Undertaking that if:

(a) the sale and purchase, or transfer and assignment, of any rights, title, interests, benefits and entitlements in, to and under any of: (i) the DEWA Assets comprising the Asset Portfolio from DEWA (in its capacity as Seller) to the Trustee under the Sale and Purchase Agreement; or (ii) the New Assets from DEWA (in its capacity as Seller) to the Trustee pursuant to the exercise of the Sale Undertaking, is not valid or effective, or becomes invalid or ineffective, in whole or in part, in any jurisdiction for any reason (other than as a result of a Total Loss Event occurring on or prior to the date of the sale and purchase, or transfer and assignment) (the "**Initial Defective Sale**"); or

(b) the sale and purchase, or transfer and assignment, of any of the Trustee's rights, title, interests, benefits and entitlements in, to and under any of: (i) the DEWA Assets comprising the Asset Portfolio or the Change of Control DEWA Assets pursuant to the exercise (or purported exercise, as the case may be) of this Deed by the Trustee or the Delegate (as applicable); or (ii) the DEWA Assets comprising the Asset Portfolio, the Cancellation Assets, the New Assets or the Substituted Assets pursuant to the exercise (or purported exercise, as the case may be) of the Sale Undertaking by DEWA, is not valid or effective, or becomes invalid or ineffective, in whole or in part, in any jurisdiction for any reason (other than as a result of a Total Loss Event occurring on or prior to the date of the sale and purchase, or transfer and assignment), including without limitation by reason of any Initial Defective Sale (a "**Subsequent Defective Sale**"),

and as a result of either the Initial Defective Sale or a Subsequent Defective Sale, the Trustee or the Delegate (as applicable) is unable to realise in full, or does not actually receive in full, the relevant Exercise Price which is expressed to be due and payable under the Purchase Undertaking at the relevant time, DEWA shall:

(A) in respect of the Initial Defective Sale, immediately on demand, make payment to the Trustee or the Delegate (as applicable) (each acting as trustee for the Certificateholders) of an amount equal to the Purchase Price (as defined in the Sale and Purchase Agreement) by way of restitution; and

(B) in respect of any Subsequent Defective Sale, immediately on demand, indemnify fully the Trustee or the Delegate (as applicable) (each acting as trustee for the Certificateholders) for the relevant Exercise Price expressed to be due and payable under the Purchase Undertaking or the Sale Undertaking (as the case may be) at the relevant time (without double counting any amounts actually received pursuant to paragraph (A) above).

In addition, if DEWA fails to pay all or part of any Exercise Price that is due in accordance with the Purchase Undertaking and provided that no Sale Agreement has been entered into, then the Lease Term shall be deemed to be extended until the Exercise Price is paid in full and DEWA will agree in the Purchase Undertaking that it will irrevocably, unconditionally and automatically (without the necessity for any notice or any other action) continue to act as Service Agent for the provision of the

Services in respect of the Asset Portfolio on the terms and conditions, *mutatis mutandis*, of the Service Agency Agreement.

DEWA will expressly declare in the Purchase Undertaking that:

(a) the relevant Exercise Price represents a fair price for the purchase of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio or the Change of Control DEWA Assets, as the case may be;

(b) it shall irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the Asset Portfolio or the Change of Control DEWA Assets, as the case may be, and, accordingly, shall not dispute or challenge all or any ownership interest the Trustee may have in any way; and

(c) if it breaches any declaration or undertaking set out above or if it or any administrator, liquidator or receiver of it disputes or challenges the rights, benefits and entitlements of the Trustee in, to and under the Asset Portfolio or the Change of Control DEWA Assets, as the case may be, DEWA shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the relevant Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price.

DEWA will also agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of tax unless required by law and (save as set out therein) without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, DEWA shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made. The payment obligations of DEWA under the Purchase Undertaking will be direct, unconditional, unsubordinated and unsecured obligations of DEWA which rank (save for certain obligations required to be preferred by law) equally with all other secured obligations of DEWA.

DEWA has agreed in the Purchase Undertaking that it shall comply with the covenants more particularly described in Condition 5 (*Negative Pledge and Other Covenants*)

Sale Undertaking

The Sale Undertaking will be executed as a deed on the Closing Date by DEWA Sukuk 2013 Limited (in its capacity as Trustee) in favour of DEWA and will be governed by English law.

Provided there has been no Total Loss Event and subject to the Trustee being entitled to redeem the Certificates for tax reasons in accordance with Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), DEWA may, by exercising its right under the Sale Undertaking and serving an exercise notice on the Trustee no later than 30 days prior to the Dissolution Date, be able to oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio at the Exercise Price. In addition, if following the occurrence of a Change of Control Event, 75 per cent. or more in face amount of the Certificates are redeemed pursuant to Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*), DEWA may, by exercising its right under the Sale Undertaking and serving an exercise notice on the Trustee within 30 days of the Change of Control Put Option Date, oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio at the Exercise Price. For these purposes, the Exercise Price will have the same meaning as in the Purchase Undertaking.

DEWA will be able to exercise its rights under the Sale Undertaking to effect the substitution of DEWA Assets, subject to any New Assets being of a Value not less than the Value of the Substituted Assets (as defined in the Sale Undertaking). DEWA will also be able to exercise its rights under the Sale Undertaking (following any purchase of Certificates by DEWA or any Subsidiary of DEWA pursuant to Condition 14.6 (*Capital Distributions of the Trust – Cancellations*)) to provide for the transfer of the Cancellation Assets (as defined in the Sale Undertaking) with an aggregate Value not greater than the aggregate face amount of the Certificates so purchased, in consideration for the cancellation of such Certificates by the Principal Paying Agent pursuant to the Conditions.

Declaration of Trust

The Declaration of Trust will be entered into by way of a deed on the Closing Date between DEWA, DEWA Sukuk 2013 Limited (in its capacity as Trustee) and the Delegate and will be governed by English law.

Upon issue of the Global Certificate initially representing the Certificates, the Declaration of Trust shall constitute the Trust declared by the Trustee in relation to the Certificates.

The Trust Assets will comprise, *inter alia*: (a) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Asset Portfolio; (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (excluding: (i) any representations given by DEWA to the Trustee and the Delegate pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee or the Delegate in any of the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to Clause 17.1 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and (c) all monies standing to the credit of the Transaction Account; and all proceeds of the foregoing, which are held by the Trustee upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the terms of the Declaration of Trust and the Conditions.

The Declaration of Trust will specify that, on or after the Dissolution Date, the rights of recourse in respect of the Certificates shall be limited to the amounts from time to time available and comprising the Trust Assets, subject to the priority of payments set out in the Declaration of Trust, the Certificates and the Conditions. The Certificateholders have no claim or recourse against the Trustee, the Delegate, the Agents or any other person (including DEWA) in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

(a) hold the Trust Assets on trust absolutely for the Certificateholders *pro rata* on an undivided basis according to the face amount of Certificates held by each such Certificateholder in accordance with the provisions of the Declaration of Trust; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

In the Declaration of Trust, the Trustee will, by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders, irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), to exercise all of the rights of the Trustee under the Transaction Documents and the Conditions (provided that no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this delegation). The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and will not affect the Trustee's continuing role and obligations as trustee.

The Delegate will undertake in the Declaration of Trust that upon the occurrence of a Dissolution Event and the delivery of a Dissolution Notice by the Delegate pursuant to Condition 15 (*Dissolution Events*), to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 15 (*Dissolution Events*) and subject to Condition 16.2 (*Enforcement – Delegate not obliged to take action*), it shall (acting on behalf of Certificateholders and subject to being indemnified and/or secured and/or prefunded to its satisfaction) take one or more of the following steps:

(a) enforce the provisions of the Purchase Undertaking against DEWA and/or the Service Agency Agreement against the Service Agent; and/or

(b) take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing but subject to Condition 16.2 (*Enforcement – Delegate not obliged to take action*), the Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or DEWA to enforce their respective obligations under the Transaction Documents, the Conditions and the Certificates.

The Declaration of Trust specifies, *inter alia*, that:

(a) upon the Certificates having been declared due and payable in accordance with the Declaration of Trust (as specified above) and the Conditions, all payments in respect of the Certificates shall be made, and all rights of the Trustee and/or the Delegate (acting on behalf of the Certificateholders) under the Transaction Documents shall be exercised;

(b) following the enforcement, realisation of the Trust Assets and ultimate distribution of the net proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with the Conditions and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and, the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including DEWA, to the extent its obligations under the Transaction Documents have been satisfied) to recover any such sum or asset in respect of the Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee;

(c) Subject to (b) above, no Certificateholder shall be entitled to proceed directly against or provide instructions to the Delegate to proceed against, the Trustee or DEWA under any Transaction Document to which either of them is a party unless: (a) the Delegate fails to do so within a reasonable period of becoming so bound and such failure its continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or DEWA as the case may be) holds at least 20 per cent. of the then outstanding aggregate face amount of the Certificates. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets, and the sole right of the Delegate and the Certificateholders against the Trustee and DEWA shall be to enforce their respective obligations under the Transaction Documents;

(d) subject to Clause 17 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust, neither the Trustee nor the Delegate shall be bound in any circumstances to take any action, proceeding or step to enforce or to realise the Trust Assets or take any action against (in the case of the Delegate) the Trustee and/or DEWA and (in the case of the Trustee) DEWA under any Transaction Document to which either of the Trustee or DEWA is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Certificates and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing provided that neither the Trustee nor the Delegate shall be liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders; and

(e) paragraphs (b), (c) and (d) above are subject to this paragraph (e). After distributing the proceeds of the Trust Assets in accordance with Condition 6.2 (*The Trust – Application of Proceeds from Trust Assets*), the obligations of the Trustee and the Delegate in respect of such Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee or the Delegate to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee nor shall any of them have any claim in respect of the Trust Assets of any other trust established by the Trustee.

Agency Agreement

The Agency Agreement will be entered into on the Closing Date between the Trustee, DEWA, the Delegate, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

Agency

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to complete, authenticate and deliver the Global Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay all sums due under such Global Certificate; the Calculation Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to make all calculations and determinations in relation to amounts due under the Global Certificate; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

Issue of Global Certificate

On the Closing Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver, on the Closing Date, the Global Certificate to the Common Depositary.

Payments

The Trustee will pay in freely transferable, cleared funds to the Transaction Account opened by the Trustee with the Principal Paying Agent, any payment which becomes due in respect of a Certificate in accordance with the Conditions.

The Principal Paying Agent will notify the Trustee and the Delegate if the Trustee has not made any payment or if it pays the full amount of any sum payable after the date specified for such payment. If the Principal Paying Agent decides in its discretion that the amounts are not sufficient to make a payment then neither the Principal Paying Agent nor any other Paying Agent is obliged to pay any sums to Certificateholders until the Principal Paying Agent has received the full amount.

The Principal Paying Agent is entitled to treat the registered holder of any Certificate as the absolute owner for all purposes.

Determinations and Notifications

The Calculation Agent shall determine any Periodic Distribution Amount payable and the applicable Periodic Distribution Date in respect of each Return Accumulation Period. The Calculation Agent shall notify the Trustee, DEWA, the Delegate and each Agent by facsimile of each Periodic Distribution Amount for each Return Accumulation Period and the related Periodic Distribution Date and any other amount(s) required to be determined by it together with any relevant payment date(s) as soon as practicable after the determination thereof, but in any event not later than the first date of the relevant Return Accumulation Period.

Changes in Agents

The Trustee may at any time vary or terminate the appointment of any Agent and to appoint additional or other Agents by giving, *inter alia*, such Agent at least 60 days' prior written notice to that effect, provided that: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity) and a Calculation Agent; (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates. Prospective purchasers of the Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates and receiving payments under those Certificates. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

United Arab Emirates and the DIFC

The following summary of the anticipated tax treatment in the UAE and the DIFC in relation to payments on the Certificates is based on the taxation law in force at the date of this Prospectus, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Dubai or DIFC taxation in respect of payments made by DEWA and/or the Trustee under the Transaction Documents. If any such withholding or deduction is required to be made in respect of payments due by DEWA under any Transaction Document to which it is party, DEWA has undertaken in Condition 11 (*Taxation*) to gross-up the payments due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates, (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) and (ii) DEWA has undertaken under the Purchase Undertaking, the Sale Undertaking and the Service Agency Agreement to pay such additional amounts to the Trustee to enable it to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35.0 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. A number of non-EU countries and territories including Switzerland have adopted similar measures with effect from the same date.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

The Cayman Islands

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Certificates under the laws of their country of citizenship, residence or domicile. The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of Periodic Distribution Amounts and principal, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Certificates. An instrument of transfer in respect of a Certificate is stampable if executed in or brought into the Cayman Islands.

The Trustee has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and expects to obtain an undertaking from the Governor in Cabinet of the Cayman Islands that no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 28 February 2013 between the Trustee, DEWA, Abu Dhabi Islamic Bank PJSC, Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Capital Limited, The Royal Bank of Scotland plc and Standard Chartered Bank (together, the "**Joint Lead Managers**"), and Commercial Bank International PJSC, Sharjah Islamic Bank PJSC and Union National Bank (the "**Co-Managers**" and, together with the Joint Lead Managers, the "**Managers**"), the Trustee has agreed to issue and sell to the Managers U.S.$1,000,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Managers have jointly and severally agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. The Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. Certain of the Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and DEWA has agreed to indemnify certain of the Managers against certain liabilities incurred in connection with the issue of the Certificates.

SELLING RESTRICTIONS

United States

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented that it has not offered or sold, and agrees that it will not offer or sell, any Certificates constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged in or will engage in any directed selling efforts with respect to the Certificates. Terms used in this paragraph have the meaning given to them by Regulation S.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Trustee or DEWA; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered and sold and will not, directly or indirectly, offer or sell Certificates in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia (a "**Saudi Investor**") who acquires Certificates pursuant to any offering should note that the offer of Certificates is being made as a private placement by way of an "offer restricted to sophisticated investors" pursuant to Article 10 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"). Each Manager has represented and agreed that any offer of Certificates will not be directed at more than 60 Saudi Investors (excluding "Sophisticated Investors" (as defined in Article 10 of the KSA Regulations)) and the minimum amount payable per Saudi Investor (excluding Sophisticated Investors) will be not less than Saudi Riyal ("**SR**") 1 million or an equivalent amount.

Each offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates as a Sophisticated Investor may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and (a) the Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Kingdom of Bahrain

Each Manager has represented and agreed that it has not offered and will not offer any Certificates to the Public (as defined in Articles 142-146 of the Commercial Companies Law (decree Law No. 21/2001) of Bahrain) in Bahrain.

Qatar (excluding the Qatar Financial Centre)

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell or deliver, directly or indirectly, any Certificates in the State of Qatar, except: (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Manager has represented and agreed that it has not offered or sold and that it will not offer or sell any Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription to purchase, of any Certificates, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor pursuant to Section 274 of the SFA, or (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Hong Kong

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the

SFO; or (ii) in other circumstances which do not result in the document being a ''prospectus'' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to ''professional investors'' as defined in the SFO and any rules made under the SFO.

Malaysia

Each Manager has represented and agreed that:

(a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the ''**SC**'') under the Capital Markets and Services Act 2007 of Malaysia (the ''**CMSA**''). While a copy of the Prospectus will be deposited with the SC, the SC takes no responsibility for its content; and

(b) accordingly, the Certificates have not been and will not be issued, offered for subscription or purchase, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may this Prospectus, any application or the Certificates nor any document or other material in connection with the offering, the Prospectus or the Certificates be circulated or distributed in Malaysia, other than to persons falling within Schedule 6 or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b), and Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Cayman Islands

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Certificates (unless the Trustee is listed on the Cayman Islands Stock Exchange).

General

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Certificates or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, DEWA, the Delegate and any other Manager shall have any responsibility therefor.

None of the Trustee, DEWA, the Delegate and any of the Managers represents that the Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Listing

Application has been made to the DFSA for the Certificates to be admitted to the Official List of Securities maintained by the DFSA and to NASDAQ Dubai for the Certificates to be admitted to trading on NASDAQ Dubai.

Authorisation

The issuance of the Certificates has been duly authorised by a resolution of the board of directors of the Trustee dated 21 February 2013. The entry by DEWA into the Transaction Documents to which it is a party was duly authorised by a resolution of the board of directors of DEWA on 3 September 2012. Each of the Trustee and DEWA has obtained all necessary consents, approvals and authorisations in connection with the issuance of the Certificates and entry into of the Transaction Documents (as applicable) to which each is a party.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 089768055 and ISIN XS0897680558.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since 22 January 2013, being the date of its incorporation.

There has been no significant change in the financial or trading position of DEWA and its subsidiaries, taken as a whole, and no material adverse change in the prospects of DEWA and its subsidiaries, taken as a whole, in each case since 31 December 2012.

Litigation

The Trustee is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) which may have or have had since 22 January 2013 (being the date of incorporation of the Trustee) a significant effect on the financial position or profitability of the Trustee.

Neither DEWA nor any of its respective Subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which DEWA is aware) which may have or have had during the twelve months prior to the date of this Prospectus a significant effect on the financial position or profitability of DEWA or the Group.

Auditors

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

The consolidated financial statements of DEWA for the years ended 31 December 2012 and 2011 have been audited without qualification in accordance with DEWA GAAP by PricewaterhouseCoopers of PO Box 11987, Dubai, United Arab Emirates as stated in its report included elsewhere in this Prospectus. PricewaterhouseCoopers are independent auditors registered to practise as auditors with the Ministry of Economy in the UAE.

PricewaterhouseCoopers does not have a material interest in DEWA.

Third Party Information

Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as DEWA and the Trustee are aware and are able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Documents Available

Copies of the following documents will be available in physical format and in English to be inspected during normal business hours at the specified office for the time being of the Principal Paying Agent for the life of the Certificates from the date of this Prospectus:

(a) the Memorandum and Articles of Association of the Trustee;

(b) Decree No. (1) of 1992 concerning the Formation of the Dubai Electricity and Water Authority, Decree No. (13) of 1999 for the amendment of some provisions of Decree No. (1) of 1992 and Decree No. (9) of 2011 for the amendment of some provisions of Decree No. (1) of 1992 (each with an English translation thereof);

(c) the audited consolidated financial statements of DEWA for the years ended 31 December 2011 and 31 December 2012 in each case, together with the auditors' report prepared in connection therewith. DEWA currently prepares audited consolidated financial statements on an annual basis and consolidated interim financial information for the first six months of each year. The Trustee is not required to, and does not intend to, publish any annual financial or interim financial statements;

(c) a copy of this Prospectus; and

(d) the Transaction Documents (copies of which will also be available electronically from the Principal Paying Agent).

Shari'a Approvals

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the chairman of the executive *Shari'a* Committee of Abu Dhabi Islamic Bank PJSC, the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Fatwa and *Shari'a* Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with *Shari'a* principles.

Managers transacting with DEWA

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, DEWA (and its affiliates) and in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN DEWA GAAP AND IFRS

General

DEWA prepares its financial statements in conformity with its internal accounting policies, which it refers to as DEWA GAAP. DEWA GAAP is not an internationally recognised body of accounting principles and, accordingly, should not be considered as such.

DEWA GAAP reporting standards are different to reporting standards under IFRS. Accordingly, the following represents a narrative summary of significant differences between DEWA GAAP, as applied to the Financial Statements, and IFRS. DEWA has not reconciled the Financial Statements to IFRS nor does it undertake to identify all differences. The differences disclosed below relate to the significant differences that impact amounts recorded in the Financial Statements rather than differences in presentation or disclosure. It should be noted that PricewaterhouseCoopers have not performed any audit, review or other procedures in respect of the differences described below.

Derivative Financial Instruments

DEWA enters into foreign currency forward and derivative contracts (collectively, derivative financial instruments) to manage the risks associated with its foreign currency liabilities and borrowings. Under IFRS, IAS 39 (*Financial Instruments: Recognition and Measurement*), requires that derivative financial instruments be recognised on a company's balance sheet at their fair values and any movements between fair values between financial reporting periods be recognised in the income statement. Under DEWA GAAP, derivative financial instruments are not recognised on DEWA's balance sheet although gains and losses are capitalised as part of their respective assets. In addition, DEWA does not mark to market its derivative financial instruments and accordingly movements are not recognised in the income statement. As at 31 December 2012, DEWA's outstanding derivative financial instruments had a total notional amount of AED 5.6 billion with a negative fair value of AED 877 million.

Investors must rely on their own examination of DEWA and its financial information in making an investment decision. The difference highlighted above reflects only the difference in accounting policies in effect at the time of the preparation of the Financial Statements set forth in this Prospectus. There may have been material differences in the financial information presented in this Prospectus had IFRS, as adopted by the European Union, been applied to the Financial Statements set forth herein.

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Financial Statements of the Group

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Consolidated financial statements for the year ended 31 December 2012

Dubai Electricity and Water Authority

Consolidated financial statements for the year ended 31 December 2012

Pages

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

Report on the financial statements

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east

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

Opinion

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

PricewaterhouseCoopers
7 February 2013

Amin Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

(2)

Dubai Electricity and Water Authority

Consolidated balance sheet

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

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

.... Managing Director & Chief Executive Officer

.... Chairman

.... Chief Financial Officer

.... Director

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

Dubai Electricity and Water Authority

Consolidated statement of comprehensive income

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

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

Dubai Electricity and Water Authority

Consolidated statement of changes in equity

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

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

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

Dubai Electricity and Water Authority

Consolidated statement of cash flows

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

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

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

1 Establishment and operations

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

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

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

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

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

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

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

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

1 Establishment and operations (continued)

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.2 Consolidation

(a) Subsidiaries

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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

Acquisition related costs are expensed as incurred.

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

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

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

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

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

(b) Transactions with non-controlling interests

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

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

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

2.4 Intangible assets

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

2.5 Leases

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

2.6 Research costs

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

2.7 Investment in joint ventures

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

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

2 Summary of significant accounting policies (continued)

2.8 Inventories

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

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

2.9 Trade receivables

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

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

2.10 Advance received for new connections and security deposits

(a) New Connections

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

(b) Security Deposits

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

2 Summary of significant accounting policies (continued)

2.11 Deferred revenue

(a) New Connections

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

(b) Inventory

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

2.12 Financial instruments

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

2.13 Derivative financial instruments

Derivative financial instruments are accounted on a cash basis.

2.14 Impairment of non-financial assets

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

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

2.15 Cash and cash equivalents

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

2 Summary of significant accounting policies (continued)

2.16 Borrowings

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

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

2.17 Retirement benefit obligations

(a) Pension obligations

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

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

(b) Other post-employment obligations

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

(c) Accrual for staff benefits

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

2 Summary of significant accounting policies (continued)

2.18 Trade payables

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

2.19 Provisions

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

2.20 Revenue recognition

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

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

(a) Electricity and water supply

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

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

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

(b) Meter rental

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

(c) Interest income

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

2 Summary of significant accounting policies (continued)

2.21 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.22 Financial assets

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

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

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

(ii) *Price risk*

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

(iii) Cash flow and fair value interest rate risk

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

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

(b) Credit risk

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk*

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

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

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

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

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

3.2 Capital risk management

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

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

3 Financial risk management (continued)

3.2 Capital risk management (continued)

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

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

3.3 Fair value estimation

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

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

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future, and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Revenue recognition – unread electricity and water meters

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

Dubai Electricity and Water Authority

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

5 Property, plant and equipment

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

5 Property, plant and equipment (continued)

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

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

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

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

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

6 Intangible assets

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

7 Investment in joint ventures

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

8 Trade and other receivables

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

8 Trade and other receivables (continued)

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

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

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

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

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

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

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

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

9 Inventories

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

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

10 Cash and cash equivalents

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

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

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

11 Borrowings

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

Borrowings are denominated in the following currencies:

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

11 Borrowings (continued)

(i) GMTN loan

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

(ii) Securitisation of receivables

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

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

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

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

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

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

11 Borrowings (continued)

(iii) Export credit agency loan

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

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

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

(iv) Syndication loan

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

(v) Others

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

(vi) Sukuk bond

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

11 Borrowings (continued)

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

Interest rate risk exposure

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

12 Retirement benefit obligations

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

12 Retirement benefit obligations (continued)

12.1 Provision for end of service benefits

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

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

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

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

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

12.2 Provision for pension

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

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

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

12 Retirement benefit obligations (continued)

12.2 Provision for pension (continued)

Movements in the provision for the pension are analysed below:

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

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

13 Government grant

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

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

14 Other liabilities and charges

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

15 Trade and other payables

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

Movement in consumers' security deposits is analysed below:

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

16 Revenue

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

	2012 AED'000	2011 AED'000

17 Cost of sales

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

17.1 Generation and desalination expenditure

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

17.2 Transmission and distribution expenditure

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

18 Administrative expenses

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

19 Staff costs

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

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

20 Other income

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

21 Finance costs – net

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

22 Cash generated from operations

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

23 Commitments

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

24 Financial instruments by category

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

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

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

25 Comparatives

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

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

26 Proposed dividend

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

Dubai Electricity and Water Authority

Consolidated financial statements for the year ended 31 December 2011

Dubai Electricity and Water Authority

Consolidated financial statements for the year ended 31 December 2011

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

Report on the financial statements

We have audited the accompanying consolidated financial statements of Dubai Electricity and Water Authority ("the Authority") which comprise the consolidated balance sheet as of 31 December, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

PricewaterhouseCoopers
13 February 2012

Amin Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

Dubai Electricity and Water Authority

Consolidated balance sheet

	Note	2011 AED'000	2010 AED'000
		As at 31 December	
ASSETS			
Non-current assets			
Property, plant and equipment	5	83,783,924	81,127,787
Intangible assets	6	19,821	19,564
Investment in joint ventures	7	53,020	50,000
Total non-current assets		83,856,765	81,197,351
Current assets			
Trade and other receivables	9	3,514,934	3,442,786
Inventories	10	2,814,264	3,270,306
Cash and bank balances	11	768,979	7,847,708
Total current assets		7,098,177	14,560,800
Total assets		90,954,942	95,758,151
EQUITY			
Capital and reserves attributable to equity holders			
Government of Dubai account		29,492,113	29,448,511
General reserve		17,815,123	14,322,716
		47,307,236	43,771,227
Non-controlling interest		481,221	419,602
Total equity		47,788,457	44,190,829
LIABILITIES			
Non-current liabilities			
Borrowings	12	21,407,806	25,062,480
Retirement benefit obligations	13	328,251	306,230
Government grant	14	429,550	432,322
Other liabilities and charges	15	11,570,013	12,455,657
Total non-current liabilities		33,735,620	38,256,689
Current liabilities			
Trade and other payables	16	7,410,809	7,292,337
Borrowings	12	2,017,284	6,015,524
Government grant	14	2,772	2,772
Total current liabilities		9,430,865	13,310,633
Total equity and liabilities		90,954,942	95,758,151

These consolidated financial statements were approved by the Board of Directors on 12 February 2012 and signed on its behalf by:

....
Managing Director &
Chief Executive Officer

....
Chairman

....
Chief Financial Officer

....
Director

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

Dubai Electricity and Water Authority

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2011 AED'000	2010 AED'000
Revenue	17	14,704,045	10,868,991
Cost of sales	18	(8,397,749)	(5,897,224)
Gross profit		6,306,296	4,971,767
Other income	21	618,785	467,174
Administrative expenses	19	(726,661)	(666,921)
Operating profit		6,198,420	4,772,020
Finance income		85,926	355,090
Finance costs		(1,910,223)	(1,614,951)
Finance costs – net	22	(1,824,297)	(1,259,861)
Total comprehensive income for the year		4,374,123	3,512,159
Attributable to the equity holders		4,337,504	3,490,308
Attributable to the non-controlling interest		36,619	21,851
Total comprehensive income for the year		4,374,123	3,512,159

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

Dubai Electricity and Water Authority

Consolidated statement of changes in equity

	Government of Dubai account AED'000	General reserve AED'000	Retained earnings AED'000	Non-controlling interest AED'000	Total AED'000
At 1 January 2010	28,454,667	11,670,121	-	382,709	40,507,497
Profit for the year	-	-	3,490,308	21,851	3,512,159
Transfer to general reserve	-	2,652,595	(2,652,595)	-	-
Transfer to Government of Dubai account*	837,713	-	(837,713)	-	-
Other movements during the year	(837,713)	-	-	-	(837,713)
Capital contribution by Government of Dubai – value of land	993,844	-	-	-	993,844
Transactions with non-controlling interest	-	-	-	15,042	15,042
At 31 December 2010	29,448,511	14,322,716	-	419,602	44,190,829
At 1 January 2011	29,448,511	14,322,716	-	419,602	44,190,829
Profit for the year	-	-	4,337,504	36,619	4,374,123
Transfer to general reserve	-	3,492,407	(3,492,407)	-	-
Transfer to Government of Dubai account*	845,097	-	(845,097)	-	-
Other movements during the year	(845,097)	-	-	-	(845,097)
Capital contribution by Government of Dubai – value of land	43,602	-	-	-	43,602
Transactions with non-controlling interest	-	-	-	25,000	25,000
At 31 December 2011	29,492,113	17,815,123	-	481,221	47,788,457

*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.

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

Dubai Electricity and Water Authority

Consolidated statement of cash flows

	Notes	Year ended 31 December 2011 AED'000	2010 AED'000
Cash flows from operating activities			
Cash generated from operations	23	7,396,291	6,616,407
Cash flows from investing activities			
Purchase of property, plant and equipment, net of movement in retentions, trade payables for capital projects and adjustments	5,15,16	(4,988,512)	(6,801,374)
Proceeds from disposal of property, plant and equipment	5,21,6	18,906	4,355
Purchase of intangibles		(6,071)	(12,466)
Investment in a joint venture		(3,020)	(25,000)
Interest received		124,299	28,028
Net cash used in investing activities		(4,854,398)	(6,806,457)
Cash flows from financing activities			
Capital contribution from non-controlling interest		25,000	-
Proceeds from term loans		1,608,843	12,089,919
Repayment of term loans		(9,775,256)	(2,098,046)
Fixed Deposit with maturity of more than three months	11	406,045	(406,045)
Interest paid		(1,913,930)	(1,385,769)
Capital contribution by non-controlling interest		-	4,509
Net cash (used in) / generated from financing activities		(9,649,298)	8,204,568
Net (decrease) / increase in cash and cash equivalents		(7,107,405)	8,014,518
Cash and cash equivalents, beginning of the year		7,348,606	(665,912)
Cash and cash equivalents, end of the year	11	241,201	7,348,606

Notes to the consolidated financial statements for the year ended 31 December 2011

1 Establishment and operations

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

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.2 Consolidation

(a) Subsidiaries

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

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Authority's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Authority.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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

	Country of Incorporation	Effective % of Holding
Emirates Central Cooling Systems Corporation	UAE	70%
Empower Logstor LLC	UAE	35.70%
Utilities Management Company	UAE	85%

EMPOWER has 51% equity stake in Empower Logstor LLC. The Authority has significant influence in Empower Logstor LLC through EMPOWER while the beneficial interest is 35.7% only. Hence, Empower Logstor LLC is consolidated in these consolidated financial statements.

(b) Transactions with non-controlling interests

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

2.3 Property, plant and equipment

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

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

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

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

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

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

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

2.4 Intangible assets

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring in to 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 Summary of significant accounting policies (continued)

2.6 Research costs

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

2.7 Investment in joint ventures

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

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

2.8 Inventories

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

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

2.9 Trade receivables

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

2 Summary of significant accounting policies (continued)

2.9 Trade receivables (continued)

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

2.10 Advance received for new connections and security deposits

(a) New Connections

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

(b) Security Deposits

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

2.11 Deferred revenue

(a) New Connections

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

(b) Inventory

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

2.12 Financial instruments

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

2 Summary of significant accounting policies (continued)

2.13 Derivative financial instruments

Derivative financial instruments are accounted on a cash basis.

2.14 Impairment of non-financial assets

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

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

2.15 Cash and cash equivalents

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

2.16 Borrowings

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

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately.

2 Summary of significant accounting policies (continued)

2.18 Retirement benefit obligations

(a) Pension obligations

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

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

(b) Other post-employment obligations

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

(c) Accrual for staff benefits

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

2.19 Trade payables

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

2.20 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 Summary of significant accounting policies (continued)

2.21 Revenue recognition

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

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

(a) Electricity and water supply

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

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

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

(b) Meter rental

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

(c) Interest income

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

2.22 Foreign currencies

(a) Functional and presentation currency

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

2 Summary of significant accounting policies (continued)

2.22 Foreign currencies (continued)

(b) Transactions and balances

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

2.23 Financial assets

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

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group's foreign currency exposure arises mainly from borrowings made in Euro. As at 31 December 2011, if the AED had weakened/strengthened by 10% against Euro with all other variables held constant, the profit for the year would have been higher/lower by AED 203 million. Foreign exchange risk also arises from future commercial transactions and recognised assets and liabilities in foreign currencies. To manage this foreign exchange risk, the Group either purchases the relevant foreign currency or enters into forward exchange contracts.

(ii) *Price risk*

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

(iii) Cash flow and fair value interest rate risk

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

The interest bearing assets of the Group include bank deposits which are exposed to interest rate risk earned on these. The interest rates on these deposits range from 0.5% to 5.07% (2010: 0.70% to 8%) per annum, for periods of one week or more (2010: one week or more).

(b) Credit risk

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk*

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

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

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

	Less than 1 year AED'000	2 to 5 years AED'000	Over 5 years AED'000	Total AED'000
2011				
Borrowings	2,040,681	14,593,238	7,041,756	23,675,675
Trade and other payables*	6,473,329	1,272,422	-	7,745,751
	8,514,010	15,865,660	7,041,756	31,421,426
2010				
Borrowings	6,078,577	11,587,598	13,750,921	31,417,096
Trade and other payables*	6,315,436	1,803,293	-	8,118,729
	12,394,013	13,390,891	13,750,921	39,535,825

* Deferred borrowing costs, advances for new connections, security deposits and deferred revenue are non-financial liabilities.

3.2 Capital risk management

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

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

3 Financial risk management (continued)

3.2 Capital risk management (continued)

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

	2011 AED'000	2010 AED'000
Borrowings (Note 12)	23,425,090	31,078,004
Less: Cash and cash equivalents (Note 11)	(768,979)	(7,847,708)
Net debt	22,656,111	23,230,296
Total equity	47,788,457	44,190,829
Total capital	70,444,568	67,421,125
Net debt to total capital ratio	32.16%	34.45%

3.3 Fair value estimation

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

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

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future, and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Revenue recognition – unread electricity and water meters

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

4 Critical accounting estimates and judgements (continued)

(b) Advances for new connections

The management estimates the current liability portion of the 'advances for new connections' based on the extent of the over estimation of the project budgeted cost. On historical basis average, such variance is not expected to exceed 10% of the total balance. Therefore, 10% of the total outstanding balance is classified as a current liability while the 90% of the total outstanding balance is classified as a non-current liability.

(c) Security deposits

The Authority has estimated on the basis of historic trends that on a yearly basis customer security deposits refunds are in the range of 15% of the outstanding balance. Therefore, 15% of the total outstanding security deposits amount is classified as a current liability and 85% of the total outstanding balance is classified as a non-current liability.

Dubai Electricity and Water Authority

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

5 Property, plant and equipment

	Land and buildings AED'000	Generation and desalination plants AED'000	Transmission and distribution networks AED'000	Other equipment and assets AED'000	Capital work in progress AED'000	Total AED'000
At 31 December 2009						
Cost or valuation	23,229,699	18,592,327	25,149,767	1,405,403	22,230,808	90,608,004
Accumulated depreciation	(1,328,035)	(7,405,883)	(6,697,378)	(751,591)	-	(16,182,887)
Net book amount	21,901,664	11,186,444	18,452,389	653,812	22,230,808	74,425,117
Year ended 31 December 2010						
Opening net book amount	21,901,664	11,186,444	18,452,389	653,812	22,230,808	74,425,117
Additions	997,213	471,135	977,532	75,485	5,891,166	8,412,531
Transfers	478,671	2,449,452	1,504,058	692,638	(5,124,819)	-
Net disposals	-	-	(56)	(582)	-	(638)
Depreciation charge	(108,787)	(861,534)	(627,530)	(111,372)	-	(1,709,223)
Closing net book amount	23,268,761	13,245,497	20,306,393	1,309,981	22,997,155	81,127,787
At 31 December 2010						
Cost or valuation	24,705,583	21,511,896	27,630,303	2,151,012	22,997,155	98,995,949
Accumulated depreciation	(1,436,822)	(8,266,399)	(7,323,910)	(841,031)	-	(17,868,162)
Net book amount	23,268,761	13,245,497	20,306,393	1,309,981	22,997,155	81,127,787
Year ended 31 December 2011						
Opening net book amount	23,268,761	13,245,497	20,306,393	1,309,981	22,997,155	81,127,787
Additions	51,925	1,012,627	434,374	84,500	3,303,493	4,886,919
Transfers	96,622	8,211,484	3,465,635	17,631	(11,791,372)	-
Net disposals	-	(13,527)	(56,844)	(155)	-	(70,526)
Depreciation charge	(90,264)	(1,086,408)	(865,543)	(118,041)	-	(2,160,256)
Closing net book amount	23,327,044	21,369,673	23,284,015	1,293,916	14,509,276	83,783,924
At 31 December 2011						
Cost or valuation	24,854,130	30,722,480	31,456,861	2,241,614	14,509,276	103,784,361
Accumulated depreciation	(1,527,086)	(9,352,807)	(8,172,846)	(947,698)	-	(20,000,437)
Net book amount	23,327,044	21,369,673	23,284,015	1,293,916	14,509,276	83,783,924

5 Property, plant and equipment (continued)

a) The Authority has an interest in jointly controlled assets pertaining to the Emirates National Grid Corporation ("ENGC"). The Authority's share in the carrying amount of ENGC's net assets as at 31 December 2011 is AED 241 million (2010: AED 241 million) and is included under transmission and distribution networks.

b) During 2008, by way of Decree issued by H.H., the Ruler of Dubai, all existing land held by the Authority was transferred to the Authority and is considered as its assets. Any future land to be held by the Authority will also be transferred to the name of the Authority. Based on the decree, up to 31 December 2011, the Authority has capitalised certain plots of land amounting to AED 20,953 million (31 December 2010: AED 20,909 million), on the basis of valuations obtained from the Land Department of Dubai and the same amount is treated as a capital contribution by the Government of Dubai. The total number of plots valued up to 31 December 2011 was 3,494 comprising a total of 31.90 million Sq.m (2010: 3,317 plots comprising a total of 32.04 million Sq.m) out of a total estimated 4,260 plots totalling 42.21 million sq.m. Capitalisation of the remaining plots of land is pending renewal of site affection plans and subsequent valuations from the Land Department of Dubai. As at the year end, the Authority was in the process of obtaining the title deeds of the plots of land which have been capitalised and for the remaining plots, the process will be undertaken based on renewal of site affection plans and valuations.

c) The carrying value of property, plant and equipment, pledged as collateral on borrowings, amounts to AED 4,717 million (2010: AED 11,130 million) (Note 12).

d) Capital work in progress as at 31 December 2011 mainly comprises construction of additional electricity generation and water desalination facilities and distribution networks.

e) During the year, the Authority capitalised interest costs relating to specific borrowings on construction of capital projects of AED 87 million (2010: AED 75 million). Further, deferred borrowing costs of AED 22 million (2010: 22 million) have also been capitalised.

6 Intangible assets

	Computer software AED'000
At 31 December 2009	
Cost	20,864
Accumulated amortisation	(8,475)
Net book amount	12,389
Year ended 31 December 2010	
Opening net book amount	12,389
Additions	12,466
Amortisation charge	(5,291)
Closing net book amount	19,564
At 31 December 2010	
Cost	33,330
Accumulated amortisation	(13,766)
Net book amount	19,564
Year ended 31 December 2011	
Opening net book amount	19,564
Additions	6,071
Amortisation charge	(5,814)
Closing net book amount	19,821
At 31 December 2011	
Cost	39,401
Accumulated amortisation	(19,580)
Net book amount	19,821

7 Investment in joint ventures

	2011 AED'000	2010 AED'000
At 1 January	50,000	25,000
Additions during the year	3,020	25,000
As at 31 December	53,020	50,000

During the year, the Authority invested in a 25% equity stake in Dubai Carbon Centre for Excellence PJSC ("DCCE"), a private joint stock company which was established pursuant to directive of the Supreme Council of Energy of Dubai in accordance with Federal Law No. 8 of 1984. Its principal activity is renewable energy consultancy, carbon control systems trading and carbon credits trading. Through UMC, the Authority effectively owns 35.84% interest in DCCE. The joint ventures entities have still not commenced the commercial operations.

8 Palm water acquisition

During the year, under the directive received from the Supreme Fiscal Committee of Government of Dubai, the Authority paid a net amount of AED 351 million for the acquisition of the assets of Palm Water LLC as at 31 January 2011. Since this was a transaction with a related party under common control, the provisions of IFRS 3, 'Business Combination, Entities under common control and predecessor accounting' have been used to record the assets at the net book value. The purchase consideration paid amounted to AED 351 million against which the carrying amount of the assets acquired includes current assets of AED 20 million and fixed assets of AED 331 million.

9 Trade and other receivables

	2011 AED'000	2010 AED'000
Consumer receivables	3,043,950	2,890,240
Less: provision for impairment of receivables	(83,240)	(55,666)
Consumer receivables – net	2,960,710	2,834,574
Other receivables and advances	296,564	299,370
Loan to suppliers	63,625	163,815
Due from related parties	181,490	134,265
Prepayments	12,545	10,762
	3,514,934	3,442,786

9 Trade and other receivables (continued)

As at 31 December 2011, trade receivables of AED 1,160 million (2010: AED 1,176 million) were fully performing. Trade receivables of AED 1,642 million (2010: AED 1,407 million) were past due but not impaired. These balances relate to a number of independent customers for whom there is no history of default. Trade receivables which are past due by more than 12 months are considered for impairment and are reviewed by management and provided for accordingly. The ageing analysis of trade receivables along with the respective provision for impairment is as follows:

	2011 AED'000	2010 AED'000
Fully performing – up to 30 days	1,160,306	1,176,617
Past due - 1 to 6 months	933,800	752,905
Past due - 6 to 12 months	708,193	653,735
Past due - above 12 months	241,651	306,983
Provision for receivables more than 12 months	(83,240)	(55,666)
	2,960,710	2,834,574

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

	2011 AED'000	2010 AED'000
At 1 January	55,666	13,420
Charge for the year	27,574	42,246
At 31 December	83,240	55,666

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

The receivables amounting to AED 204 million (2010: 251 million) are pledged as collateral security under the securitisation programme (Note 12).

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group holds security deposits of AED 1,200 million (2010: AED 1,063 million) as collateral against consumer receivables.

10 Inventories

	2011 AED'000	2010 AED'000
Consumables and repair spares	2,125,494	2,440,510
Less: provision for slow moving and obsolete inventory	(183,604)	(177,851)
	1,941,890	2,262,659
Fuel	638,210	593,725
Goods in transit	234,164	413,922
	2,814,264	3,270,306

The cost of inventory recognised as expense and included in the cost of sales amounts to AED 229 million (2010: AED 280 million). Impairment charge of AED 5.8 million (2010: AED 12 million) is charged to administrative expenses.

11 Cash and cash equivalents

	2011 AED'000	2010 AED'000
Term deposits with banks	469,985	7,444,821
Current and call accounts with banks	298,494	396,846
Cash and cheques on hand	500	6,041
	768,979	7,847,708
Less:		
Fixed deposit with maturity for more than 3 months	-	(406,045)
Bank overdraft (Note 12)	(527,778)	(93,057)
Cash and cash equivalents for statement of cash flows	241,201	7,348,606

Current / call accounts with banks include AED 18 million (2010: AED 154 million) in foreign currencies held for settlement of existing and anticipated liabilities denominated in foreign currencies.

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

	2011 AED'000	2010 AED'000

12 Borrowings

Non-current

	2011 AED'000	2010 AED'000
GMTN Loan	11,019,000	11,019,000
Securitisation of receivables	4,168,886	4,911,336
Sukuk bond	3,200,000	3,200,000
Export Credit Agency loans ("ECA")	2,694,694	2,860,724
Syndication loan	518,695	585,639
Other loans	33,719	67,439
Loan from a consortium of banks	-	2,694,381
Less: Deferred borrowing cost	(227,188)	(276,039)
	21,407,806	25,062,480

Current

	2011 AED'000	2010 AED'000
Securitisation of receivables	1,045,892	-
Bank overdrafts (Note 11)	527,778	93,057
Export Credit Agency loans	265,971	214,537
Syndication loan	167,321	57,136
Other loans	33,719	103,762
Loan from a consortium of banks	-	5,388,762
Ijara loan	-	221,323
Less: Deferred borrowing cost	(23,397)	(63,053)
	2,017,284	6,015,524
	23,425,090	31,078,004

Borrowings are denominated in the following currencies:

	2011 AED'000	2010 AED'000
US Dollars	17,157,312	17,847,762
UAE dirham	4,230,647	10,563,934
Euro	2,037,131	2,666,308
	23,425,090	31,078,004

12 Borrowings (continued)

(a) Non-current borrowings

(i) GMTN loan

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

(ii) Securitisation of receivables

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

Pursuant to certain amendments initiated by the Authority and agreed by the lenders on 11 July 2011, the entire principal amount is now repayable in 5 equal annual installments starting from 2011. During 2011, the Authority repaid USD 268 million (AED 982 million) under the programme.

The programme bears an interest rate calculated on the basis of the conduit banks' monthly commercial paper interest rate plus a fixed margin. At 31 December 2011, the carrying amount of the assigned receivables that has been pledged as collateral amounts to AED 160 million (2010: AED 251 million).

In October 2011, the Authority entered in to another securitization program, pursuant to which it has sold and undertaken to assign utility receivables resulting from certain identified customer accounts to SPE, to fund the Authority's capital expenditure programme. The Authority received a loan of USD 350 million (AED 1,286 million) and the entire amount is repayable in 48 monthly installments starting from November 2012.The program bears interest at one month LIBOR plus a fixed margin.

At 31 December 2011, the carrying amount of assigned receivables that has been pledged as collateral amounted to AED 44 million (2010: AED NIL)

The Authority received another USD 100 million (AED 367 million) under the same program on 10 January, 2012.

12 Borrowings (continued)

(a) Non-current borrowings (continued)

(iii) Sukuk bond

On 16 September 2008, the Authority received an amount of AED 3.2 billion from DEWA Funding Ltd ("DFL"), a SPE funded through trust certificates that are listed on the Dubai Stock Exchange ("DIFX"). The trust certificates were issued by way of a Shari'a compliant Ijara (sale and leaseback of certain fixed assets owned by the Authority aggregating to AED 4.6 billion) agreement between DEWA and DFL. The total lease period is 5 years and carries varying lease rental for each lease period at EIBOR plus a fixed margin payable semi annually. The carrying value of property, plant and equipment, pledged as collateral on Sukuk bond, amounts to AED 4,635 million (2010: AED 4,635 million) (Note 5).

(iv) Export credit agency loan

On 14 May 2009, the Authority entered into a framework agreement, with a consortium of banks and export credit agencies to finance certain eligible capital expenditure. The facility is for an aggregate amount of USD 1 billion (AED 3.673 billion) with a tenure of 13 years. Up to 31 December 2011, the Authority had received an amount of USD 301 million (AED 1,109 million) and EUR 473 million (AED 2,231 million) under the facility. The facility carries interest at LIBOR/EURIBOR plus a fixed margin and is repayable in 24 equal instalments, after six months from the commencement of credit.

(v) Syndication loan

On 6 December 2010, EMPOWER refinanced a three year syndicated revolving facility amounting to AED 642.8 million with a long term syndication loan with a tenure of 5 years, which will be amortized over the tenure of 5 years starting from December, 2011 until December, 2015. In 2011 EMPOWER received an additional amount of USD 18.2 million (AED 66.8 million) and repaid USD 30 million (AED 110.1 million) during the period. The loan is a conventional loan facility which carries an interest rate at LIBOR plus a fixed margin. The carrying value of property, plant and equipment, pledged as collateral on syndication loan, amounts to AED 82 million (2010: AED Nil) (Note 5).

(vi) Loan from a consortium of banks

Loan from a consortium of banks was fully repaid during the year.

(vii) Others

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

12 Borrowings (continued)

(b) Current borrowings

The bank overdraft of AED 528 million carries an interest rate of EIBOR/LIBOR/EURIBOR plus an increasing margin based on the outstanding overdraft amount.

Under the ECA loan, USD 25 million (AED 91 million) and EUR 37 million (AED 175 million) is repayable during 2012. Under the securitisation program USD 285 million (AED 1,046 million) is repayable in 2012.

(c) Interest rate risk exposure

In 2007, the Authority entered into interest rate swap contracts with notional amounts aggregating to AED 5.51 billion. In 2008 the contracts were restructured to a notional value aggregating to AED 5.55 billion to give quarterly/semi annual interest settlements linked to 3/6 month USD LIBOR and other variable swap rate resets. In 2009, the contracts were further restructured to align with changes in the market and have semi annual settlement terms linked to 3/6 months USD LIBOR and other variable swap rate resets. As at 31 December 2011, the interest rate swap contracts had a negative fair value of AED 1,156 million (2010: AED 1,087 million) which the Authority will endeavour to mitigate in future by monitoring and renegotiating the swap contracts, if so necessitated by market conditions, on terms to be mutually agreed by the individual counter parties.

13 Retirement benefit obligations

	2011 AED'000	2010 AED'000
Non-current	328,251	306,230
Current	5,945	5,960
	334,196	312,190
Provision for employees' end of service benefits (Note 13.1)	302,673	278,182
Provision for pension (Note 13.2)	31,523	34,008
	334,196	312,190

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

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

13 Retirement benefit obligations (continued)

13.1 Provision for end of service benefits

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

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

	2011 AED'000	2010 AED'000
At 1 January	278,182	257,172
Provision made during the year (Note 20)	48,734	42,355
Payments made during the year	(24,243)	(21,345)
At 31 December	302,673	278,182

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

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

Movements in the provision for the pension are analysed below:

	2011 AED'000	2010 AED'000
As at 1 January	34,008	42,624
Adjustment for actuarial valuation	-	7,701
Pensions paid	(2,485)	(16,317)
As at 31 December	31,523	34,008

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

14 Government grant

	2011 AED'000	2010 AED'000
At 1 January	435,094	437,866
Released during the year	(2,772)	(2,772)
At 31 December	432,322	435,094
Less: current portion	(2,772)	(2,772)
Non-current portion	429,550	432,322

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

	2011 AED'000	2010 AED'000

15 Other liabilities and charges

Advance for new connections	4,726,931	5,556,710
Deferred revenue	4,598,440	4,226,047
Retentions payable – non-current	1,272,422	1,803,293
Consumer security deposits (Note 16)	972,220	869,607
	11,570,013	12,455,657

16 Trade and other payables

Retentions payable - current	2,862,441	2,485,620
Capital projects payables and accruals	1,578,732	2,138,262
Trade payables	1,083,441	659,083
Advances for new connections	525,215	617,412
Consumers' security deposits - current	227,633	193,173
Deferred revenue	178,677	160,356
Accrual for staff benefits	33,280	32,555
Due to related parties	3,737	15,041
Provision for pension	5,945	5,960
Other payables	911,708	984,875
	7,410,809	7,292,337

16 Trade and other payables (continued)

Movement in consumers' security deposits is analysed below:

	2011 AED'000	2010 AED'000
At 1 January	1,062,780	954,756
Net deposits received during the year	137,073	108,024
At 31 December	1,199,853	1,062,780
Less: Consumers' security deposits - current	(227,633)	(193,173)
	972,220	869,607

	2011 AED'000	2010 AED'000
17 Revenue		
Electricity	10,930,582	7,947,782
Water	3,103,939	2,443,750
District cooling charges	669,524	477,459
	14,704,045	10,868,991

18 Cost of sales

Purchase of electricity	-	6
Purchase of water	27,270	12,712
Generation and desalination expenditure (Note 18.1)	6,655,333	4,359,520
Transmission and distribution expenditure (Note 18.2)	1,715,146	1,524,986
	8,397,749	5,897,224

	2011	2010
	AED'000	AED'000

18 Cost of sales (continued)

18.1 Generation and desalination expenditure

Fuel costs	4,975,324	2,953,116
Depreciation (Note 5)	1,118,650	850,186
Staff costs (Note 20)	327,817	314,857
Repairs and maintenance	157,968	190,191
Others	75,574	51,170
	6,655,333	4,359,520

18.2 Transmission and distribution expenditure

Depreciation (Note 5)	1,027,417	846,005
Staff costs (Note 20)	597,267	565,601
Repairs and maintenance	71,493	89,925
Others	18,969	23,455
	1,715,146	1,524,986

19 Administrative expenses

Staff costs (Note 20)	461,296	400,536
Insurance	38,880	33,912
Depreciation (Note 5)	14,189	13,032
Amortization (Note 6)	5,814	5,291
Provision for slow moving and obsolete inventory	5,753	12,079
Repairs and maintenance	22,489	11,867
Others	178,240	190,204
	726,661	666,921

	2011 AED'000	2010 AED'000

20 Staff costs

Salaries	1,063,702	969,217
Bonus	62,700	75,000
Employees' end of service indemnity (Note 13)	48,734	42,355
Other benefits	211,244	194,422
	1,386,380	1,280,994

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

21 Other income

	2011 AED'000	2010 AED'000
Amortisation of deferred income	160,894	157,162
Net income from consumer installations	131,633	73,763
Meter rental	57,415	41,331
Meter reconnection, testing and service charges	30,194	39,685
Reversal of provision for bonus	73,466	-
Sale of scrap	27,305	23,352
Foreign currency translation gain/(loss) - net	22,189	37,992
Income from damage claims	7,324	9,146
Profit on disposal of property, plant and equipment	7,513	3,717
Miscellaneous	100,852	81,026
	618,785	467,174

22 Finance costs – net

	2011 AED'000	2010 AED'000
Interest expense:		
- Bank borrowings	(1,397,052)	(1,238,791)
- On settlement of interest rate SWAP deals	(369,767)	(270,126)
- Amortisation of arrangement fees	(101,047)	(106,034)
- Amortisation impact of financial liabilities	(42,357)	-
Total finance cost	(1,910,223)	(1,614,951)
Finance income:		
- Foreign currency translation gain	9,730	185,899
- Amortisation impact of financial liabilities	-	71,760
- Interest income on short term bank deposits	76,196	97,431
Total finance income	85,926	355,090
Net finance costs	(1,824,297)	(1,259,861)

23 Cash generated from operations

	Notes	Year ended 31 December 2011 AED'000	2010 AED'000
Cash generated from operations			
Profit for the year		4,374,123	3,512,159
Adjustments for:			
Depreciation	18,19	2,160,256	1,709,223
Amortisation of intangible assets	19	5,814	5,291
Provisions for:			
Slow moving and obsolete inventory	10,19	5,753	12,079
Impairment of receivables	9	27,574	42,246
Employees' end of service benefits	20	48,734	42,355
Pension adjustment for actuarial valuation	13.2	-	7,701
Exchange (gain)/loss on foreign currency loans		(9,730)	(185,899)
Amortization impact of financial liabilities	22	42,357	(71,760)
Interest income	22	(76,196)	(97,431)
Profit on disposal of property, plant and equipment	21	(7,513)	(3,717)
Deferred income	21	(160,894)	(154,390)
Interest expenses	22	1,397,052	1,238,791
Amortization of borrowing cost	22	101,047	106,034
Government grant	14	(2,772)	(2,772)
Interest expense on settlement of swap deals	22	369,767	270,126
Operating cash flows before changes in operating assets and liabilities		8,275,372	6,430,036
Payment of employees' end of service benefits	13.1	(24,243)	(21,345)
Payment of employees' pension plan	13.2	(2,485)	(16,317)
Net consumers' security deposits received during the year	16	137,073	108,024
Movement in Govt. of Dubai Account		(845,097)	(837,713)
Changes in operating assets and liabilities:			
Trade and other receivables before provision for impairment and amounts written off		(147,825)	(336,840)
Inventories before movement in provision		450,289	344,840
Trade payable and accruals excluding trade payable for capital projects, retentions, consumers' security deposits and deferred revenue		(446,793)	945,722
Cash generated from operations		7,396,291	6,616,407

25 Commitments

	2011 AED'000	2010 AED'000
Future commitments including capital expenditure authorised by the management net of amounts already provided for on continuing projects	5,165,000	7,701,961

26 Financial instruments by category

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

	Loans and receivables	
	2011 AED'000	2010 AED'000
Assets		
Trade and other receivables (excluding prepayments)	3,502,389	3,432,024
Cash and bank balances	768,979	7,847,708
	4,271,368	11,279,732

	Other financial liabilities	
	2011 AED	2010 AED
Liabilities as per balance sheet		
Trade and other payables (excluding advances for new connections, security deposits, retirement benefit obligations, retention payable and deferred revenue)	7,745,751	8,118,729
Borrowings (excluding deferred borrowing costs)	23,675,675	31,417,096
	31,421,426	39,535,825

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