The Emirates Group

Annual Report 2007-2008

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emirates.com

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The Emirates Group

Annual Report 2007-2008

Chairman and Chief Executive, Emirates Airline and Group

His Highness Sheikh Ahmed bin Saeed Al-Maktoum

It was another record year for the group, though the net profit was impacted in the second half by the continuing high cost of jet fuel, with oil hovering in the US$90 per barrel range. Despite our risk management programmes, the increased fuel cost made a big dent in the second six months, although the impact was partly offset by other operating gains.

The Emirates Group returned its 20th consecutive net profit of US$1.45 billion (AED 5.3 billion) with a turnover of US$11.2 billion (AED 41.2 billion). Emirates' net profit was US$1.37 billion (AED 5.02 billion), while Dnata's net profit was US$83 million (AED 305 million).

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1 With Richard Vacar, Houston Airport System's Director of Aviation at inaugural reception

2 City-hopping in Brazil

Like all executives, it's important for me to keep in close touch with the products, and during the year I was able to do this by leading inaugural delegations to Venice, Toronto, São Paulo and Houston, as well as attending a ground-breaking ceremony in Australia for our new eco-friendly resort in the Blue Mountains. As our planes criss-cross continents and our logos appear in town centres, sometimes on the shirts of the citizens' favourite sports teams, I have to keep reminding myself that only two decades ago I was always met with a polite "who?" when Dubai and Emirates were mentioned.

Now, even the Dnata brand is being promoted across borders, and our investments and overseas partnerships auger well for the future.

At the Dubai AirShow in November, I signed what was described as the largest order in aviation history, bringing our total order book to 182 aircraft worth approximately US$58 billion. As we plan for the next decade in Emirates' development, one of our main challenges will be to find more pilots, engineers and cabin crew to operate these state-of-the-art aircraft.

Being based in Dubai also means that we will provide accommodation and other facilities for these additional expatriate personnel.

Fortunately, Dubai itself is already preparing to welcome 15 million visitors by 2010, and there is a massive construction programme, not only of hotels and tourist attractions, but also of shopping malls, apartments and villas to serve the increasing number of expatriates attracted to the emirates – including the group's own accommodation-building programme.

Emirates is a hi-tech airline, and I am pleased to write that we are also a hi-touch airline, meaning that we have a philosophy within the group which aims at putting other people first, in a very personal way. This was highlighted when I presented the Chairman's Award to five staff members who had saved lives during the year by their courageous and selfless acts.

Presenting Chairman's Award to Shadi Sharife

"The largest order in aviation history"

Javed Bhatti risked his life to put out a fire at Lahore Airport. Shadi Sharife saved a baby from choking to death in a Dubai shopping centre. Khaled Soliman saved a colleague from drowning in Accra. Wasef Al Said's quick action saved a baby's life at Damascus Airport. In Australia, Michael Greig, an amateur pilot, flew his aircraft across country to deliver vital medication to one of our passengers whose baggage was delayed, at no expense to the customer or airline.

For me, one of the highlights of the financial year was moving into the new Emirates Group Headquarters near the Dubai International Airport. For the first time, most of us are now located under one roof, which has cut down on inter-city transportation and also helped to improve synergy between the various departments. Elsewhere in this report, you can read about the facilities available in the building, but it is important to stress that this investment in our staff has been made in order to provide an even better service to our customers.

IATA predictions show that the Middle East will have a growth rate of 6.9 per cent during the period 2006 to 2010, with India at 7.9 per cent and China at 8.2 per cent growing at an even faster rate.

Emirates is very fortunate to be located in Dubai at the centre of the new Silk Road between East and West.

I am often asked about competition from relatively new airlines in the region, and my response has always been the same: "This is a big cake and, admittedly, Emirates has a big slice of it, but there is plenty for other airlines and we welcome them to the region."

At the end of the financial year, the government of Dubai announced the formation of a new low-cost airline. His Highness Sheikh Mohammed bin Rashid Al-Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, stated that the new carrier would be set up to cater to the growing passenger

1 Media sound bites around the world

2 Sheikh Ahmed with his top management team

traffic from and to the country. The new airline will be a separate entity and will not be part of the Emirates Group, although Emirates will assist up to the inaugural flight.

Despite the long-term forecast of a decrease in the number of passengers travelling in First and Business Class, I am happy to report that Emirates once again bucked the trend and boosted our seat factor in the forward cabins.

I believe the threat of an economic downturn will be offset for Emirates by the boom in the Middle East, especially the thriving travel industry of tourism and commerce.

Running a company is always a collaboration between the management, staff, shareholders and customers. For an innovative airline like Emirates, the customer has always played a major role in our development. For example, the enthusiastic welcome for the inflight entertainment system we introduced in all classes in 1992 is the reason we have invested many millions in its subsequent development for it to become the world's finest with 1,000 channels of movies, music and games. The surprising high usage of the in-seat telephone persuaded us to invest much time and money so that we could introduce mobile telephones this year. The e-mail facilities on board and the BBC News are a response to our business travellers needing to be in touch, while the private suites in First Class, the lie-flat beds in Business Class and the crew rest quarters reflect the new long-haul flights we are introducing, linking Dubai with cities considered once too remote to serve with non-stop flights from the Middle East, like São Paulo and Houston.

Our continued opening of new executive lounges, now at 18 airports around the world, again reflects the feedback from our customers who wanted their very own Emirates' facility on the ground to reflect the service we offer in the air. This year we've added massage chairs and are starting to introduce spas – again as a result of our monitoring of passengers' wishes.

Dnata will be 50 years old during the current financial year, but it has constantly re-invigorated and modernised its products and strategies, and now enters another phase in its development as it expands into overseas markets.

I am proud of the way Dnata and Emirates Airport Services have met the challenge over the past year of helping to keep the world's fastest growing airport running smoothly as we built a new terminal and concourse.

Travelling around the world offers me the privilege of meeting many government, municipality, tourism and trade officials, as well as other consumers. Together with the rest of my management, we listen to their requests and evaluate their markets – that's why I believe our tailor-made service is responding to the desires of our passenger and cargo customers, and by doing so, of course, we can also provide a reasonable dividend return to our shareholder.

Last but not the least, I would like to pay a sincere tribute to my outstanding multinational staff who have once again proved to be our most important asset.

Ahmed bin Saeed Al-Maktoum

Tree planting at Wolgan Valley Resort & Spa, Australia (see page 20)

Executive Vice Chairman, Emirates Airline and Group

Maurice Flanagan CBE

You will read elsewhere of the exceptional year that the Emirates Group has experienced through the efforts of our dedicated staff under the charismatic leadership of our Chairman and Chief Executive, His Highness Sheikh Ahmed, so forgive me if I use this opportunity for an Emirates-centred review of our industry.

A recent excitable article in The Times, repeated in The Australian, would lead you to think that international commercial air transport is in terminal decline. Well, we've been there before. Although things are tough, they're not that tough, and the article places undue emphasis on low-cost carriers, and fails to recognise profound regional disparities.

1 Modern fleet – averaging 67 months in age

2 Our multinational cabin crew won numerous awards

The traditional benchmark for a region's importance in international aviation has been its population size, but this criterion now has less relevance, despite the looming dominance of China and India in total (though not international) traffic.

Singapore and Dubai are two rather good examples – both cities, or rather city-states, have small local populations (approximately 4.5 million and a fast-growing two million respectively), but their airports each process more than 30 million passengers a year. It is interesting that the governments of both Singapore and Dubai operate an 'open skies' aeropolitical regime, allowing free entry to foreign airlines, without demanding reciprocity. It means that Singapore Airlines and Emirates have to be smart to survive, let alone prosper, which we both manage to do.

Passenger traffic through Dubai is growing at 18 per cent a year and showing no signs of slowing down. It is expected to hit 75 million between 2012 and 2015, and 120 million after completion of the six-runway Al Maktoum International Airport in about 2021.

International air traffic flows are shifting eastwards for a number of reasons. Economic growth in Asia and the Middle East is a big driver, but what has made this shift possible has been the advance, however grudging in many countries, of liberalisation and new ultra long-range aircraft.

European hubs are still a major force in global aviation, but their relative importance declines as Asian and Middle Eastern hubs become more powerful. According to IATA's global air traffic growth forecast for 2007 to 2011, Asia and the Middle East are in the ascendant.

The forecast growth in freight traffic closely follows expected growth in regional economies and trade flows. Routes linked with Asia Pacific, China and India in particular, are forecast to show particular strength. Middle Eastern air freight is also expected to show strong growth as the region's carriers take advantage of the current strong purchasing power for the region, provided by high oil prices, to increase capacity on existing and new routes. However, that does not go for Dubai. Oil contributes less than three per cent to Dubai's GDP and tourism over 20 per cent.

All airlines face more or less the same challenges. Talented and skilled staff are becoming harder to find, particularly as the air industry is booming in the Arabian Gulf and Asia, led by the massive economic development in India, China and the GCC countries.

Oil prices have been hitting US$110 a barrel in March 2008. Even with the most advanced and fuel-efficient aircraft, oil prices are a huge challenge to profitability. A few short years ago fuel represented 13 per cent of a typical full-service airline's total costs. Now it is running at about 31 per cent.

Another looming thunder cloud is the environmental lobby, particularly in Europe. Somehow airlines have been demonised for their part in climate change (as if climate ever did anything else but change), and most of the debate to date has been more emotional than rational.

But we have to deal with the perception, false though it certainly is, that airlines are uniquely the global emission villains. As it happens, sound airline economics coincide with the green agenda. The A380 generates lower global emissions and lower seat-mile costs per passenger than any previous aircraft. The Boeing 787 and the Airbus A350 will follow with their composite wings and airframes and new engines.

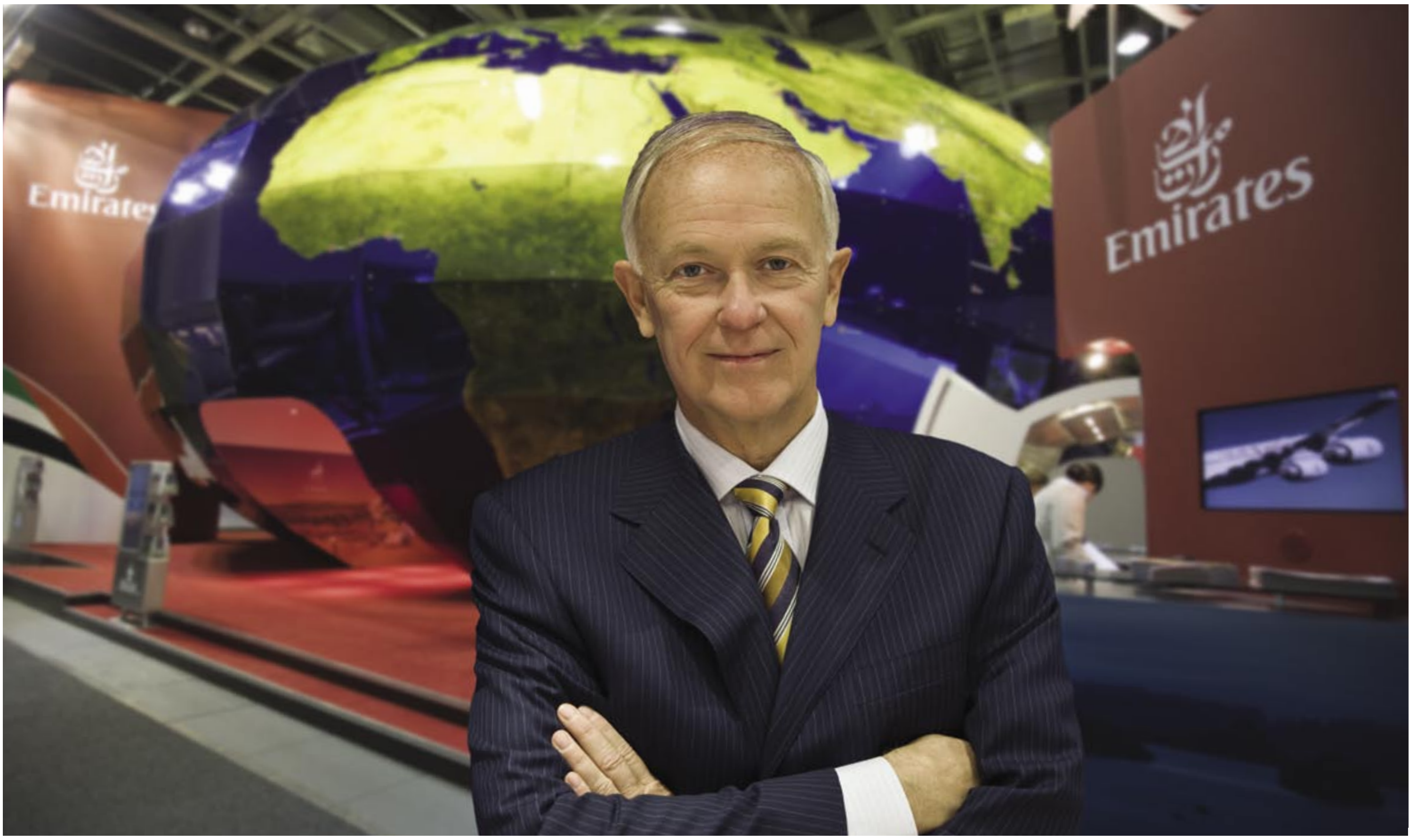
There has been some evidence of progress towards aeropolitical liberalism in recent years. The bilateral system is an abomination, and is exploited by certain national airlines that persuade their governments to protect them from competition, always against the overall interests of their economies.

More and more countries are subscribing to the fact that liberal air access has a multiplier effect on their economies and that protection of their national carriers no longer stacks up in the cost-benefit equation or serves their national interest. Things are changing, but not fast enough. There are still some allegedly advanced countries that are still in the aeropolitical dark ages.

Maurice Flanagan

Maurice Flanagan CBE

President Emirates Airline



Tim Clark

The airline's financial results and performance this year greatly exceeded expectations. This despite the unparalleled rise in the price of jet fuel in the latter half of the year, when our fuel cost spiralled from US$1.68 per gallon into plane to US$2.78 per gallon by year end. Nevertheless, our Fuel Risk Management programme continued to provide positive results.

The core business model, which drives the success of the airline, remains as robust today as it was in the late 1980s. Our strategy of profitable, sustained growth will see Emirates become a truly global airline in the next few years as the network and fleet expand according to a well-structured plan and timeline.

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1 A380 Superjumbo at Emirates Engineering Centre

2 Godiva chocolates for First Class passenger's sweet tooth

Turnover increased by 32.3 per cent on a production growth of 13.7 per cent, while yield improved by 9.5 per cent, generating a net income increase of 62 per cent over the previous year which, given the uncertainties of trading conditions during the course of the fiscal year, was very commendable.

Seven Boeing 777-300ERs and four Boeing 777-200LRs were delivered during the year, taking the passenger fleet size to 104 by year end. The Boeing 777-200LRs facilitated ultra long-range operations to São Paulo, Brazil and Houston, USA. In addition, operations were successfully launched to Venice, Newcastle, Ahmedabad, Toronto and Cape Town.

Three additional Boeing 747-400ERFs joined the fleet of freighters, bringing the total to 10.

During the course of the year, orders were placed for an additional 11 A380s, taking the total of this type of aircraft to 58, and 70 A350s plus 50 options. Value of all aircraft on order now stands at US$58 billion and the backlog is 182 units.

We entered into a number of sale and lease-back arrangements to align the retirement of some of the existing aircraft with new arrivals over the next five to seven years.

The company reached a satisfactory settlement with Airbus on the issues relating to the delayed A380 programme, and we look forward to receiving our first A380 mid summer 2008.

The protection of the environment is an important global issue, and I'm pleased to report that we have set up a new department with a senior executive responsible for environmental affairs, demonstrating our embracement of the IATA-led efforts of the airline industry. In this respect, our Corporate Social Responsibility also extended to the impoverished and needy children of the world through the Emirates Airline Foundation, including providing funds for a floating hospital in Bangladesh and an orphanage for children suffering from AIDS in India.

On the international affairs front, we were pleased to note that several airlines which had falsely accused Emirates of unfair competition achieved record profits, proving once again that competition is good for the airline and the consumer.

Both the passenger and cargo commercial departments attained their targets, but the softening of net income in the last quarter, due mainly to the bullish oil prices, suggested serious difficulties for all airlines in 2008.

The vagaries of commodity trading would appear to influence oil prices, with the perception of the brokers not always reflecting an actual shortage of the raw material.

In the coming year, we will offer a world-beating product, a promise of high quality service and best-value with a door-to door service experience for our frequent travellers.

SriLankan Airlines

With the Emirates management contract coming to an end in March 2008, it is satisfying to note that the SriLankan Group has been profitable in eight out of 10 of those years, as well as delivering award-winning service and international operational standards – quite a remarkable achievement considering the challenges faced throughout this period.

Difficult trading conditions continued to hinder the growth of SriLankan Airlines during the last financial year. The ongoing security situation has caused concern, with adverse travel advisories being issued by key tourist generating countries, impacting on visitor arrivals. Record high fuel prices have also had a major negative effect upon the airline's bottom line. Despite such daunting challenges, the management team, under the leadership of Peter Hill, continued to seek innovative ways in which to grow the business and reduce controllable costs.

A major milestone was achieved in November when SriLankan became the first foreign carrier to operate 100 flights per week to India, helping the airline to carry a record 3.2 million passengers on its global network in 2007.

Looking to the future, more uncertainty prevails until a lasting peace accord can be established within Sri Lanka.

Timothy Clark

Tim Clark

Commercial Operations

At a time when all airlines were feeling the pinch, with high fuel prices and a declining dollar, a coordinated and carefully-devised revenue plan and sales strategy enabled Commercial Operations to play a major role in helping Emirates to exceed sales targets with record seat factors and yields.

A well-managed revenue optimisation strategy, carefully-planned pricing initiatives, advanced sales force automation systems (OneNetwork and Target.com), innovative promotional offers, close cooperation with head office and a determined sales force all resulted in Commercial Operations achieving a network average yield of 29.8 fils/RPKM, 7.2 per cent ahead of last year. In addition, notwithstanding a capacity increase of 15.6 per cent, a record 79.8 per cent average seat factor was maintained throughout the year, 3.6 percentage points ahead of last year.

New offices were opened at seven new destinations: Venice, Newcastle, São Paulo, Ahmedabad, Toronto, Houston and Cape Town. Route launches were preceded by the popular Emirates' roadshows for the introduction of new services. São Paulo, Toronto and Houston were instantly successful, with high load factors underlining the need for daily long-haul non-stop services from the Middle East.

Additional capacity was added to existing routes throughout the year, most notably Dhaka, Beijing, Shanghai, Mumbai and Johannesburg. Emirates moved to new offices in Paris, Istanbul and Zurich, while the Australian management team relocated from Melbourne to Sydney.

Ongoing efforts to further improve our First and Business Class product saw additional chauffeur-drive services introduced. Now available at around 40 destinations, including Lugano in Switzerland, the first offline city, and Venice, where we introduced the world's first speedboat chauffeur service.

The Commercial Operations e-commerce team worked closely with Corporate Communications and IT on the re-design of emirates.com, resulting in a more dynamic and user-friendly experience with enhanced booking features. The new look website uses the latest internet and e-commerce technology, and provides a gateway to 76 sites in 10 different languages. Online bookings continue to soar, and online check-in has also been enhanced and is now available from 75 cities across the network.

Emirates' contact centres and reservations offices handled in excess of 14 million calls in 2007/8. Despite the high volume, service standards were maintained. Advanced customer service and direct sales training programmes were introduced, while a new 350-seat contact centre was opened in Mumbai. The worldwide operational team now comprises some 2,000 passenger sales and service staff working in six contact centres and 91 reservations offices. There are plans to expand the Dubai Hub (contact centre) to accommodate 450 passenger sales service agents.

In line with IATA's 'Simplifying the Business' initiative, aimed at achieving 100 per cent e-ticketing by all airlines worldwide by 31st May 2008, Emirates is well positioned with 98 per cent of all ticketing transactions already being electronic.

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1 Emirates' contact centres and reservations offices handled 14 million calls

2 Skywards members now number 3.4 million

Skywards, Emirates' frequent flyer programme, now has 3.4 million members. A value-added product, The Emirates High Street (an exclusive mail-order catalogue), was launched in December 2007. Skywards members can purchase unique items from a wide range of upmarket merchandise using Skywards Miles or credit cards as payment. In addition, SkyBid, Skywards' mileage auction tool, was introduced, allowing members to bid their Miles to attend Emirates-sponsored events and hospitality. Kingfisher Airlines joined the Skywards family and members can now earn Miles when they fly on Kingfisher.

Commercial Operations and Corporate Communications worked closely to optimise Emirates-sponsored properties for Emirates' passengers, including Emirates Team New Zealand, the IRB 2007 Rugby World Cup in France, the Dubai Sevens Rugby Tournament, the Dubai Desert Classic PGA tournament and the Dubai World Cup, the world's richest horse race.

In addition, Commercial Operations continued to develop and promote the Dubai Stopover programme, the Dubai Shopping Festival and Dubai Summer Surprises, as well as producing new route launch offers, ad hoc special offers and acquiring Official Airline status for a number of conferences.

Dubai Visa Processing Centres in Johannesburg, Lebanon, Bangladesh, Jordan and Iran have simplified the issue of visas for tourists and business people wishing to visit Dubai.

The refurbishing of city offices with Emirates' new look continues with Doha, Jeddah, Beirut, Sana'a and Damascus having been completed.

Customer Affairs & Service Audit

The Customer Affairs & Service Audit (CASA) department has de-centralised over the years with regional offices in Europe, the Americas, Australia/New Zealand and the Indian subcontinent, and will soon be represented in other key markets such as China, Japan, Iran and South Africa.

CASA is committed to retaining the business of our customers who have had a less than positive experience with the airline by treating their concerns in an empathetic, caring and personalised manner.

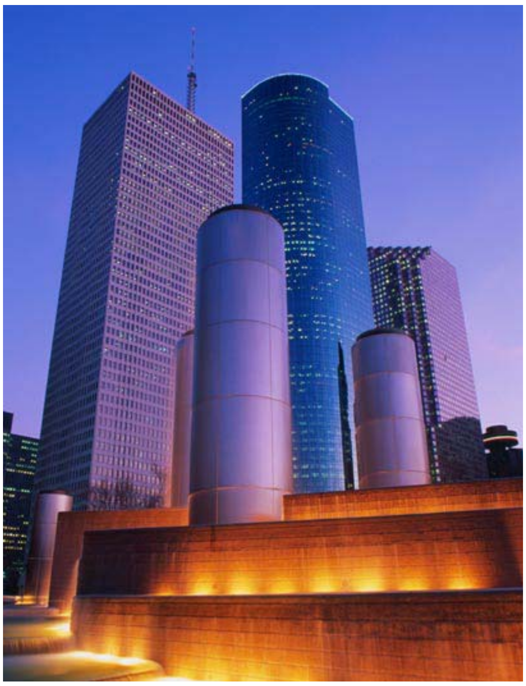
The department manages mishandled baggage cases centrally from Dubai and provides support to Emirates' stations network-wide by acting as consultant to resolve customers' claims.

Regionalisation means Emirates can respond to customer concerns and complaints on the spot and in a way that recognises different cultures.

To ensure that the Emirates Group maintains its reputation for service and product excellence during its ongoing growth, the Service Audit team constantly monitors and measures product and service standards. The Service Audit team covers inflight, Skywards, contact centres and ground services. In addition, the Mystery Shopping team contributes to the evaluation of our customer service staff. The process will grow as the organisation adds more routes and destinations.

This year, 500 flights were audited worldwide, plus 200 audits on the worldwide contact centres, three major audits on Dubai International Airport and 20 audits on outstations. Dnata Travel Services too was the focus of some 100 visits by our Service Audit team.

Houston



Ghaith Al Ghaith
Executive Vice President Commercial Operations Worldwide

"The teamwork and synergy between commercial heads and the sales force proved a winning combination and again we exceeded targets."


Gothenburg
Moscow
Glasgow
Newcastle
Manchester
Birmingham
London
Hamburg
Amsterdam
Dusseldorf
Hahn
Frankfurt
Paris
Zurich
Munich
Vienna
Venice
Milano
Nice
Zaragoza
Barcelona
Rome
Istanbul
Athens
Tunis
Malta
Larnaca
Casablanca
Tripoli
Toronto
Toledo
New York
Houston
Khartoum
Djibouti
Addis Ababa
Abidjan
Accra
Lagos
Entebbe
Eldoret
Nairobi
Dar es Salaam
Lilongwe
São Paulo
Johannesburg
Cape Town
Middle East Network
Tehran
Beirut
Damascus
Alexandria
Amman
Cairo
Kuwait
Dammam
Bahrain
Dubai
Riyadh
Doha
Muscat
Jeddah
Sana'a


Dubai
Peshawar
Islamabad
Lahore
Delhi
Karachi
Ahmedabad
Kolkata
Dhaka
Mumbai
Hyderabad
Bangalore
Chennai
Kochi
Thiruvananthapuram
Colombo
Malé
Seychelles
Mauritius
Beijing
Seoul
Osaka
Nagoya
Shanghai
Taipei
Hong Kong
Manila
Bangkok
Kuala Lumpur
Singapore
Jakarta
Brisbane
Perth
Sydney
Melbourne
Auckland
Christchurch
Passenger Routes
Freighter Routes
Passenger & Freighter Routes

Boeing 777 refurbishment

Emirates Engineering

An exceedingly busy year saw maintenance activities at the new Emirates Engineering Centre increase by 25 per cent. Highlight of the year was the official opening of the centre – the world's largest – and the Test Cell by Sheikh Ahmed.

The comprehensive capacity, with the latest equipment and the extraordinary skills of the centre's engineers, was demonstrated with the refurbishing and retro-fitting of four Boeing 777 Classics. This complex task involved a full cabin strip and the introduction of additional structure to accommodate the new interiors, resulting in each aircraft being in maintenance for 40 to 45 days. The programme has included the installation of new First, Business and Economy Class seats, inflight entertainment systems, toilets and galleys. In fact, the workload required for these modifications resulted in the investment of 80,000 man-hours.

Further fleet interior enhancements will continue through the next three to four years as Emirates upgrades the product offering.

For the imminent arrival of the A380 Superjumbos, significant planning and preparation has been carried out by all departments within the airline. Engineering has worked closely with Airbus, with regular attendance at customer focus groups and numerous internal working groups, which will make Emirates ready for the first A380.

Emirates enjoys a close relationship with Airbus, system manufacturers and suppliers, which will make for a smooth entry into service. The airline was fortunate to have the A380 in Dubai in August and at the Dubai AirShow in November for flight, ground and equipment trials, and was able to test the newly installed A380 dock in the centre.

Engineering has also been fortunate to work with Engine Alliance to have the GP7200 training engine positioned in Dubai, enabling the engineers to have the opportunity to conduct routine maintenance tasks.

Looking to the long-term future, Emirates Engineering continues to operate its Apprenticeship Programme, which took on 31 national trainees and, for the first time in recent years, 27 expatriates.

Flight Operations

With the Emirates' fleet continuing to expand at 16 per cent per year, 403 new pilots were recruited. This brings the total number of flight deck crew to some 2,000, representing more than 75 different nationalities – forming in Emirates' opinion the crème-de-la-crème of commercial aviators.

In attracting these experienced and highly qualified pilots, Flight Operations supported numerous flight recruitment roadshows. A number of Emirates' own cadet pilots also completed their training, adding to the cadre of nationals. In pilot selection, the airline introduced two new assessment tools, exclusively designed for the recruitment of professional pilots. Flight Operations conducted simulator selection activities in Atlanta, USA, as well as Dubai, to ensure the required in-take of new pilots.

During the year, the world's longest-range aircraft, the Boeing 777-200LR, was introduced, starting non-stop operations to São Paulo and Houston from Dubai.

Like the Airbus A340-500 and the Boeing 777-300ER, the aircraft have special crew rest facilities. Flight training was enhanced with the arrival of a number of new simulators at our Dubai Training College. These included the Boeing 777-300 Full Flight Simulator, the third Boeing 777 device, and the A380 Full Flight Simulator, as well as the A380 Fixed Training device, plus Emergency Evacuation Trainers for the A330/340 and Boeing 777.

High fuel costs again dominated, and Flight Operations introduced more direct over-flying routes to West Africa, Russia, the Ukraine, Australia and Indonesia.

This fiscal year has seen Flight Training Facilities accept and commission the largest amount of training equipment in its 15 year history: three Full Flight Simulator devices, one part-task pilot trainer, two Safety Emergency Procedure (SEP) door trainers and three SEP evacuation trainers.

Adel Al Redha
Executive Vice President Engineering and Operations

"Flight deck crews began ultra long-haul operations to Houston and São Paulo, and our engineers completed the refurbishing of four Boeing 777 Classics with new First and Business Class sleeper seats and the 'ice' system."

Emirates' new Network Control Centre

Automated Truck Dock Handling System

Emirates SkyCargo

2007/8 has been a very turbulent year for the air cargo industry. The global socio-economic conditions, including the US slowdown with the sub-prime crisis, together with the fluctuating values of dollar, sterling and euro, had an impact on the air freight industry. The rising cost of fuel also adversely affected trade and consumer spending. In addition, worldwide weather changes and extremes have affected agricultural and horticultural production and fishing in key areas. Further to this, the political instability in a number of countries around the world has affected cargo movements in some key markets.

Despite these challenges, Emirates SkyCargo once again reported healthy revenue and tonnage carried. The revenue rose to US$1.8 billion (AED 6.4 billion), an increase of 20 per cent, while tonnage increased by 10.9 per cent to 1,282,134 tonnes. The cargo revenue represented a 19 per cent contribution to the total transport revenue, yet again one of the highest contributions to any airline with a similar fleet.

Personal care for equestrian customers

During the year, SkyCargo opened up new freighter only destinations to Djibouti, Hahn, Toledo and Zaragoza. The main markets for SkyCargo continue to be the Pacific Rim and Australasia, followed by the Middle East, Europe, West Asia and Indian Ocean, Africa and the Americas.

Towards the latter part of the year, the division moved into a new Cargo Mega Terminal located in Dubai Cargo Village, which has an annual processing/throughput capacity in excess of 1.2 million tonnes. It is equipped with a state-of-the-art fully-automated storage and retrieval system, with cargo build-up and breakdown facilities spread out on two levels. The handling equipment automation system is integrated into SkyLog, SkyCargo's cargo handling system, and facilitates the use of handheld computer terminals to capture real-time information.

During the year, the Dubai Hub handled 1,047,754 tonnes of cargo, registering a growth of 11 per cent above the previous year.

Freighter operations continued to produce substantial revenue during the year. The freighter fleet carried 380,056 tonnes of cargo, generating revenue of US$624 million (AED 2.3 billion) which constituted 36 per cent of the total cargo revenue. The freighter fleet started the year with nine aircraft – three owned 310F and six leased 747F aircraft. During the year, three 747-400ER freighters were added to the fleet, one on lease and two owned. With the arrival of the new and fuel-efficient 747-400ERFs, two of the earlier wet lease aircraft were returned. Thus at the end of the financial year, SkyCargo had a freighter fleet of 10 aircraft – five leased and five owned.

SkyCargo participated in the following trade events: Inter Modal Cargo Fair (Sao Paulo) in April 2007; Air Cargo Europe (Munich) in June 2007; Air Freight Asia 2007 (Hong Kong) in September 2007; FIATA Congress 2007 (Dubai) in October 2007; Dubai Air Show 2007 (Dubai) in November 2007; Air Cargo India 2008 (Mumbai) in January 2008.

SkyCargo won no fewer than 15 international awards, including Best Cargo Carrier in the UK, Germany, Spain and Hong Kong.

1 Taj Mahal – India continues to be a popular destination

2 Green Lakes – luxury serviced apartments

Destination & Leisure Management

The division had another billion-dirham year, reaching sales of US$382 million (AED 1.4 billion), up 22 per cent on the previous year. Arabian Adventures and Emirates Holidays cared for a total of 397,000 tourists, an eight per cent increase. Arabian Adventures played host to 297,000 visitors to Dubai, up 13 per cent from the previous year. This was a remarkable performance in view of the continued shortage of rooms in Dubai, which is not expected to ease until mid 2009.

The UK was again the primary customer, contributing 70 per cent of the total market, with Australia at 13 per cent, Germany at 11 per cent and South Africa at 7.5 per cent. The fastest growing groups of customers were from the emerging markets of Brazil and Spain, as well as the USA and South Korea.

Arabian Adventures launched its own web booking facility, which offers real-time hotel availability across all the properties featured by the destination management company in the UAE and beyond.

Congress Solutions International (CSI) organised several conferences in Dubai, including the second Middle East Conference of the Chartered Institute of Purchasing and Supply and the Annual Meeting of the Institute of Private Investors.

Demonstrating its know-how and its true positioning as a world-class professional congress organiser, CSI organised for the first time a conference outside its home base, on behalf of a European client, in Tenerife, Canary Islands. CSI was also selected by the World Travel and Tourism Council (WTTC) to coordinate their annual meeting and global summit in Dubai in April 2008 and by the World Association of Cooks Societies (WACS) to organise their annual congress in Dubai in 2008.

Emirates Holidays achieved a per passenger yield increase of three per cent, coupled with a three per cent increase in the average length of stay by its clients. It also opened its own office in India and began operating a full range of packages in that burgeoning market.

Main destinations during the year were Dubai, Malaysia, Thailand, Mauritius, Egypt, the Maldives, Australia, Germany, France and Singapore.

Emirates Hotels & Resorts was transformed from its original single Al Maha property to a large multi-property hotel operation, with International Central Reservations, a Corporate Sales and Business Development unit, global online distribution systems, and support services for the design and development of its growing resort portfolio.

Emirates continued its sponsorship support of the Dubai Desert Conservation Reserve (DDCR), which recorded over 221,000 visitors through the year, an increase of 28 per cent on the previous year, proving that careful management of the popular desert safaris need not impact on the environment.

Research, habitat conservation and wildlife releases (38 Arabian Oryx) continued with regional and international officials of the United Nations Environmental Programmes and the World Conservation Monitoring Centre conducting inspections of the reserve in late 2007. With only administrative steps remaining, it is likely that the DDCR will be included into the UN's World Database of Protected Areas – the culmination of four years' work in conservation management.

The Harbour Hotel & Residence, Emirates' property in the Dubai Marina, opened its doors to guests on the 1st November 2007, moving rapidly from an opening occupancy of 38 per cent to 85 per cent by the end of January.

Al Maha Desert Resort & Spa continued its inspirational success during its eighth year of operation, posting its best-ever results while receiving consistent acknowledgement from its guests on the quality of its services and experiences. The 42-suite resort hosted an average occupancy of 78 per cent, achieving average rates of US$1,226 (AED 4,500) per room per day, maintaining its position as one of the year's most successful small luxury hotels.

Operations also geared up for Emirates' second Dubai city property, the full-service luxury Green Lakes Serviced Apartments. With 283 apartments located within the prestigious Jumeirah Lakes Towers complex, the property is targeted for opening in May 2008 and marks Emirates Hotels & Resorts entry into hotel management agreements.

Counter Culture restaurant at The Harbour Hotel & Residence

Cap Ternay, Seychelles

His Highness Sheikh Ahmed and other dignitaries participated in the ground-breaking ceremony at Emirates' Australian property, the US$100 million (AED 367 million) Wolgan Valley Resort & Spa, in November 2007 (due for completion in late 2009). Based on Al Maha's successful model of sustainability and conservation-based operation, and located amidst the Blue Mountains World Heritage Area, this property will set new benchmarks for hospitality in Australia. From the outset, close attention has been paid to the ongoing preservation of endangered wildlife and indigenous habitats, gaining approval of Federal and State Environmental agencies.

Seychelles' Cap Ternay Resort, Villa & Spa operation was announced in May 2007, following successful conclusion of agreements between Emirates and the Republic of Seychelles. This US$250 million (AED 917.5 million) Emirates' investment will bring a new dimension to the Seychelles' destination. The five-star resort, consisting of 421 rooms and 41 private villas, is currently in the detailed design phases (slated for opening in 2010) and again emphasises Emirates' commitment to conservation and environmental sustainability.

Work on the 70-floor twin-tower Park Towers Hotel & Residence in Dubai continues unabated, with the superstructure now well above ground level and progressing on schedule.

The Hotels & Resorts division expanded its Timeless Spa brand into The Harbour Hotel & Residence, continuing with Emirates' plans to have its own spa operation in each property, and will also be featured in the First and Business Class lounges at the new Emirates Terminal at Dubai International Airport.

Planning International & Industry Affairs

Boeing delivered seven 777-300ER and four 777-200LR passenger aircraft to Emirates, and at the end of financial year, the total passenger fleet size was 104 aircraft.

The division completed a comprehensive fleet planning evaluation, which lead to the biggest order of 120 A350s (consisting of 50 A350-900s and 20 A350-1000s, plus 50 options for the A350-900s), 11 A380s (58 now on order) and 12 Boeing 777-300ERs (71 in total).

A new daily service to Newcastle (NCL) commenced on 1st September 2007. Venice (VCE) came online on 1st July 2007 with five flights per week and increased

1 Hi-tech – 11 new Boeing 777s delivered

2 Hi-touch – Tunis and Tripoli spice markets served daily

to daily from 1st September 2007. Non-stop services to São Paulo (GRU) in Brazil were introduced on 1st October 2007 with six weekly flights being served with the new 777-200LR. Services to Toronto (YYZ) in Canada commenced on 29th October 2007 with three flights per week, and a second point in the USA, Houston (IAH), came online with a thrice weekly service on 3rd December 2007 and increased to daily from 1st February 2008.

In addition to seven new destinations, a second daily service to Shanghai was introduced on 1st February 2008, and more flights were added to Beijing to provide a twice-daily service.

India is an important market for Emirates, and during the year, services were increased to many of the major gateways. Nine frequencies were introduced to Mumbai with Emirates now serving the metropolis four times a day. Three frequencies were added to Chennai, increasing the total number of services to 14 per week. Three flights were added to Hyderabad, increasing the total to 11 times per week. Three more frequencies were added to Kochi, making it 10 per week. One additional frequency was added to Kolkata, thereby serving the eastern India city on a daily basis. Ahmedabad became the ninth online destination in India with services up to eight flights per week. Four more flights were added to Delhi, and Emirates now has 11 services a week.

In the Middle East, two additional services were added to Damascus, bringing the total to nine per week. Seven more flights were introduced to Bahrain and we now fly three times a day.

In Africa, Emirates began serving Tunis and Tripoli daily, and Johannesburg three times a day. A second point in South Africa was launched with daily services to Cape Town from 30th March 2008.

New Air Service Agreements were concluded by the UAE with Myanmar, Mexico and Spain, Georgia, and revised agreements concluded with Bangladesh, India, Nepal, South Africa, Cyprus and Yemen.

Industry Affairs continues to represent Emirates at the IATA Agency and Services Conferences for both passenger and cargo activities to support industry initiatives.

Emirates joined new IATA Billing and Settlement Plans (BSP) implemented in Burkina Faso, Mali, Senegal, the Ukraine and Zimbabwe. Emirates also joined the IATA Cargo Accounts Settlement Systems (CASS) in Mexico and Morocco. We now participate in 91 BSP countries out of 152 worldwide and 42 CASS countries out of 63 worldwide. As a result of the implementation of a new travel agency programme for gulf countries and the formation of the IATA Agency Programme Joint Council, enhanced commercial and financial criteria for IATA accreditation have been put in place.

The Market Research department continued to provide consumer and employee insights which supported the ongoing enhancement and development of existing products and services across the group.

To complement these continuous in-house research projects, syndicated customer satisfaction benchmarking studies are being purchased to provide the various divisions of the group with their competitive position on the products and services side. Market Research, in conjunction with Corporate Communications, has conducted a key study amongst Skywards members across 40 countries to better understand their media consumption and preferences.

São Paulo

Course graduates with Terry Daly, Divisional Senior Vice President, Service Delivery

Service Delivery

With more than 2,000 new cabin crew joining the staff, the key Service Delivery philosophy of 'Make Someone's Day' was brought to the fore as the 9,000 milestone was passed.

As well as increasing the number of senior flight pursers, the division re-focused its role to provide greater performance management. In the exchange of information and knowledge, Service Delivery has enhanced the crew portal so that it is probably the most comprehensive dedicated website in the industry.

The continuous improvement philosophy permeated into the First Class cabins where Dine-on-Demand was introduced for flights of four hours 40 minutes and over, with cabin crew creatively optimising the storage space for the extra meals and beverages. This was particularly important for the new long-range Boeing 777-200LR non-stop flights from Dubai to Houston and São Paulo.

In addition to innovative features and menus, Emirates introduced a new range of First and Business Class amenity kits and blankets in both forward cabins.

Continuous training and re-training is an important element for the maintenance of Emirates' high standards, and during the year, there were no less than 1,500 individual courses with thousands of participants.

In July, Service Delivery moved into a state-of-the-art training facility, designed and tailored for crew training, featuring the industry's leading Emergency Evacuation Simulators, including the A380. By mid 2008, the unit will have a total of 14 Cabin Service Trainers, all designed to exact aircraft specifications.

'Make Someone's Day' is regularly brought into a real-life scenario at the ab initio graduations of cabin crew. In May, for example, Anshu was surprised when handed a cheque for 450,000 rupees from the Emirates Airline Foundation to help in her work with the Purkal Youth Development Society orphanage and school in India, which she has been supporting from her salary. In December, Barbara from Kenya was saving up to buy a laptop so she could keep in touch with the five brothers and sisters she has brought up since losing her parents and is still paying for their education. She was handed a laptop as the ab initio graduates clapped and cried simultaneously.

The Duty Free sales department sold approximately 400,000 items on board and increased turnover by 48 per cent to US$35 million (AED 128 million).

A joint initiative with Mont Blanc was launched, offering a one million dollar necklace for sale with a promise to donate US$150,000 to UNICEF if a buyer was found for the jewellery. Finally, Emirates was voted the Best Inflight Duty Free in the Middle East by readers of *Gulf/Africa Duty Free Magazine*.

1 Executive lounges enhanced

2 Tandem pushchairs – part of arrival service

Airport Services

Emirates Airport Services is in the forefront of a revolution which will make passengers' baggage easier to identify and locate.

The Radio Frequency Identification (RFID) trial is being carried out with the British Airport Authority (BAA) and IATA at London Heathrow, Dubai International and Hong Kong airports. It involves the evaluation of technology to improve baggage tracking using Motorola, IER, Fujitsu, Intermec printers, readers and RFID tags.

Emirates is planning for the new RFID baggage tags to be available for use on all A380 Superjumbo routes as the product rolls out across the network in 2009.

There was again extensive development of new executive lounges, which now number 18 across the network, while the First and Business Class lounges at Dubai International Airport were expanded and upgraded. Brisbane unveiled a new lounge facility that offers a stunning 360 degree view, and is the first airline lounge in Australia capable of boarding passengers directly onto the aircraft, including the upper deck of the A380. The latest massage chairs are now available in all lounges. A comprehensive and dedicated lounge training programme was also conducted for the 166 lounge staff worldwide.

The division is in the final stages of preparatory work for the move to Concourse 2 and Terminal 3 at the new facilities.

At the same time, the division is coordinating the introduction of the world's largest, and probably most complex, baggage handling system. An additional 400 staff have already been hired to operate the terminal.

A new VIP unit was started in December 2007 to take care of passengers with special travel requirements, ranging from presidents to princesses.

Public Affairs and the Environment

Emirates has created a new department to focus on both government and environmental affairs.

Public Affairs manages Emirates' government relationships across the world. Ensuring consistent positive interaction with governments in key and new markets is a priority for an airline growing as fast as Emirates, and progress has included work in North America, Germany, Australia and the UK.

In relation to the environment, Emirates is committed to acting sustainably in the interests of our customers, our business and the 100 plus destinations we service.

The airline makes the single biggest environmental difference through the development, selection and operation of a modern fleet – one of the most advanced and fuel-efficient operations in the world. More sophisticated, lighter and lower-emission aircraft were delivered this year.

Soon the family of jetliners will be joined by the first of our 58 A380s. Emirates' versions of this Superjumbo will be the most environmentally-advanced in the sky, with fuel consumption as low as 3.1 litres per 100 passenger kilometres. This exceeds even the best fuel standards of very small or hybrid cars.

Across the group, there have been renewed efforts in pursuing efficiency and sustainability. One such example is the recycling of five tonnes of paper and newspapers removed from Dubai-bound aircraft every day. It is segregated and recycled, and almost 2,000 tonnes a year will be recycled, saving 35,000 trees.

Emirates continued to develop and implement new efficient operational measures, including the Australian Flex Tracks system, which can save up to eight per cent of fuel on each sector in the right conditions, and the pioneering use of Russian airspace to save precious time and fuel.

Sheikh Ahmed planted the first tree at the Wolgan Valley Resort & Spa in Australia's Blue Mountains, the first of many thousands that will prosper at this luxury conservation project.

Emirates will be doing more in 2008 to further improve our sustainability and to ensure the airline remains at the environmental forefront of this sector.

Ali Mubarak Al Soori, Executive Vice President, Chairman's Office, Facilites/Projects Management and Procurement & Logistics (non aircraft) checks progress on the new staff accommodation under construction at Dubai Media City

Facilities/Projects Management

The Facilities/Projects Management division of the group is helping to change the face of Dubai's already futuristic architecture. During the year, it commissioned and opened US$578 million (AED 2,120 million) worth of new buildings, including the impressive Emirates Group Headquarters, the Engineering Centre, Dnata Cargo's Free Zone Logistics Centre, The Harbour Hotel & Residence and a new crew training college.

Work is now in progress on the US$1,067 million (AED 3,916 million) investment in new buildings, which includes the Destination & Leisure Management Annex, Emirates Call Centre and staff accommodation at Ras Al Khor, Al Majan and Media City.

Facilities/Projects Management is also responsible for the Wolgan Valley Resort & Spa, an eco-friendly resort in Australia, and the five-star Park Towers – both now under construction.

Emirates projects at the design stage include the Emirates Tourism Village and a new resort in the Seychelles.

Procurement & Logistics

Procurement & Logistics (P&L) manages an estimated annual budget of US$4.4 billion (AED 16 billion) on procurement of goods and services. To ensure that the group obtains the very best value for money, P&L has worked very closely with suppliers and internal customers to help departments meet their corporate targets and achieve significant unit cost savings, while constantly improving the quality of goods and services.

P&L received approximately 450,000 requests for numerous direct items and transacted around 35,000 purchase orders and contract lines.

The department continued to successfully source jet fuel for the airline around the globe despite increasingly tight global markets and difficult logistical challenges, buying 1.3 billion US gallons. The team was voted the best fuel purchasing team in the Middle East and Africa region for the third year in a row in a poll of industry peers organised by Armbrust.

P&L helped to enhance the products offered on board the aircraft with the introduction of new duvets and amenity kits in line with the high expectations of our customers.

In India, P&L worked with Emirates Airport Services, Emirates SkyCargo and external ground handling partners to finalise long-term sustainable initiatives to improve the customers' experience on the ground and also to open up new airport operations in Bangalore and Hyderabad.

P&L played a significant role in cementing the commercial details required to make The Emirates High Street (online/offline rewards catalogue) ready for launch, including negotiations and contracting for design and operation of the business model.

P&L continued to work with Corporate Communications in the digital environment of group advertising activity and the growth of Emirates in the Americas with the appointment of the first advertising agency in Brazil.

1


2


1 Transguard education academy trained more than 2,700 guards

2 Transguard handled 110 tonnes of valuables

A marked increase in activity, including the launch of the A380 and a number of new routes, required P&L to work closely with group advertising to evaluate and appoint three new advertising agencies.

An additional uniform store was opened for the convenience of our internal customers at the new Emirates Training College.

The department made news when His Highness Sheikh Mohammed bin Rashid Al-Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, attended a workshop organised by the Emirates Group and the Mohammed Bin Rashid Establishment for Young Business Leaders. P&L encourages and supports these young entrepreneurs by providing them with business opportunities wherever possible, and its endeavours have been recognised as the best organisation to support this cause on a very large scale.

Engaging in green procurement can be challenging, and we are in the process of formalising purchasing policies, encouraging buyers to engage with the markets to choose environmentally-aware suppliers.

Group Safety

In line with the expansion of the group departments, manpower and specialist safety expertise was strengthened, and an increasing number of safety boards have been established. There has been a continuing emphasis in the workplace on safety, for example, in aircraft maintenance where Group Safety facilitated an 'Engineering Safety Week'.

To align management with best practice knowledge, an e-learning module is under development to support training in the Group Safety Management System.

Emirates' managers led participation in a regional roll-out meeting for the Global Safety Roadmap, an initiative that involves all the stakeholders of the aviation community: regulators, airlines, manufacturers and airports worldwide.

The department also supported and led the Gulf Flight Safety Committee, and was a member of the IATA Safety Group, as well as the Flight Safety Foundation International Advisory Committee.

Emirates Group Security

Emirates Group Security (EGS) again invested in the training of its staff. This paid dividends as the company passed two major operational audits with flying colours. The division has gained well-earned recognition from a number of international organisations.

With four of its professional staff with ICAO certification in aviation security and the Transguard Education Academy training 2,710 guards from diverse organisations, Emirates Group Security was the leader in the Middle East in aviation security.

EGS has strengthened the relationship with the Edith Cowan University of Western Australia in the establishment of a Centre of Excellence in Aviation and Security Studies.

Proof that all the advanced training is succeeding were the accolades received by EGS from the Australian Federal Police and UK Immigration for the quality of their border control work.

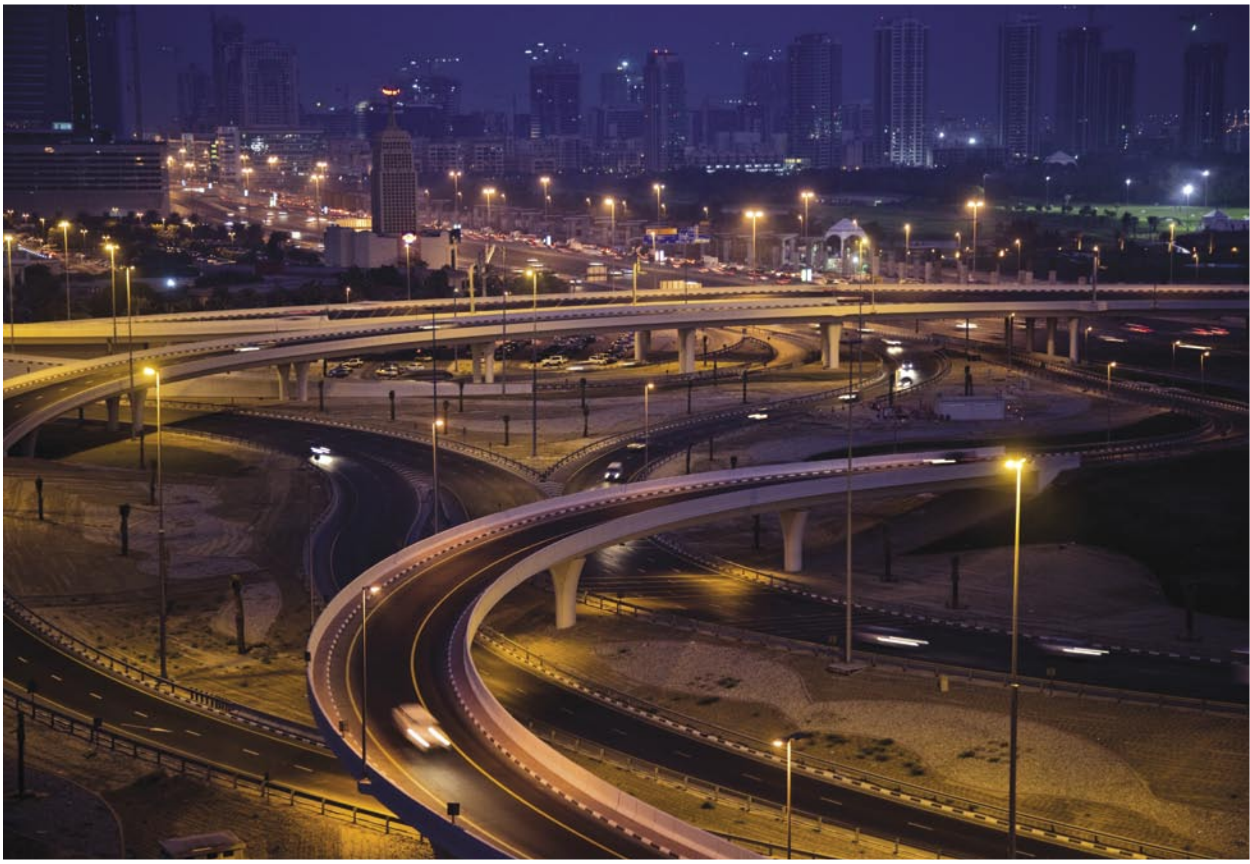
Transguard

Transguard handled a total of 110 tonnes of valuables in its new Valuable Handling Facility, while the Cash Management Centre was responsible for processing 1.1 million bank notes per day.

The MOU signed with the Dubai Diamond Exchange strengthened Transguard's relationship and enabled both organisations to better serve the industry. The contract signing was part of an agreement to move the complete operations of the Kimberly Certification Process to EGS headquarters in the Dubai Airport Free Zone. The procedure of certifying rough diamonds imported and exported from Dubai is now routed through this Transguard facility.

The Transguard Group is responsible for airside airport service, security, facilities management, cash management, education, training and consultancy.

Internationally, the Transguard Group is involved in activities in Kenya, Jordan, Uganda, Sudan, Libya and the Maldives, as well as other GCC countries.



Sheikh Zayed Road with Emirates Golf Club (right) in the distance

Dubai – the future, today

The Dubai development bandwagon shows no signs of slowing down, and 2008 promises to be a pivotal year in the city's meteoric evolution. The world's tallest tower, an expanded airport, a brand new airport and a rapidly developing metro are among the highlights – not to mention an array of residential and commercial projects which will be announced, developed and launched.

In his inspirational book, *My Vision*, His Highness Sheikh Mohammed bin Rashid Al-Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, sums up his long experience in leadership and his development vision for Dubai and the UAE.

He shows how the emirate of Dubai has achieved its miraculous development through the pioneering vision of his father, who poured awesome amounts of money into the desert to build giant projects like Jebel Ali Port and the airport that turned Dubai into the commercial hub of the region.

Recalling his father's words of wisdom to him when he conveyed to him the concerns of Dubai traders who thought the late Sheikh Rashid was wasting money and effort in building Jebel Ali Port, Sheikh Mohammed writes: "My father told me…I am building this port because a day may come when you will not be able to build it."

No doubt Sheikh Rashid would be impressed with the sights on show today, with Jebel Ali Port expanding, a new airport opening in Jebel Ali later this year, the existing airport expanding with new terminals this summer and a host of other major projects underway.

Across the city, the US$4.25 billion (AED 15.6 billion) Dubai Metro, the flagship project of the Roads & Transport Authority (RTA), is coming sharply into view. It is the biggest driver-less metro project implemented as one unit anywhere globally. The first trains are due to start running on the Red Line from 9th September 2009 and from 21st March 2010 on the Green Line.

Burj Dubai, already the world's tallest tower, had risen to more than 150 floors by February and is still rising, although developer Emaar remains tight-lipped about its final height. In early 2009, the first Armani Hotel will open inside with 175 guest rooms and suites.

Palm Jumeirah is now a concrete reality with nearly all the shoreline apartments finished, along with the bulk of the 1,300 villas which line the 17 fronds. The Atlantis Resort, dominating the apex, is likely to open by the end of 2008, and around 28 beachfront hotels, located on the crescent section, are due to open by the end of next year.

The QE2, making her last voyage, is due to arrive in Dubai in November, whereupon she will be converted into a luxury hotel and permanently moored up alongside Palm Jumeirah from 2010.

As part of the Dubai Strategic Plan, the city is striving for 11 per cent annual growth and wants a GDP of US$108 billion (AED 396 billion) by 2015, with real GDP per capita increasing to US$44,000 (AED 161,480). Inside and out, Dubai continues to throw down the gauntlet to architects and engineers with a wealth of large-scale projects coming to the fore.

The Arabian Canal is set to re-shape the southern part of Dubai and transform the Jebel Ali landmass into an island at a cost of US$61 billion (AED 224 billion), making it among the world's most expensive projects.

It will be built in two parts – a 75km canal which will snake from the Palm Jebel Ali to the Palm Jumeirah (due for completion in 2010) and a 'city within a city' that will cover 20,000 hectares along the canal's southern flank. Developed by Limitless, the real estate arm of Dubai World, the project will transform the arid terrain that stretches from the outskirts of New Dubai to Jebel Ali.

Buoyed by record oil prices and economic expansion, Dubai's shipping industry has experienced marked growth. DP World will complete the phase two expansion of its Jebel Ali harbour – Container Terminal 2 – by the end of this year, raising the port's handling capacity to 15 million TEUs (twenty-foot equivalent units) and enable it to accommodate mega-ships of more than 12,000 TEUs. During the winter season 2007/8, 200,000 cruise passengers visited the emirate.

Dubai's love affair with shopping shows no signs of waning. The number of malls in the emirate is expected to double in the coming years, ultimately covering a space of 40 million square metres.

The hospitality sector remains in overdrive, with hotels packed all year round with corporate and leisure visitors. Tourism now accounts for 30 per cent of Dubai's GDP.

Jumeirah has a series of major launches coming up at Creekside Park, Business Bay, World Trade Centre, Aqua Dunya theme park in Dubailand, Al Fattan resort on Palm Jumeirah (which will face Burj Al Arab) and the management contract for the Trump International Hotel & Tower on the same island. It is also re-developing the Jumeirah Beach Club Resort & Spa.

The US$146 million (AED 535 million) Harbour Hotel & Residence has opened its doors. The hotel's larger-than-standard rooms and apartments are designed to combine the best of both worlds – the choice of staying in a plush hotel, complete with 24-hour room service, or the option of a fully-furnished apartment with a kitchen containing modern appliances. Its Timeless Spa occupies almost an entire floor.

Such developments are just a foretaste of what's to come for this superlative-loving city. The tower-laden Bawadi strip, set to shoot up in the vast Dubailand development, will have a staggering 51 hotels and 60,000 rooms when completed in 2016. Asia-Asia will be the world's largest hotel with 6,500 rooms.

A city reaching for the skies

President Group Services and Dnata

Gary Chapman

From Kabul to Kuwait, Singapore to Switzerland, Manila to Melbourne, Dnata has spread its wings and is rapidly becoming a global corporation. Our new ground handling venture in Australia, coupled with our acquisition of a first-class airport handling operation in Switzerland, takes Dnata's ground handling operations into 17 international airports. Our goal, however, is not to simply add dots on the world globe. We aim to operate profitably at selective locations where we can be sure we are able to provide the highest quality services.

Dnata Travel Services has also turned in a spectacular performance as it cements its operations regionally, and has successfully separated itself from the pack, rightly being recognised as a provider of high quality travel services and travel products.

1 Hi-tech – Dnata's control tower

2 Hi-touch – Dnata opens special handling lounge for unaccompanied minors

Our Group Services are playing a major role in supporting the world's fastest-growing airline. Human Resources has the busiest recruitment department in the Middle East, with recruitment drives resulting in more than 288,000 online applications and in excess of 7,147 positions filled. Our finance team is currently involved in the biggest order in aviation history, and our Information Technology department has proved to be an award-winning success story, with its innovative product line securing more and more customers in the aviation industry.

Within the Emirates Group, we have established many solid partnerships as aptly illustrated with our strong relationship with Whitbread PLC. Through our franchise agreement with Whitbread, we now have in excess of 50 Costa outlets in the UAE, and in 2008, we will be opening our first Costa coffee shop in Singapore. Another joint venture with Whitbread sees the rolling out of the Premier Inn brand across the region, and this has been kick-started in April 2008 with the opening of Premier Inn at Dubai Investment Park.

A special mention must be made for our two outstanding catering companies: CIAS in Singapore and Emirates Flight Catering at Dubai International Airport. CIAS produces three million inflight meals and Emirates Flight Catering delivers more than 27 million meals to 110 airline clients. Emirates Flight Catering also runs a state-of-the-art pre-prepared food operation capable of producing more than 20 million meals annually for not only airlines, but other commercial customers, as well as operating Linencraft, one of the largest and most modern laundry facilities in the region. During the year, strong demand for laundry services has yet again driven the expansion of Linencraft to accommodate and benefit from rapid growth in the local hospitality industry.

Our people remain at the heart of our success, and the ongoing training and development programmes are critical to continually build and improve on our successes. It was encouraging to know that self-managed online learning enabled 75 per cent of eligible group employees and partners across the world to increase their knowledge as part of their career development. The newly launched Najm programme, which merged the Mabrouk and Bright Ideas reward schemes, has quickly gained international recognition by winning the Best Idea of the Year 2007 in the Ideas UK competition.

No matter which aspect of the business you examine, the growth is driving and demanding increasing levels of support – support which must be delivered as and when required. Proactively planning and managing the logistics is essential. For example, our Medical Services Clinics have had to expand to accommodate some 20,000 patients, including medical examiners to the UAE Civil Aviation Authorities. Our Central Services department also needed to acquire more vehicles, and operates more complex and challenging routes with a fleet of 710 vehicles, transporting many of our people every day to and from their residences to their place of work.

Our Fuel Risk Management programme was responsible again for providing some cushion against fast-escalating jet fuel prices; however, as Sheikh Ahmed has said, the continuous rise in oil prices gives the group one of the biggest challenges of the future. As we strive to maintain the highest standards in the industry, the rising cost of jet fuel is one of the fundamentals which we simply cannot cut, and requires careful and determined planning to maintain service levels while controlling costs.

Challenges galore with existing businesses growing apace; new businesses to be integrated and managed; a more global reach and an operating environment at Dubai International Airport to test the best. As the figures show, overall, Dnata's profitability has slipped – a combination of the impact of that testing environment and of sharing a significant portion of our profits with the Dnata team. We remain confident that, as a group, with our highly motivated team and our belts and braces approach to a multitude of varying travel and transportation activities, we are well placed to achieve profitable growth in the coming years.

Gary Chapman

Dnata Holidays launched new brochures

Dnata

Voted "Ground Handling Provider of the Year"

Dnata Airport Operations

Dnata has achieved a significant expansion of its international ground handling operations during the year, with investments in airport handling operations in Australia, Switzerland and China. Combined with the existing operations in Dubai, Singapore, Pakistan and the Philippines, Dnata now has a presence at 17 airports in seven countries.

Operating in a difficult environment, with peak hour congestion coupled with ongoing construction and facility limitations, Dnata Airport Operations met this challenge and was able to handle the increase in passengers at Dubai International Airport.

It was fitting when ITP's *Middle East Aviation Business* recognised Dnata Airport Operations as Ground Handling Provider of the Year, and the division gained re-certification of QMS ISO9001, EMS ISO14001 and new certification of OHSAS ISO18001.

The new organisational restructure helped in this respect by dividing the business into three divisions to provide a dedicated task force to Emirates and more focused management and service provision in other areas.

Preparations were made for the opening of the new terminal and concourse, plus expansion at Terminal 2, and the impending introduction of the A380 aircraft into commercial service.

Dnata Airport Operations handled 160 airlines at Dubai International Airport, including new carriers SAS, Delta and Silverjet, and a number of new regional and business-only airlines.

The fly-cruise business was doubled in volume, demonstrating Dubai's importance as a fly-cruise hub location.

During the year, an agreement was made for a joint venture between Dnata and Dubai Airport City Corporation for ground handling at the new Al Maktoum International Airport to be named ALMAS (Al Maktoum Airport Services).

Dnata's operations at Terminal 2 increased dramatically with the opening of a 37,000 square foot extension at the end of March. This extension increased the airport's surface area to 93,000 square feet.

The expanded facilities will see Dnata Airport Operations serving around 700 flights per week, of which 320 will be cargo and 380 passenger. This is an increase of around 50 per cent on current passenger loads and will see a potential annual throughput of approximately five million passengers.

1 FreightGate-5 opened in May

2 Dnata despatcher with PDA

The new airport expansion will also welcome a wealth of new facilities, including six open boarding gates to replace the current system of five gates, each with a holding lounge – a first for Dubai. Open boarding gates allow several flights to board simultaneously, helping to cut down traffic flow and thereby reducing boarding times significantly.

Other new facilities at the Terminal 2 extension include a First and Business Class lounge, a Marhaba lounge, a Special Handling lounge for passengers requiring extra assistance, such as wheelchair users or unaccompanied minors, extended Duty Free, increased car parking, a left luggage store, a visa cancellation desk, a Dnata ticketing desk and additional refreshment stops both before check-in and after passport control.

Dnata Cargo

Dnata Cargo's FreightGate-5 opening in May witnessed the launch of a fresh generic label for its growing portfolio of cargo terminals at Dubai International Airport and elsewhere in the emirate's expanding business districts.

The FreightGate label is now used for Dnata Cargo's six terminals – FreightGate-1 (Premium Cargo Terminal at Dubai Cargo Village) through to FreightGate-6 (an offline cargo terminal exclusive to the thousands of companies located in Jebel Ali Free Zone).

The other Dnata Cargo terminals are FreightGate-2 (Express Handling Centre at Dubai Cargo Village), FreightGate-3 (Economy Cargo Terminal at the Dubai Airport Free Zone – FLC), FreightGate-4 (Self Handling Terminal at the Dubai Airport Free Zone) and FreightGate-5 (Premium Freighter Terminal at the Dubai Airport Free Zone).

FreightGate-5, with 16,000 square metres of warehousing and 8,004 square metres of office space, incorporates the region's first fully-automated air cargo storage and retrieval system, including truck docks equipped with hydraulic levellers which have direct interfaces between both land and air sides. The automatic storage and retrieval systems (ASRS) can store up to 2,000 bins (400 euro pallet equivalents up to 1.8 metres high) and ensure a seamless flow of cargo through the facility.

The terminal also houses a fully-automated Pallet Container Handling System (PCHS) with a capacity to store up to 400 aircraft ULD positions. Both the ASRS and PCHS are supported by high-speed fully-automated storage cranes and Elevated Transfer Vehicles (ETVs), ensuring expedited error-free storage and retrieval of shipments.

Dnata Cargo Partners has added SAS Scandinavian Airlines and EMPOST to its GSA stable this year. SAS recently launched a new non-stop service between Copenhagen and Dubai. The GSA will provide SAS and EMPOST with marketing, telephone sales and customer support via a dedicated team of cargo professionals. Dnata Cargo Partners, based at FreightGate-5 in the Dubai Airport Free Zone, provides a range of services to more than 34 airlines.

Dnata Cargo scooped the top honour at the Air Transport World 2007 Advertising Awards, which recognise excellence in communicating key company attributes to customers.

Dnata Cargo terminals (FreightGates 1 to 6) launched a safety awareness campaign aimed at reducing accidents, which in turn resulted in improving service delivery and saving considerable time spent on recovery measures. The initiative involved a number of training programmes and workshops with the aim of nurturing a proactive approach to health and safety issues with attention to risk management.

The 24-hour Dnata Cargo Customer Care Centre broke its own record in 2007, handling a record average of 100,000 calls a month.

Ismail Ali Al Banna
Executive Vice President
Dnata

"As well as caring for 160 airlines serving Dubai International Airport, we have been strenuously planning for the arrival of the first Emirates A380 Superjumbo in mid 2008."

The Marhaba Lounge at Dubai International Airport was expanded and enhanced

Dnata

Gulf Ventures introduced camel polo

Dnata Travel Services

During the four decades of its existence, Dnata Agencies has expanded its portfolio to move from a travel agent to a travel solution provider and is now known as Dnata Travel Services.

A highlight of the year was the World Travel Award for the Middle East's Leading Travel Management Company 2007, voted for by 167,000 global participants.

An innovation by Dnata Travel Services was the launch of the first of four new Holiday Lounges planned at the new Dubai Healthcare City in March 2008. The Holiday Lounge's new design and concept is based around the senses to promote a relaxing and welcoming environment for the clients who come to discuss their travel plans. Multilingual professional travel consultants, a travel library and a children's play area are some of the services on offer. The lounge even has its own special scent created by the Banyan Tree Spa to add to the relaxing ambience.

Dnata Travel Saudi was appointed GSA for Jumeirah, the Dubai-based luxury hospitality group, Air Astana and Jazeera Airways in the Kingdom of Saudi Arabia, and signed new corporate accounts including Pepsi Co., HP, Schlumberger, KPMG, Halliburton and Tekfen. It opened offices in Jubail and Yanbu. The network now includes 13 outlets in the kingdom.

In a first-of-its-kind in the kingdom, Dnata Travel Saudi has entered into a unique strategic partnership with the Saudi British Bank (HSBC) for their 'Easy Buy' programme offering travel products on instalments.

The Dnata-MasterCard promotion campaign was targeted at all MasterCard users in Kuwait and offered specially-designed tailor-made holiday packages. It helped to reinforce Dnata's position as the leading travel organisation in Kuwait.

In Abu Dhabi, Dnata Travel Services launched its 'One-Stop Travel Shop' concept for both retail and corporate travel services with a 24-hour hotline for customers.

Dnata Holidays' investment in staff, technology and marketing resulted in a revenue growth of 91 per cent and a sales increase of 89 per cent.

Dnata Holidays showcased an increasing portfolio of premium hotels and resorts in two chic brochures that cover Europe, Africa and the Middle East, Indian Ocean, Asia and Australasia, the holiday island of Cyprus and the new Asian favourites of Indonesia (Bali) and Vietnam, bringing the total number of countries featured to 28.

Dnata Holidays launched its first TV advertising campaign with more than 200 spots on national and satellite channels. Clips from the ad were also shown throughout the day on Dubai Sports Channel during its coverage of the Dubai World Cup.

Dnata Holidays re-branded its travel agents' website from axisholidays.com to dnataholidaysagents.com and added more user-friendly functionality. The first consumer website, dnataholidays.com, was also launched.

Dnata Holidays was appointed the official Preferred Sales Agent in the region for Silversea Cruises and the official General Sales Agent in the UAE and Kuwait for Holiday Autos.

1 Aphrodite's Rock, Cyprus

2 Dnata Travel Services outlet

During the year, the first-ever holiday brochure dedicated to the Middle East market was launched in conjunction with Disneyland® Resort Paris.

Another first in the UAE, Gulf Ventures has recently introduced the game of camel polo. With the expertise of Steve Thompson from the Dubai Polo Academy, this unique concept became a reality and the first corporate camel polo competition was held during the year. Since then, there have been many exhibition days when DTCM, international press and event organisers have come to watch and participate in this unique sport. Gulf Ventures is now the proud owner of 12 camels, a stunning camel trailer and the concept that is camel polo.

During the winter season, Dubai attracted around 160,000 cruise passengers. To take care of these visitors, Dnata Airport Operations offered ground handling services for the charter aircraft for the cruise passengers, while Gulf Ventures and staff from Marhaba provided meet-and-greet at the airport and port, check-in at the port and all other customer care aspects.

Dnata World of Events launched its new brand identity with the slogan: "We Bring Events to Life." The launch included a media campaign in leading MICE industry publications and a long-term media plan to raise awareness of this division and the services it offers. Together with the UK's Centaur Media Plc, Dnata World of Events announced a joint venture agreement to manage exhibitions and trade fairs in the Middle East. The Dubai edition of the Business Travel Show – already an industry-leading event in Britain and Germany – was the first event to be staged jointly by the new partnership. It was also appointed to manage the 31st General Assembly of the International Organisation for Standardisation (ISO) to be held in Dubai from 12th to 17th October 2008 and the annual world conference of the International Federation of Training and Development Organisations hosted by the Dubai Police Academy.

Dnata-National Bank of Dubai, a co-branded credit card programme, enrolled 35,000 card members in 18 months since the launch in April 2006, of which 40 per cent were Gold cardholders.

The Dnata Contact Centre has introduced the Dnata Hogg Robinson Group (HRG) 24-Hour Global Assist service, serving key HRG corporate client accounts. The centre supports close to 2,300 calls in a single work day or approximately 70,000 inbound calls a month.

In 40 years of operation, Dnata Airline Affairs has expanded the GSA representation to 40 airlines with new airlines continuously added to its portfolio. The most recent airlines include Jazeera Airways, the Afghan airline Pamir Airways, SAS Scandinavian Airlines and the luxury all-business-class Silverjet. Plans are also underway to represent EOS Airlines, the airline designed especially for international business executives, with only 48 guests on an aircraft built for 220.

Dnata has launched its transactional website dnatatravel.com, providing an online facility to its customers while showcasing its products and services.

KDS, the European leader in on-demand travel and expense solutions, has appointed Dnata Travel as its preferred distributor in the region. This new relationship provides KDS global customers with a strategic advantage to deploy and support KDS travel solutions in the region and gives local sales support to KDS product users.

Dnata Travel Services has continued to expand its network by opening six retail outlets in Dubai Mall, Le Méridien Hotel, Al Quoz industrial area, Sonapur retail outlet, Sharjah industrial zone and Sharjah Airport International Free (SAIF) Zone.

New expansion is planned for 2008/9 with the proposed opening of another six to 10 outlets in key locations.

In spite of a change in government policy, which posed a huge setback to the expected revenue, Dnata Government Travel managed to achieve and exceed its revenue by 31 per cent and also increased the contribution by 47 per cent over last year. This growth is due to an increased focus on improving customer service levels at the counters, intense staff training and the setting up of dedicated cells to handle government and corporate clients.

To meet the demand for online travel solutions in the Middle East, Hogg Robinson Group (HRG) UAE has launched a new online travel management solution for its corporate clients. This comprehensive solution helps to implement agreed travel policies amongst corporate travellers and its features can be tailor-made to fit individual travel policy requirements.

CIAS attracted more new customers

Defeating stiff competition from other travel management companies, HRG UAE has successfully won a multinational account for seven MEWA countries. This is the first regional consolidated win for HRG UAE. The countries include Kuwait, Saudi Arabia, Qatar, Oman, Yemen, Pakistan and the UAE (Dubai and Abu Dhabi).

Dnata Travel Services has announced a new addition to its portfolio of products and services – Luxury Air Travel by Dnata. The division will represent private jet charter operators and offer customised discreet services to meet the growing demand for luxury bespoke air travel solutions in the Middle East.

Associated Companies

Dnata Inc. (Philippines), which provides passenger and ramp handling at Manila's Ninoy Aquino International Airport, has enjoyed significant growth during this year. It handled 4,300 flights, representing a 55 per cent increase on the previous year, principally as a result of additional flights by customer airlines Qatar Airways and Cebu Pacific.

During the year, Dnata Inc. completed a full review of its operations, which has resulted in significant service enhancements for its airline customers.

Dnata acquired a 100 per cent shareholding in Jet Aviation Handling AG (JAHA) in November 2007. Since renamed as Dnata Switzerland, it provides comprehensive ground handling services at Zurich and Geneva airports to over 20 scheduled airline customers, including British Airways, Air France/KLM and Air Berlin. During this year, JAHA handled over 31,000 flights and over 68,000 tonnes of cargo, and is the second largest handling company in the Swiss market.

In July 2007, Dnata acquired a 50 per cent investment in Toll Air Services, a ground handling company based in Australia. Since renamed as Toll Dnata Airport Services (TDAS), it provides passenger, ramp and cargo handling services to eight airlines at five airports in Australia: Sydney, Melbourne, Brisbane, Adelaide and Darwin.

In December 2007, TDAS acquired the ground handling business of Skystar at Perth and Brisbane airports. It also acquired the passenger handling business of Aero-Care at Sydney and Adelaide airports. TDAS also successfully commenced the provision of ground handling to all Emirates' flights to Australia, currently 77 turnarounds per week, in February 2008. TDAS has now established itself as a significant player in the Australian ground market, handling 6,000 flights and 60,000 tonnes of cargo during the year.

It was another year of growth and achievement for Gerrys Dnata, with cargo now contributing a significant segment of gross income. New clients acquired included Oman Air and Cathay Pacific. The company established a training unit and obtained its accreditation from the Emirates Aviation College, commencing flight operations training in February 2008. The scope of service was widened with the introduction of a mishandled baggage delivery unit, a door-to-door scheme for Emirates and Cathay Pacific.

The company's quality of service was endorsed by the award of ISO14001 (Environmental Management System) and three prestigious station awards from SriLankan Airlines.

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1 Après night spot – more popular

2 Costa Coffee – more outlets

Emirates – catering, leisure & hotels

Emirates acquired a 49 per cent investment in Alpha Flight Services Pty Ltd., which provides inflight catering at nine airports in Australia, including the major international gateways of Sydney, Melbourne, Brisbane, Perth and Adelaide. Alpha Flight Services successfully commenced the provision of inflight catering for all Emirates' flights from Australia in December 2007. During the year, it provided 4.7 million meals to 18 airline customers.

Emirates Leisure Retail (ELR) has continued to build its reputation as one of the leading food and beverage retailers in the region. ELR has taken advantage of the economic boom in the UAE to increase the number of Costa coffee outlets from 32 to 53 during the year, including five new outlets in Abu Dhabi. This makes the UAE the biggest market outside the UK. This increase has been achieved with a continued focus on service quality, for which ELR was recognised by receiving one of Costa's International Franchisee of the Year Awards in 2007. In addition, ELR was very proud of the fact that a Dubai-based employee won the International Barista of the Year competition held in London, with participants taking part from every Costa market.

Left Bank and Après are now firmly established as two of the most popular venues of choice in Dubai. Both have attained iconic status within the Dubai night-life scene and are regularly named by numerous publications as must-visit venues.

ELR will be managing and operating four of the Shoreline Clubhouses on the Palm Jumeirah, which will include four restaurant outlets that have been designed around famous beaches of the world.

ELR has also expanded its operation beyond Dubai, with the opening of Noodle House restaurants in Muscat and Abu Dhabi, as well as Left Bank and Hamburger Nation outlets in Muscat.

Premier Inn Hotels LLC is a joint venture between Premier Inn and Emirates. In the first complete financial year, a strong management team has been recruited and is driving business forward in this competitive sector.

The first Premier Inn in the Middle East opened in April 2008 at Dubai Investment Park, and second and third sites are under development at Dubai Silicon Oasis and Al Maktoum International Airport. Hotels are planned in Abu Dhabi, Ras Al Khaimah and Fujairah.

Premier Inn operates over 500 hotels, with 35,000 rooms in the UK, with an occupancy level seven per cent higher than its nearest competitor.

Although there was increased competition for Le Méridien Al Aqah with the opening of three new hotels in the immediate vicinity, it was still a strong year of growth, with revenues increasing by 13 per cent. Continued investment is planned for the hotel, covering food and beverage outlets and technical improvements. Awards received during 2007 include GM of the Year (DEPA and Hotelier Awards), Holiday Check Award (Top 100 Hotels Worldwide), Platinum for Best Price Value and Gold for Best Environmental Hotel (MENA Travel Awards), and Laundry Person of the Year (Hotelier Awards).

CIAS

Changi International Airport Services (CIAS) provides comprehensive ground handling services and inflight catering to over 20 airline customers at Changi International Airport in Singapore. CIAS handled 17,000 flights and 350,000 tonnes of cargo during the year. It also produced over three million inflight meals.

The ground handling market in Singapore continues to be turbulent with the withdrawal of several airline customers from the Singapore market. Nevertheless, by continuing to focus its efforts on delivering a world-class level of service, CIAS has succeeded in winning several new customer contracts, including Qatar Airways, new locally-based cargo carrier Jett8, Megantara Air and Jetstar.

Despite strong competition, CIAS has successfully renewed its contracts with several existing customers during the year, reflecting its continued focus on achieving the highest level of service quality.

CIAS also holds a 20 per cent share in Guangzhou Baiyun International Airport Ground Handling Services Company (GAHCO), which provides ground handling services at Guangzhou Baiyun International Airport in China. GAHCO's business volumes have grown by 21 per cent compared with last year.

Costa Coffee's new filling station service

The Emirates Group now has three training colleges

CIAS has once again exceeded all of the customer service standards which are set and monitored independently by the Civil Aviation Authority of Singapore.

During the year, CIAS commenced its second joint venture in China when it made a 45 per cent investment in Xi'an Dnata Aviation Services (XDAS) with the China West Airport Group. XDAS provides passenger and ramp handling at Xi'an Xianyang International Airport (XXIA). Xi'an, which is famed as the home of the Terracotta Warriors, is one of the fastest growing airports in China with a 17 per cent increase in passenger numbers in 2007.

EmQuest

Galileo Emirates was re-branded as EmQuest to reflect the growing number of products represented. An official launch took place where over 450 loyal EmQuest customers were invited to the unveiling of the new corporate identity and logo. This move to re-brand and re-position the business emphasises the strong commitment to expand and explore new dimensions for the travel services community.

Besides distributing Galileo by Travelport, the company introduced several new products such as travelsouQ – a marketplace portal for the hosting and trading of regional travel content, Rezgateway – a fast and cost-effective online solution for inventory management, dynamic packaging and back-office system integration, and Videcom Reservation System (VRS) – a modern airline reservation system enabling small and mid-sized airlines to host and distribute their inventory. The company signed new agreements with AIG (US-based international insurance organisation) and IHI (leading European-based provider of medical insurance) to provide travel and medical insurance online.

EmQuest worked closely with Dubai Travel and Tour Agents Group (DTTAG), Sharjah Travel and Tour Agency Group (STTAG) and Ras Al Khaimah Travel Agency Group (RAKTAG) to ensure that Galileo remained the preferred Global Distribution System (GDS).

EmQuest invested in Back Office Sales & Support (BOSS) to cater to real-time multi-branch clientele. Currently, there are 100 agents using BOSS and this solution is a comprehensive front, mid and back-office automation tool.

EmQuest signed up five airlines on VRS in 2007, taking the total to nine airlines now hosted on VRS.

Highlights also included the development of a National Distribution Company (NDC) management system – ASSET, rolled out internally to the department, a sales and ticketing activity reporting module, rolled out to Galileo clients, and a new release of CastAway, the manual ticket printing solution.

1 Emirates-CAE is region's leading third party training facility

2 College courses for Emirates' and other airlines' pilots

MMI

Since its divestment of non-core activities last year and the appointment of a new Chief Executive, MMI has firmly established its position as the leading distributor of licensed beverages in the UAE, with the broadest portfolio of products available in the market. This was further reinforced through a new distribution partnership in Abu Dhabi, offering brand owners and customers alike the most complete service in the UAE.

Additionally, with increased focus and customer demand for wines, MMI was proud to launch its new wine portfolio endorsed by the acclaimed critic Oz Clarke.

MMI achieved record growth in sales during the year thanks to its excellent portfolio of world-class premium brands, outstanding people and focus on customer service.

MMI invested significantly in its customer-facing functions, including logistics and distribution capability, resulting in a significant enhancement of its delivery performance to trade customers.

Oman United Agencies has once again achieved record results, and with its market-leading position, is ideally placed to capitalise on the exciting future which Oman represents.

Duty Free Dubai Ports also achieved best-ever sales, reflecting the increase in port traffic, as well as an enhanced business focus.

Sirocco, a joint venture created to manage the sales, marketing and distribution of beverages on a regional basis, has continued to perform strongly, recording a double-digit increase in business volume during the year.

MMI Travel has increased its strategic alliances in the banking industry. It is the preferred travel services provider for Visa commercial card holders, the target audience being small and medium-sized enterprises in the region.

The company has also been appointed as the preferred travel service provider for credit card holders of Dubai First Bank, a Dubai Financial Company. This alliance is a new entry to the existing partners in the banking industry, namely Citibank, ABN Amro, RAK Bank, Standard Chartered Bank, Mashreq Bank and Commercial Bank of Dubai.

As Official Travel Agent for the ICC 20/20 World Championship 2007 South Africa, MMI Travel had the exclusive rights to sell match tickets in the region.

MMI Travel has recently welcomed new corporate clients like Nalco Gulf Ltd, Smith International North Sea, Axiom Technology, Al Barari and Arup Gulf. On the marine front, MMI has signed up with Nico Blue Marine.

Emirates-CAE Flight Training

After only five years, Emirates-CAE has become recognised as the leading third-party training facility in the region for both commercial and business aviation operators.

Revenues were up 23 per cent on last year and have tripled in the past three years.

The G350 Full Flight Simulator was certified by JAA, FAA and GCAA to level D, which is the highest simulator accreditation.

The company showed confidence in the future market by ordering two new full flight simulators for aircraft types Bombadier Global Express and the Hawker 800XPi.

The Emirates Aviation College, Aerospace and Academic Studies

The Emirates Aviation College's student population reached 930 in this academic year, compared with 750 in 2006/7. A total of 31 MBA students were enrolled and two more classes are expected to start in March, with an additional 54 candidates. The college has assisted Emirates with an ICAO Aviation English test for pilots and new Emirates' recruits, plus staff from other airlines, including Air Arabia, Kuwait, Seychelles CAA and the UAE. Bachelor degrees are gaining strength, and the college offers two degrees – B.Sc. in Aeronautical Engineering and B.Sc. in Air Transport Management, both of which are accredited by the Ministry of Higher Education.

Emirates Flight Catering won awards from three airlines

Emirates Flight Catering

80,000 airline meals per day. 110 airline clients. 5,300 staff. These statistics for the year highlight the success of Emirates Flight Catering (EKFC).

The company maintained the highest levels of service to its airline clients, while ensuring the standard of hygiene remains unsurpassed in the industry.

The operational data also hints at the complexity of the airport business: Flight Catering operates 123 high-loaders, including seven custom-built for the A380, and delivered more than 27 million meals.

The strategic initiatives taken by EKFC have enabled the company to satisfy the requirements of its customers in spite of the substantial growth and increased flight and passenger movements at Dubai International Airport.

During the year, the inflight culinary requirements of Emirates Airline were transferred to a new semi-automated and technologically advanced Emirates-dedicated catering facility – EKFC1. Costing US$120 million (AED 440 million), the facility has set new standards for the industry and is the largest of its kind (in volume throughput) with a capacity to produce over 115,000 meals per day.

Overall, EKFC now has the capacity to provide 175,000 airline meals per day.

Consistent efforts were made at all EKFC facilities to enhance hygiene standards. The hygiene team continues to ensure food safety by carrying out staff training at all levels, food supplier audits and regular microbiological tests.

An external audit, carried out by Safety Projects International of Canada, resulted in Food Point and Linencraft achieving a five-star rating for its health and safety management system – a first for any company in the Middle East (since 1994) and the first company ever to achieve five-star certification after only two years in operation.

The company's quality department has remained equally active, undertaking internal audits, identifying areas for improvement and carrying out numerous customer satisfaction surveys. ISO certification has been retained and the department ensures full compliance with policies and procedures in all departments, while adopting best business practice.

Food Point, the food production facility of Emirates Flight Catering based at the Dubai Investment Park, has the capacity to produce over 30 million meals per year. The company produced 12.5 million airline meals

1 Linencraft laundered 14 million kilograms of linen

2 80,000 meals are individually prepared each day

for Emirates and regional airlines. In addition, Food Point has commenced the supply of products to the local hospitality market and is on course to produce over 14.5 million airline meals next year.

A new ready-meal concept will be launched in 2008 with a major supermarket chain, and Food Point will continue to strengthen its foothold in the UAE hospitality market.

For the future, the company will exert special efforts with regard to developing and operating the new Emirates Airline First and Business Class lounges in Concourse 2 (the concept of live on-demand cooking to a five-star standard will be introduced), commence flight catering and passenger terminal services at Dubai World Central, and increase environmental awareness amongst employees through a policy of reuse, reduce and recycle (this will also be extended to business partners).

Emirates Flight Catering will also prepare its teams in advance of Emirates receiving its first A380 and ultimately be ready to service at least 20 A380 aircraft at any one time.

Our passion for food and service is unparalleled, and in 2007, the company was recognised and acknowledged by the following airlines: Malaysia Airlines (Best Caterer Award), British Airways (Award for Excellence) and Federal Express (International Ramp of the Year).

Linencraft is currently the largest and most modern industrial laundry facility in the region. Linencraft laundered in excess of 14 million kilograms of airline linen, hotel linen, hotel guest garments and staff uniforms. The facility was expanded with the addition of a dedicated hotel linen line to accommodate the rapid growth in the local hospitality industry. Further expansion is planned for 2008, which will bring the total capacity of the facility to 140 metric tons per day.

Fuel Risk Management

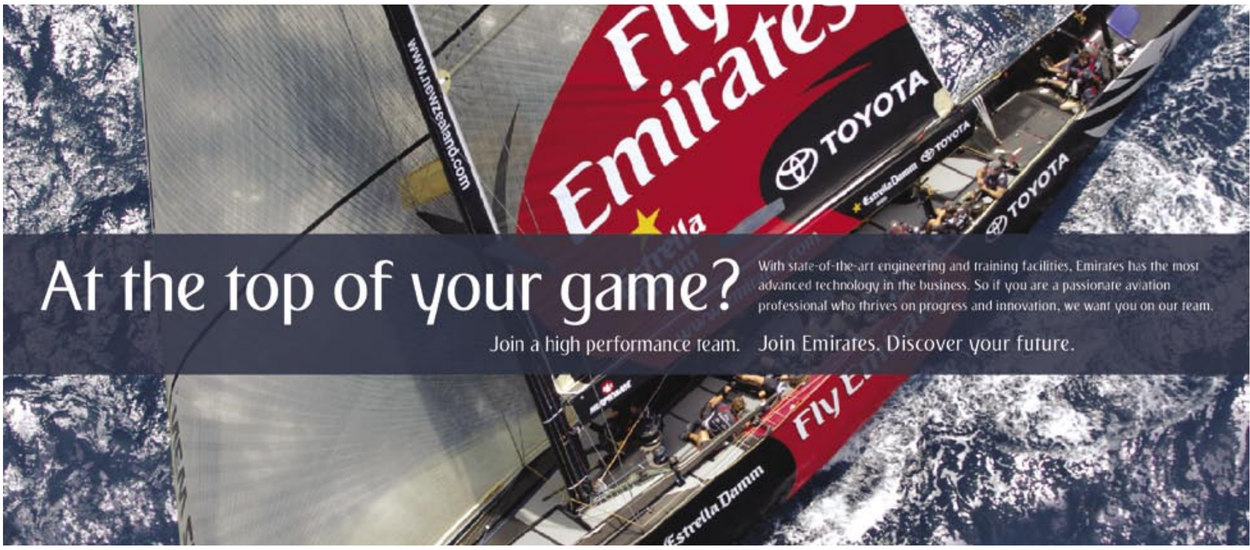
A constantly rising energy price environment was the key feature of the year. The price for WTI crude was US$62 a barrel at the start of the financial year and increased steadily – and at times rapidly – to trade at an all-time high in excess of US$110 a barrel in March 2008. We did not anticipate this relentless increase, which consequently reduced the effectiveness of our risk management programme, given much of the content is capped. We are still managing the programme using a 'price range strategy'.

While oil fundamentals suggested much more modest pricing, an increasing number of investors seeking a haven pumped money into all commodities, especially crude oil. A constantly-falling dollar and increasing inflation fears encouraged funds to continue to increase their positions. Downward price corrections were few and brief. As prices continued to increase, we had (and continue to have) fears that an abrupt decline might take place. We had to aggressively adjust the programme during the year. Interestingly, there were no geo-political factors that had any effect on the price of oil in any significant way.

Of course, it is Far East jet fuel prices that are the main driver of our jet fuel costs. They have continued to trade at higher differentials over WTI crude due to the lack of refinery capacity and requirements for low sulphur diesel fuel, but the premium for jet fuel remained constant compared to the previous year.

The financial result of our Fuel Risk Management programme for the year was a fuel cost reduction of US$242 million.

Oil prices shot up to US$110 a barrel



Promoting the group as an employer of choice

Human Resources

Within the group, 'climate surveys' were carried out to gauge employee satisfaction levels and make improvements with joint programmes for a number of departments to encourage an organisational culture which supports performance and empowerment.

The Human Resource Management Team carried out a benchmarking exercise with the Disney Institute in Paris.

Group recruitment has seen both global and local employment markets becoming even tougher to provide and hire talented people from within the aviation, travel and tourism industry. As a result, recruitment has driven new employment branding initiatives to further promote the group as an employer of choice to global career seekers and promote Dubai as a quality location for living and working.

The strategy is certainly working for there were more than three million unique career website visitors, an increase of 26 per cent, and external online applications grew by 37 per cent to 288,000.

New employment markets in South America were developed, resulting in many more staff from that region. For the first time in the history of the group, over 900 complete recruitments were conducted in one month. International applications also increased by 20 per cent, a clear indication of the company's commitment to identify multinational talent and develop the careers of its existing workforce. With nearly 600 new staff joining every month, the process administration was automated by introducing a new tool – New Employment Arrival Tracking (NEAT), which allowed employee services to interact more efficiently with 10 different international departments.

By the end of the year, the group had hired 7,147 people, and promoted or transferred 1,200 people from within the company, with total successful selections across recruitment being more than 9,000, a 19 per cent increase in activity over the previous year.

The group now has a total of 35,286 staff representing 145 different nationalities. The new countries providing recruits during the year included Barbados, Madagascar and Malawi. This was a headcount increase of 16 per cent over the last year.

Our national recruitment and development unit participated in the biggest UAE national career event in Dubai where more than 3,200 applications were received. Around 400 national positions were filled through various development programmes, including Cadet Pilot, Emirates Engineering, Dnata Engineering and Cabin Crew. The group provided some 140 work placements in the summer for UAE nationals.

Overall, 1,800 staff have joined the Special Assistance Team on a voluntary basis and have assisted approximately 130 customers who were dis-embarked from our flights due to poor health, or have assisted family members of passengers who have sadly passed away. In addition, the Welfare Team has supported more than a thousand colleagues and their families. To ensure our ever-increasing staff obtain the service they deserve, an enlarged Employee Service Centre has been created at the new Emirates Group Headquarters, providing facilities such as payroll, cashiering, staff travel, Dnata Travel Services, visa

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1 Hi-tech – 40,000 staff participated in 3,800 classroom training events

2 Hi-touch – the Najm awards proved powerful incentives

services and human resources administration. The new centre has 30 self-service kiosks and 24 counters.

Training has always been a bedrock for the group's success, and a total of 3,800 classroom training and development events were attended by 40,000 staff and third parties during this financial year.

A total of 57 ab initio batches with over 900 staff were trained on skills, knowledge and systems in different areas of Airport Services. The first cohort of 27 managers under the High Potential Programme, launched with the Cranfield School of Management, completed their eight month programme in December 2007. A second cohort of 25 management staff commenced their programme in February 2008.

As a critical part of the core infrastructure for people development, a new learning management system was implemented worldwide, which will enable Emirates to meet current and future corporate training needs, while facilitating and expediting employee and partner training and development across the globe. In a growing trend for self-managed learning, some 75 per cent of eligible Emirates Group employees and partners across the world used online learning as part of their development in 2007.

Performance Development

Performance Development (PD) continued to work with business managers, making sustainable improvements in the performance of their divisions and business units.

As the group continues to grow rapidly, there is an increasing demand to support organisational design and restructuring in order to move from a medium to a large-sized enterprise.

PD completed several simulation models to support key decisions, including crew airside bussing and A380 catering loading and unloading, as well as check-in and crew processing at the new headquarters and Terminal 3.

Its programme of improvement, organisational design and analysis also embraced the implementation of a Supply Chain Management initiative with Procurement & Logistics, Finance and Emirates Flight Catering. Plus a partnership with Central Services, Airport Services, Service Delivery, Flight Operations and Procurement set out a five-year business strategy for Group Transportation Management.

PD rolled out three-year long-term manpower models at the corporate level for some 50 per cent of the group's departments.

In the project management field, PD has been responsible for increasing the number of certified project management professionals to 61 – one of the highest number in any organisation in the Middle East.

Project management portfolios continued to be implemented across the business units based on the concept of an Emirates 'Next Generation' Project.

On the customer experience side, there were a number of analytic and customer business projects, such as the identification of high value customers for recognition and retention, and a journey visualisation map and a customer journey viewer for faster investigation and resolution of customer issues.

The Strategic Research and Innovation Group successfully handed over the world's first direct hotel room booking web service to Mercator for commercialisation, and developed a corporate portal to be launched in June 2008 to increase knowledge sharing and productivity across the network.

The unique Business Performance Management programme was launched, introducing a defined corporate intention made up of four perspectives for departments across the group. Supporting this programme, the online Corporate Key Performance Indicator tool was introduced, reporting on a quarterly basis the performance of departments against strategic objectives.

The Najm programme, unifying the Mabrouk and Bright Ideas schemes, was launched in July to recognise and reward exceptional behavioural competence, business ideas and improvements. Since its introduction, 2,700 awards have been given and US$1.1 million (AED 4.2 million) has been saved with organisational improvements, combined with numerous enhancements to safety and customer service. Najm won the Best Idea of the Year 2007 in the Ideas UK competition and was recognised as the Transportation Group winner by the American Employee Involvement Association.

Abdulaziz Al Ali
Executive Vice President
Human Resources

"Our recruitment drives were vital for the rapidly expanding group and we attracted more than 280,000 job applications."

Group chauffeurs wait for passengers at Dubai International Airport

Medical Services

The Medical Service Clinics now employ 19 doctors and 25 nurses, five dentists and three dental hygienists. They are needed to serve the 20,225 patients who have direct access to the clinic for health care. In conjunction with the Dubai Health Authorities, pandemic planning reached the advanced stage and enabled us to be prepared for any possible outbreak of avian flu.

Aviation Medical Examiners completed 5,908 UAE General Civil Aviation Authority medicals (2,057 for pilots and 3,851 for cabin crew) and 405 pilot medicals for the Civil Aviation Authority for their contracts.

In addition, doctors participated in 29 GCAA medical boards (25 for pilots and four for cabin crew) to assess crew fitness to fly following injury and illness.

Central Services

Central Services currently manages 710 vehicles and was responsible for transporting approximately 2,900 staff every day from their residences to the workplace, compared with 2,400 the previous year.

A new bigger luxury car (the Mercedes Viano) was introduced for the First and Business Class transfers of passengers with families.

There has been a 50 per cent increase in the delivery of dial-a-ticket documentation, while the new Salik toll tags were distributed on time for all Emirates and Dnata vehicles. New processes and equipment have been introduced to enable the sorting and distribution of 16,000 pieces of mail per day.

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1 Hi-tech – new Mercedes Vianos for families

2 Hi-touch – examining x-rays at Emirates Medical Clinic

Group Legal

The addition of multi-billion dollars' worth of aircraft to Emirates' list of orders inevitably involved Group Legal, together with Procurement & Logistics, burning the midnight oil to progress these contracts on time. The biggest order ever necessitated the execution of purchase agreements for 120 A350 aircraft and amending existing agreements to buy an additional 11 A380 aircraft, plus 12 Boeing 777-300ERs.

As well as Procurement & Logistics, other team players in the re-financing of 13 A330 aircraft, by way of sale and lease-back to DAE and ALLCO, included Finance, Insurance, Scheduling, Quality Assurance, Engineering and many other departments.

Working with Dnata Airport Services, Group Legal also completed the purchase of 100 per cent of the shares in Jet Aviation Handling AG and the purchase by Dnata of a 50 per cent shareholding in Toll Dnata Air Services Pty. Ltd. in Australia.

Group Legal was again on the look out for any misuse of the Emirates' name and reputation worldwide and initiated several successful brand protection actions, as well as extending the registered trade mark protection for the Emirates Group names and logos across the globe.

Group Finance

Finance has continued its focus on improvements in unit costs through process efficiencies and automation, making it more business oriented, while continuing its concentration on managing financial risks.

The IATA clearing house moved to a weekly settlement requiring significant changes in the processes and was implemented on schedule. This allows Emirates to improve its cashflow and reduce its risk exposure as the settlement takes place more frequently.

Two new modules of the Revenue Accounting Portal were launched. One allows the fare and refund discrepancies to be agreed and resolved through the portal. This has cut down the 'hassle factor' of the process and streamlined the whole process. The second streamlines the invoice certification process for all the invoices received through the IATA clearing house.

A group financial consolidation software has been introduced to streamline the process of consolidating the ever-increasing number of group companies.

In addition, the service quality provided to a growing number of employees was improved by developing an online FAQ module and an IVR for payroll-related queries. Further enhancements were also introduced to the existing overseas offices' financial accounting system (COMET) which resulted in increased productivity levels as well as improvements in financial risk controls.

Management accounts was re-organised through Project Paradigm that reviewed staff development, team cohesiveness and value-added partnerships.

There was a significant improvement in productivity of the airline reporting system with the adoption of new technology with the move to Oracle 10G and Linux.

Corporate Treasury

Group cash balances remain buoyant at US$3.82 billion (AED 14 billion) with a continued focus on yield enhancement through diversification of deposits and structured investment products. The group will continue to hold high cash balances in order to support its growth plans.

A weakening US dollar against most major currencies provided increased UAE dirham inflows from unhedged portions, as well as a net surplus on hedged portions, demonstrating the effectiveness of this balanced portfolio.

The group's policy of targeting an average 50 per cent hedge ratio in GBP, AUD, euros and yen remains. The feasibility of extending this programme coverage to other major income currencies is evaluated on a continuous basis.

During the second half of the year, the Federal Reserve aggressively cut rates in response to the sub-prime crisis, providing a further opportunity to manage the average cost of financing over a longer term. Emirates' balanced portfolio approach has positioned the company well to benefit from moves in either direction, and as at 31st March 2008, the portfolio was skewed in favour of fixed interest rates, reflecting a strategic positioning to take advantage of the prevailing low interest rate environment.

Nigel Hopkins
Executive Vice President
Service Departments

"The group had a cash balance of US$3.82 billion (AED 14 billion) at the end of the year and our financing of new aircraft with leading banks reflected market confidence, while Information Technology made headlines with its agreement to work with Microsoft on IT innovations."

Sheikh Ahmed and Bill Gates shake on Dubai IT Innovation Lab

The group also maintained a balanced portfolio approach in respect of interest rate and currency management. Since derivatives are used purely for the purposes of risk and volatility management and not for speculative gains, they do not expose the group to substantial market risk.

During the year, Emirates participated with IATA industry working groups in addressing indirect tax levies and tax policy matters affecting the industry as a whole, and also in resolving restrictions on transfers of earnings and blocked funds across the network.

Financing activity saw the acquisition of 13 aircraft over the 12-month period, with the number of Boeing aircraft in the fleet passing 50 units. The total amount financed was over US$493 million (AED 1.8 billion), including the successful closing of the first ever US Ex-Im Bank supported French lease for two Boeing 777-200LRs, arranged by BNP Paribas. Additionally, the US Ex-Im Bank authorised three comprehensive guarantees for six Boeing aircraft amounting to US$805 million (AED 2.95 billion).

Most of these aircraft (nine) were financed through operating leases in accordance with Emirates' balanced approach to fleet financing. This approach takes account of the 200 plus aircraft now on order for delivery over the coming years.

The airline successfully closed the sale and lease-back of 13 A330-243 aircraft with Dubai Aerospace Enterprise and Allco Finance Group. The transaction involved the unwinding of existing financing structures for each of these aircraft.

1 Group IT's solutions made Emirates and Dnata formidable competitors

2 Total amount financed was US$493 million

Information Technology

In the air, on the ground, at the airport, at Emirates Group Headquarters and around the global network, group IT once again provided the cogs in the wheel to speed Emirates and Dnata to even more success.

The division continued to make regional and international headlines.

IT improved its approach to leverage synergies across the group with re-usable solutions. The innovative Paradise solution developed and deployed for Service Delivery was extended to the Flight Operations department under the name of Cruise – a crew management initiative.

Achievements during the year included an integrated and implemented state-of-the-art IT infrastructure and a suite of IT systems for The Harbour Hotel & Residence and Green Lakes Serviced Apartments. The solution covers B2C e-commerce, multi-property reservation, distribution, check-in, point of sale, spa reservation, call accounting, door lock, maintenance, inventory and accounting systems needed for operating five-star properties.

Thanks to IT, Dubai International Airport truly entered the mobile era with wireless-enabled handhelds being used for the latest updates by Dnata's despatchers and Emirates' flight supervisors. The PDA, which works both on wi-fi and on General Packet Radio Service (GPRS), is one of the truly small but power-packed devices which gives users up-to-date information on checked-in passengers, connecting passengers, bags and other key fields, helping those on the move to proactively monitor the flight departures. There are over 100 of these in use by both Emirates Airport Services and Dnata Airport Services.

The Airport Activity Control System is a similar tool which is currently used in Dnata, especially by movement control to track various activities leading up to a flight departure. Ensuring that these activities happen as planned is another step in trying to prevent flight delays.

There are more than 880 pieces of monitored ground support equipment at Dubai International Airport and IT has now created a new way of tracking them. A trial by Dnata Airport Services involving pushback tractors and Ground Power Units (GPUs) was successful. Today, a screen shows the location of the ground equipment and offers a convenient way of locating it and monitoring the fuel consumption of vehicles.

A new Training Management System (TMS) went live, enabling Service Delivery and Flight Operations to effectively plan for and manage crew training.

This year, the new Emirates Group Headquarters became operational, with the division playing a major role in designing the IT infrastructure and ensuring more than 2,500 staff were provided with sophisticated facilities like modern IT equipment, wireless connectivity and Voice Over IP telephony.

Display screens and workstations were deployed in the new NASA-style Network Control Centre in the headquarters. This will enable all business units, like crew control, engineering, catering, cargo and reservation services, to have access to instant information to work together to manage airline operations.

A new generation emirates.com e-commerce website, fully-integrated with a new internet booking engine, was launched this year. The uniqueness of this channel is that it caters to 75 regions in 10 languages with real-time integration with the airline's central reservation systems.

New customer-friendly features of the online channel include calendar pricing options and increased functions to manage existing bookings.

Self check-in channels continue to dominate passenger service development. Usage has been rising steadily and Emirates has also added the possibility in Dubai to home print boarding passes and then go directly to the gate.

Emirates' kiosk usage has also increased significantly and now over 20 per cent of all departing passengers in Dubai use self-service channels.

Electronic ticketing is now the norm and Emirates has reached a penetration of over 90 per cent of all tickets. This is supported by more than 85 Interline Electronic Ticketing agreements with other airlines, making Emirates one of the leaders in the industry.

Emirates' kiosk usage increased significantly

In this connection, Dnata and Emirates have continued with the roll-out of 2D bar-coded boarding passes at Dubai International Airport after being the first to launch it in this region at Terminal 2.

Calogi, the vision project of Dnata Cargo, which is currently under user acceptance testing, and DACS+, the ground handling system, were successfully implemented in the new fully-automated premium terminal of Dnata Cargo (FreightGate-5).

Skylog, the ground handling system was finalised in the new terminal of Emirates SkyCargo (Cargo Mega Terminal) with end-to-end integration with two automated storage and retrieval systems.

To meet the growth needs of the group for sourcing software and related initiatives, a multi-sourcing strategy was defined and the first phase has been implemented with the launch of partnerships for two offshore development centres in Chennai and Bangalore with two well-respected software companies.

Mercator

Highlights for Mercator during the year included Mercator winning the IT Governance Assurance Forum (ITGAF) award from the government of Dubai for 2007 for maturity and excellence in governance and process practices.

Mercator and Microsoft agreed to set up an Innovation Lab in Dubai to develop new products and services for the travel industry. The lab will use Microsoft's cutting-edge technologies and tap into Emirates' expertise and experience in developing IT solutions for the aviation and travel industries.

Mercator also implemented the IT infrastructure and solutions needed for the Premier Inn property at Dubai Investment Park.

There was a repositioning of external business under the Mercator brand, with the aim of aggressively growing the business, investing in new products, services, partnerships, channels and potential acquisitions.

Mercator achieved another landmark when Australia's OzJet became its 150th customer for MACS, the departure control system.

Other airline customers included Air Astana, the flag-carrier of the central Asian state of Kazakhstan, that signed up for the CRIS frequent flyer and customer

OzJet was the 150th customer for MACS, the departure control system

relationship management solution from Mercator. CRIS will power 'Nomad Club', Air Astana's frequent flyer programme, and will offer members an extensive range of innovative, appealing and user-friendly features.

Air Tanzania selected the Revenue Accounting Bureau Service offered by Mercator. Tanzania's flag-carrier has outsourced its passenger revenue accounting operations to Mercator, and will now send its used passenger ticket coupons to Dubai for scanning, data processing and analysis. Mercator's service is based on its industry-leading RAPID solution, and converts data printed on airline tickets into the detailed financial and strategic information an airline needs to maintain its competitive edge.

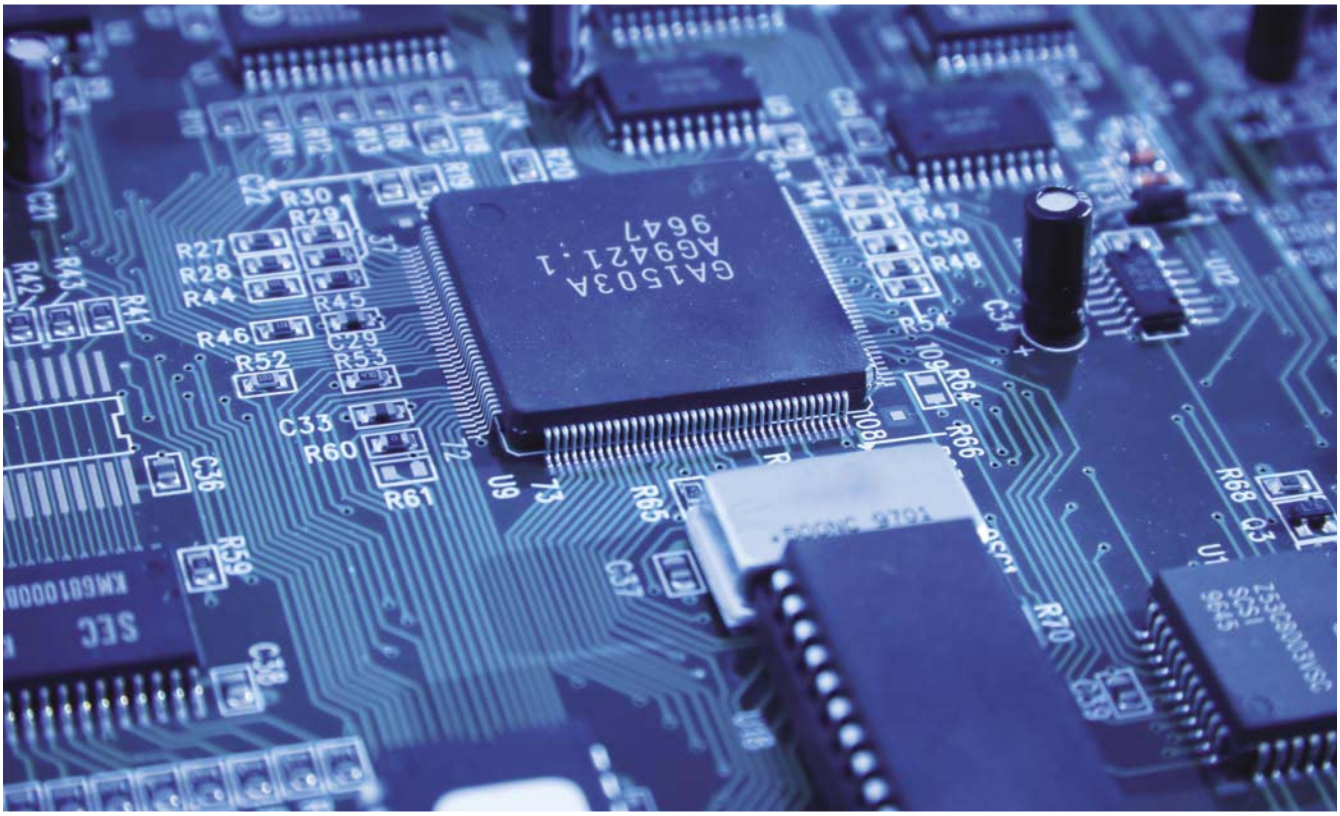
Serbia's Jat Airways awarded multiple contracts to Mercator including its RAPID revenue accounting solution and Oracle ERP implementation services.

Libya's flag-carrier, Libyan Arab Airlines, has signed up for the RAPID revenue accounting system offered by Mercator, and Garuda Indonesia has become the latest customer for Mercator's RAPID and RADAR revenue accounting solution.

Mercator won the Silver award in the Technology Solutions category in the internet-polled 2008 Air Transport World Advertising Awards. Conducted by Signet Research, Mercator received the award in Singapore on 18th February 2008.

In the world of hotel reservations, Mercator introduced DaeX, a trade automated booking channel, into its portfolio of services and solutions. Built on world-class leading technologies, DaeX is a unique web service that delivers an allocated or best-available rate booking direct to the Property Management System (PMS) or Central Reservation System (CRS) of a hotel, which then provides a confirmed booking reference number (directly from the PMS/CRS) for the wholesaler, tour operator, travel agent or corporate to use.

DaeX also provides hotels with a web-based Hotel Information Management System (HIMS) where all information about the property's products, services and policies can be managed dynamically.



Colourful imagery from route launch campaigns

Corporate Communications

"…the dawning of the next generation...", "…a carrier that sets the global standards…", "…changing the structure of the industry in years to come…", "…the world's most powerful airline…"

As the superlatives pour in, Corporate Communications continues to advertise, promote, exhibit, sponsor and broadcast (with Media Relations working with hundreds of different media around the world) in a myriad of languages, helping to build the airline into a global brand.

At the same time, over the past several years, the division has been part of the team which has seen Dnata re-born as a bubbly, exciting, trans-continental brand, showing a determined new vigour as it approaches its 50th birthday.

Spreading the Emirates word worldwide to increase awareness has been driven by press and outdoor advertising, unique internet campaigns and sports sponsorship (including football, horseracing, golf, rugby and cricket). But it was perhaps the rather innocuous listing in the official 500 best-known brands in the UK which delighted the division most of all. Although we came in at 115th in brand awareness, the third airline after the two UK carriers, we were ahead of many well-known brands like famous hotel chains, electronics companies, banks and other airlines which were serving the UK before Emirates was launched. This is a sure sign, we believe, that Emirates is becoming a household name in one of our biggest markets, as well as in other countries in and around the Middle East.

Advertising

A passionate and geographically diverse team of brand, digital and advertising agencies, drawn from the world's six leading marketing services companies, provide the eyes and ears of the Emirates brand globally. Brand strategy and creative direction is devised in-house in Dubai, while regional 'clusters' of agency teams, supported by local Corporate Communications staff, help balance global and local themes. We continue to consolidate our agency network, and the year's notable appointment was Publicis to handle group-wide media planning and buying across all brands in 80 countries. In total, the virtual team of over 100 agencies comprises consultancies, designers, publishers, copywriters, ad agencies and production houses, involving over 275

1 Private suites featured in advertising

2 Flagship site – emirates.com was relaunched

staff dedicated full time to the Emirates advertising account. Over 1,600 campaigns, most involving multiple media, were developed last year in over 100 countries.

Engagement with the web-based brand management tool, EmPower, surged in 2007, with new services and content expanding this unique online workplace for our roster of advertising, PR and branding agencies. EmPower is now a mature online marketplace where Corporate Communications' services and assets are available at broadband speed. Traffic to the site, from internal clients, staff and agencies, averages 50,000 visits per month, and the site is now featured as best practice at digital brand management conferences and in marketing journals.

The corporate advertising platform was refreshed, providing an expansive range of new product, destination and tactical advertising material to our agencies and business units. Advertising helped to introduce the Emirates brand in seven new destinations, promoting in-bound and out-bound traffic.

Network-wide initiatives also ran to showcase our inflight entertainment, chauffeur-drive service and a rapidly expanding global network that now spans six continents. New private suites on our latest Boeing 777s were actively promoted in relevant territories, as was the introduction of the new emirates.com website through a multi-media campaign.

Pan-national, regional and local media investments continued to support the activation of key sponsorships including the Dubai World Cup, Rugby World Cup and the America's Cup across all markets.

The industry-leading range of sales and service collateral for Emirates Airline, Emirates Hotels & Resorts, Emirates SkyCargo, Dnata, Skywards and Emirates Holidays helps us to stay engaged with key customer groups. The Emirates Travel Hub retail concept continues to roll out and extend its brand identity across other consumer touch-points, including the chauffeur-drive product, check-in and lounges. A new children's onboard magazine was introduced, refreshed and expanded, and the existing range of publications was rejigged and expanded. Advertising supported Service Delivery on a host of product innovations, re-designs and brand engagement programmes.

While not an objective in itself, Emirates Group advertising campaigns continue to win awards – an added bonus beyond commercial returns. We were again recognised by *Air Transport World*, this time for a Venice SkyCargo campaign, and won several Adrian Awards for internet and print media.

We appointed a lead research and insights agency, HPI London, to help drive higher return on investment and further improve our brand health tracking. The Advertising team actively benchmarks against other global brands via the Worldwide Federation of Advertisers, the International Advertising Association and consortium links at the London Business School. Ongoing brand measurement research across 10 markets gave encouraging results, confirming that the advertising efforts are maximising awareness and creating affinity towards Emirates.

Internet Communications

The Internet Communications team continues to extend all Emirates Group brands online, and to support business units in developing new revenue streams and reducing cost of sale.

Traffic to the flagship site, emirates.com, averages three million unique visitors per month and, following a successful re-launch in late 2007, the new site has 75 local variants with tailored offers and tactical advertising to consumers and trade segments. The new site has already won Gold in the travel category for website globalisation and exists in English, French, Russian, German, Italian, Japanese, Chinese, Portuguese and Korean.

Several award-winning online banner campaigns have been developed this year to promote our expanding network, as well as our onboard product. Two Internet Advertising Bureau awards were won this year for rich media campaigns, including unique interactive video banners which were shot on six continents. Emirates won Gold in the Creative Circle Awards for a global campaign and microsite to promote the new non-stop service into São Paulo, Brazil.

Network-wide initiatives showcased services like chauffeur-drive

Rotating globe – show-stopping stand

Sponsorships

As Emirates continues to expand globally, the sponsorships team has strengthened its portfolio of world-class properties. Sponsorships supports the company's commercial goals by building brand awareness and affinity with new audiences using the media, hospitality opportunities and creative marketing activities. In terms of global television coverage alone, sponsorships generated over US$500 million in media exposure for the Emirates brand in 2007/8.

This year, Emirates signed a major deal to become Official Partner of the International Cricket Council (ICC) until 2015. With the ICC partnership, Emirates is now sponsor of four major sporting world cups – ICC Cricket World Cup, FIFA World Cup, the IRB Rugby World Cup Sevens and the Dubai World Cup.

Other sponsorship highlights this year include a successful Rugby World Cup trophy tour across five countries, 11 golf tournaments, over 200 cricket matches, 46 horse races, more than 500 football matches around the globe (including a high-profile demonstration match between AC Milan and the UAE national team) and a sell-out Emirates Cup tournament at the Emirates Stadium involving top-league European football teams (Arsenal, Inter Milan, Paris Saint-Germain and Valencia FC).

In addition, Emirates Team New Zealand's successful campaign and excellent performance throughout the prestigious America's Cup – the sailing equivalent of Formula One – ensured that Emirates, as naming rights sponsor, attained massive global media coverage.

Events & Promotions

2007/8 was another busy year with more than 300 Emirates and Dnata events and exhibitions packed into the calendar, and Emirates-branded merchandising expanding in both range and reach.

Seven new Emirates' destinations were launched – Venice, Newcastle, São Paulo, Ahmedabad, Toronto, Houston and Cape Town – keeping the events team on the move in organising the official inaugural flight ceremonies, gala events that became the talk of the town and creative roadshows across 10 different cities to "show and tell" travel agents about the Emirates success story. In all, the Emirates Group was showcased to more than 7,000 members of the travel trade in six countries, using cutting-edge audio visual presentations hosted by celebrity emcees.

On the exhibition front, the massive show-stopping Emirates' globe stand took centre stage at the Arabian Travel Market in May 2007 and drew much attention from delegates and the media, even before the doors of the event opened. The giant spherical structure, 65 metres in circumference, provided a true experiential travel and tourism journey. A total of almost 22,000 labour hours went into creating this three-storey stand, spread over a 484 square metre footprint and containing more than 23 miles of cabling. It was featured once again at ITB in Berlin in March 2008 and quickly became an event highlight for trade visitors and VIP delegations.

The Emirates souvenir shops continue to grow from strength to strength, and now have five separate outlets located in strategic positions in Dubai.

1 Young fans enjoy FIFA World Cup for under 17s in Korea

2 Dubai World Cup – Title Sponsor

Approximately 100,000 units of 'Fly Emirates' branded clothing, 25,000 caps and 25,000 aircraft models were sold in our shops over the last financial year. 2008/9 promises to be another year of expansion with at least three new outlets planned, including the new Emirates Group Headquarters and the new Emirates-dedicated Terminal 3 at Dubai International Airport.

Media Relations & Internal Awareness

The Emirates Group's achievements, new products and developments were featured in the news pages and on the broadcast media airwaves throughout the year and across the world. Activating 40 plus public relations agencies around the Emirates network, Media Relations works continuously to build relationships with influential journalists, shape the media agenda and keep Emirates and Dnata stories high on the media radar.

Major headlines facilitated by the team this year include "Emirates first to fly non-stop to six continents from one hub", "Emirates makes largest aircraft order in civil aviation history – again", "Dnata partners Toll, expanding operations to 17 cities in seven countries", "Emirates announces resort in the Seychelles" and "Emirates first to launch mobile telephone services on board".

To promote Emirates' latest products on board its ultra long-range Boeing 777s, Media Relations coordinated a special demonstration flight in September to showcase the new 'ice' Digital Widescreen system, the enhanced private suites in First Class and lie-flat seats in Business. Some 100 journalists and 10 TV stations were invited to savour the new Emirates' experience first-hand and speak to senior executives, generating hundreds of positive media articles worldwide, including in-depth television reports on BBC World and CNBC.

During 2007/8, Media Relations organised over 50 media events in support of new route and new product launches, including media briefings, news conferences, product sampling for The Emirates High Street and site visits to new facilities. The team also hosted over 500 journalists in Dubai and at Emirates' destinations, enabling them to experience its services and gain a better understanding of the business by meeting senior executives and touring world-class facilities such as the Engineering Centre, Emirates Hotels & Resorts' properties and Emirates Flight Catering. These efforts generated more than 40,000 positive media reports about the Emirates Group over the year.

Media Relations & Internal Awareness also worked closely with departments across the Emirates Group to support their business objectives by planning and implementing targeted PR and internal campaigns. This included PR support for recruitment roadshows (which helped raise interest from potential applicants and generate awareness of the Emirates Group as an employer), internal awareness campaigns for SkyCargo, the launch of the Najm awards, and the development of hundreds of pieces of print and online collateral to inform and motivate staff across the company.

Passenger Communications & Visual Services

Emirates gained the Skytrax Award for the Best Inflight Entertainment for the third year in a row, and won in all categories at the World Airline Entertainment Association Awards.

With the arrival of Emirates' first Boeing 777-200LR aircraft in May 2007, 'ice' Digital Widescreen was introduced, offering even greater passenger choice, as well as a host of innovative product features.

Demand for seatback telephones continues to be strong with over 7,000 calls being connected via satellite each month.

On flight EK751 (Dubai to Casablanca) on 20th March 2008, Emirates made history and became the first airline in the world to allow passengers to use their own mobile phones to make calls. The multi-million dollar AeroMobile system that makes this possible is now being retro-fitted to the rest of the fleet over the coming 24 to 36 months. An upgrade is already being planned to allow passengers to use BlackBerry-type devices.

Inflight TV advertising revenues grew by about 31 per cent in 2007/8, reflecting Emirates' growth, but also as a result of a concerted sales drive.

The Visual Services group supported launches at Emirates' new destinations on five continents and also produced many corporate training and communication videos.

New contract with International Cricket Council (ICC)

Internal Audit

Internal Audit's initiative for the continuous testing and analysis of critical transactions (CONTACT) is being rolled out in a number of business units. The benefits of such analyses are shared with business owners on a near real-time basis.

The growing use of CONTACT allows audit engagements to focus on key risks and assist businesses in the management of such.

The objective is to develop a continually updated bottom-up risk register and model that covers the full range and diversity of the Emirates Group's business interests, at the same time giving each business unit a tool with which the status and evolution of its critical risks can be tracked.

Emirates Group Internal Audit remains active in global and regional professional auditing bodies with frequent contributions to industry literature and knowledge.

The department's role in promoting information governance, control, security and audit was recognised by the Information Systems Audit & Control Association when Emirates' head of information systems audit was asked to serve on that global professional body's prestigious assurance committee.

Operating statistics - Emirates

	2007-08	2006-07	2005-06	2004-05	2003-04
Consolidated financial statements					
Total revenue (AED'000)	39,467,427	29,839,618	23,050,927	18,130,998	13,286,331
Total expenditure (AED'000)	34,392,460	26,675,891	20,489,601	15,628,282	11,602,094
Operating profit (AED'000)	5,180,171	3,338,873	2,652,291	2,618,789	1,748,756
Net profit (AED'000)	5,020,424	3,096,416	2,474,999	2,407,385	1,573,511
Airline operating statistics					
Performance indicators					
Yield (Fils per RTKM)	236	216	203	192	181
Unit cost (Fils per ATKM)	148	129	122	111	107
Breakeven load factor (%)	62.7	59.9	60.2	58.0	59.0
Fleet					
Number of aircraft	109	96	85	69	61
Average age (months)	67	63	61	55	46
Production					
Destination cities	99	89	83	76	73
Overall capacity (ATKM million)	22,078	19,414	15,803	13,292	10,207
Available seat kilometres (ASKM'000)	118,290,198	102,337,180	82,008,681	68,930,198	54,656,790
Aircraft departures (number)	101,709	92,158	79,937	72,057	58,763
Traffic					
Passengers carried (number)	21,229,225	17,544,140	14,497,536	12,528,761	10,441,345
Passenger seat kilometres (RPKM'000)	94,345,721	77,946,590	62,260,070	51,398,393	40,110,375
Average distance flown per pax (Kms)	4,444	4,443	4,295	4,102	3,841
Passenger seat factor (%)	79.8	76.2	75.9	74.6	73.4
Cargo carried (Kg '000)	1,282,134	1,155,894	1,018,570	838,400	659,816
Overall load carried (RTKM million)	14,739	12,643	10,394	8,649	6,629
Overall load factor (%)	66.8	65.1	65.8	65.1	64.9
Employee					
Average employee strength (number)	23,650	20,273	17,296	15,858	12,804
Capacity per employee (ATKM)	933,531	957,628	913,687	838,202	797,156
Load carried per employee (RTKM)	623,214	623,637	600,921	545,392	517,727
Revenue per employee (AED)	1,625,424	1,431,038	1,284,790	1,104,247	993,171
Value added per employee (AED)	530,498	443,515	398,638	382,649	355,197

2006-07 figures have been re-classified to conform with the current year's presentation. Figures for financial years' prior to 2005-06 have not been amended.

Operating statistics - Dnata

	2007-08	2006-07	2005-06	2004-05	2003-04
Consolidated financial statements					
Total revenue (AED'000)	2,636,712	2,073,652	1,779,827	1,414,031	1,093,948
Total expenditure (AED'000)	2,331,795	1,713,752	1,455,439	1,153,624	920,169
Operating profit (AED'000)	245,246	295,926	290,342	240,950	158,628
Net profit (AED'000)	304,917	359,900	324,388	260,407	173,779
Average employee strength (number)*	8,973	8,391	8,412	8,196	7,186
Revenue per employee (AED)*	241,493	210,209	176,059	154,584	150,495
Value added per employee (AED)*	184,397	162,414	139,801	122,141	116,071
Airport performance indicators					
Aircraft handled (number)	119,510	109,648	101,607	93,004	79,932
Passengers handled (number)	35,586,722	30,059,330	25,648,704	22,389,218	19,130,592
Cargo handled (Kg'000)	632,549	535,132	503,382	457,869	405,906
Employee					
Average employee strength (number)					
Airport operations	5,611	5,445	5,627	5,563	4,601
Cargo	1,036	948	912	894	849
Aircraft handled per employee (number)	21	20	18	17	17
Passengers handled per employee (number)	6,342	5,521	4,558	4,025	4,158
Cargo handled per employee (Kgs)	610,569	564,485	551,954	512,158	478,099

*These figures exclude subsidiaries

Financial statistics

		2007-08	2006-07	% Change
Group				
Total revenue*	AED (million)	41,155.4	31,131.6	32.2
Total expenditure*	AED (million)	35,775.5	27,607.9	29.6
Operating profit	AED (million)	5,425.4	3,634.8	49.3
Net profit	AED (million)	5,325.3	3,456.3	54.1
Operating margin*	%	13.4	12.0	1.4 pts
Net margin*	%	13.2	11.4	1.8 pts
Group cash funds	AED (million)	14,002.9	12,901.6	8.5
Shareholder's funds	AED (million)	18,866.6	14,863.6	26.9
Return on shareholder's funds	%	31.6	25.5	6.1 pts
Value added	AED (million)	14,993.8	10,909.9	37.4
Emirates				
Total revenue	AED (million)	39,467.4	29,839.6	32.3
Total expenditure	AED (million)	34,392.5	26,675.9	28.9
Operating profit	AED (million)	5,180.2	3,338.9	55.1
Net profit	AED (million)	5,020.4	3,096.4	62.1
Operating margin	%	13.3	11.4	1.9 pts
Net margin	%	12.9	10.6	2.3 pts
Value added	AED (million)	13,053.7	9,381.5	39.1
Dnata				
Total revenue	AED (million)	2,636.7	2,073.7	27.2
Total expenditure	AED (million)	2,331.8	1,713.8	36.1
Operating profit	AED (million)	245.2	295.9	(17.1)
Net profit	AED (million)	304.9	359.9	(15.3)
Operating margin	%	9.6	14.8	(5.2) pts
Net margin	%	11.9	18.0	(6.1) pts
Value added	AED (million)	1,941.5	1,528.7	27.0

2006-07 figures have been re-classified to conform with the current year's presentation.

*After eliminating inter company transactions of AED 948.7 million in 2007-08 (2006-07: AED 781.7 million), comprising operating income / expense of AED 947.3 million (2006-07: AED 781.4 million) and interest income / expense of AED 1.4 million (2006-07: AED 0.3 million).

The financial year of the Emirates Group is from 1 April to 31 March. Throughout this report all figures are in UAE Dirhams (AED) unless otherwise stated. The exchange rate of the Dirham to the US Dollar is fixed at 3.67.

The percentage change has been based on the exact figures before rounding in respect of the two financial years.

Income

Group net profit for 2007-08 was AED 5,325 million, recording an impressive 54.1% growth compared to the previous year (2006-07: AED 3,456 million).

Group operating profit, at AED 5,425 million, was 49.3% or AED 1,791 million better than last year. The operating margin of 13.4% was 1.4 percentage points higher than last year.

Return on shareholder's funds reflected a noteworthy increase to 31.6% compared to 25.5% in the previous year.

Revenue

Total Group revenue in 2007-08 was AED 41,155 million, a considerable increase of AED 10,024 million (32.2%) over the previous year. Group revenue consisted of operating revenue of AED 38,015 million and other income of AED 3,140 million (2006-07: AED 29,828 million and AED 1,304 million).

All inter company transactions in the Group have been eliminated in computing Group revenue and costs.

Emirates operating revenue increased by AED 7,798 million (27.2%) to AED 36,441 million reflecting higher traffic (up by 16.6%) together with improved yields (up by 9.5%).

Passenger revenue at AED 28,118 million was 29.7% higher than last year, while cargo and related revenue grew by 19.9% to AED 6,449 million. Passenger and cargo revenue (including excess baggage, courier and mail) constituted 95.6% of Emirates' total operating revenue.

Dnata's operating revenue increased by 28.2% over last year to AED 2,522 million.

Expenditure

Group operating costs at AED 34,991 million (2006-07: AED 26,753 million) was AED 8,238 million (30.8%) up over last year.

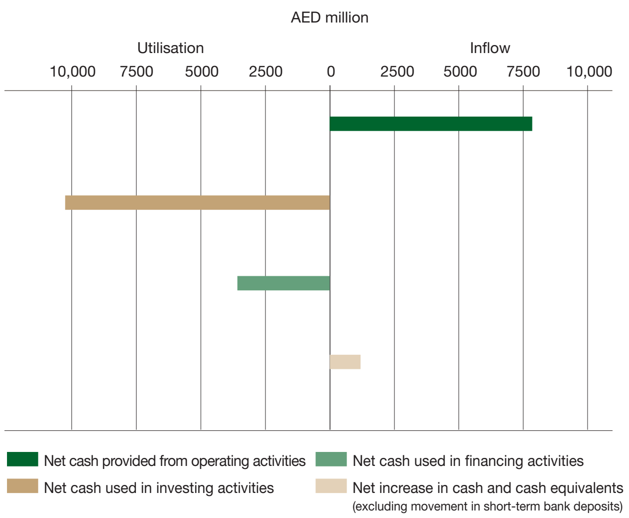
Total Group expenditure including financing costs and taxation was AED 35,776 million, a rise of AED 8,168 million or 29.6% over last year.

The increase in Emirates' costs came mainly from higher fuel and oil costs (up AED 2,751 million or 36.6%), employee expenditure (up AED 1,492 million or 37.1%), aircraft operating lease costs (up AED 670 million or 23.0%) and sales and marketing costs (up AED 639 million or 22.0%). Fuel cost per available tonne-kilometre increased by 20.1% and now comprises a significant 31.4% of the airlines operating costs.

Cash position

Group cash generated from operating activities was AED 7,875 million, a significant increase of 25.1% or AED 1,579 million over the previous year. Emirates contributed AED 7,335 million of cash generation from operating activities while Dnata generated AED 540 million.

Cash flow



Group operating cash margin remained healthy at 19.5%, down 1.2 percentage points compared to the previous year. Emirates' operating cash margin at 18.9% was also marginally down 0.9 percentage points reflecting the increase in costs.

Group cash generated from operating activities stood at a healthy 147.9% of net profit with Emirates' at 146.1% and Dnata's at 177.1%.

Emirates' cash generated from operating activities covered 53.5% (2006-07: 60.9%) of current liabilities (trade and other payables and income tax liabilities) at 31 March 2008 while Dnata's cash generated from operating activities covered 62.2% (2006-07: 83.5%) of current liabilities at 31 March 2008.

Capital expenditure

Group capital expenditure for 2007-08 was AED 9,263 million, 60.8% higher than the previous year's level of AED 5,759 million. Aircraft, engines and parts comprised 77% of the total capital spend, including disbursements for aircraft deliveries during the year and progress payments for future deliveries.

Financial position

Group

At 31 March 2008, the Group's cash funds (including short term bank deposits of AED 8,454 million, held to maturity cash investments of AED 416 million and investment in capital guaranteed notes of AED 1,844 million) improved by 8.5% to AED 14,003 million (USD 3,816 million). The Group invested surplus funds in a mix of high credit quality bank deposits, liquidity funds and diversified structured products. The overall interest income earned yielded an effective rate of 5.2% (2007: 5.6%), reflecting market rates.

Group shareholder's funds at 31 March 2008 was AED 18,867 million (USD 5,141 million), up by 26.9% compared to AED 14,864 million (USD 4,050 million) at 31 March 2007.

Emirates

At 31 March 2008, Emirates cash position (including short term bank deposits of AED 7,645 million, held to maturity cash investments of AED 416 million and investment in capital guaranteed notes of AED1,844 million) improved by 9.7% to AED 12,619 million (USD 3,438 million). The improvement in cash was recorded after funding capital outflows of AED 6,115 million (USD 1,666 million) comprising of pre-delivery payments, spare engines, rotables, buildings and other capital items and paying dividends to the shareholder of AED 488 million (USD 133 million) during the year. Emirates cash balance more than adequately covers the benchmark of maintaining cash balances for at least six months debt obligations and lease rentals.

During the financial year under review, aircraft financing activity saw the acquisition of 13 aircraft over the 12 month period, with the number of Boeing aircraft in the fleet passing 50 units. Two B777-200LR aircraft were funded using US Ex-Im Bank support, with a further two aircraft underwritten by a syndicate of global financial institutions. Further, Ex-Im Bank authorised three comprehensive guarantees for six Boeing aircraft amounting to USD 805 million to be delivered during the financial year 2008-09. Emirates also concluded the sale and lease back of 13 Airbus aircraft at competitive terms.

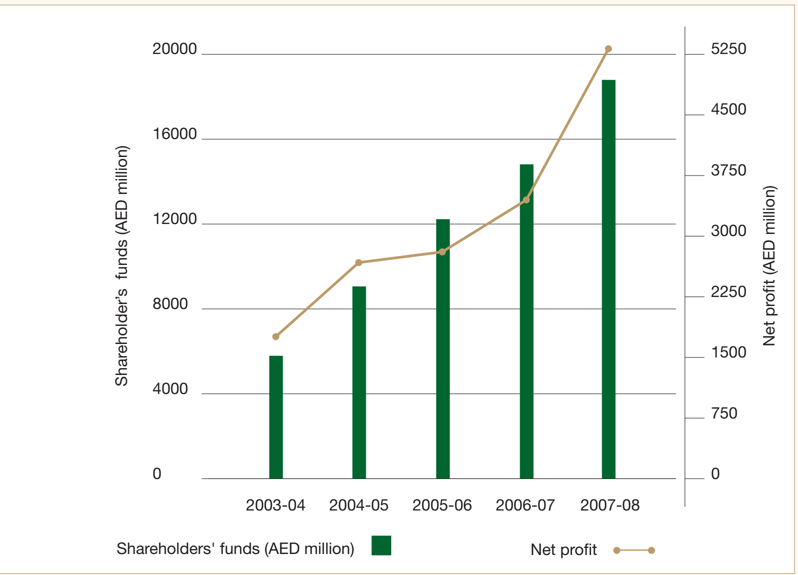
As part of a strategy to diversify financing sources, Emirates tapped the German KG equity market for two Boeing aircraft and further entered into seven pure operating leases for Boeing aircraft. These comprise two passenger aircraft from International Lease Finance Corporation (ILFC), three from General Electric Capital Aviation Services (GECAS) and a further two B747-400ERF freighter aircraft.

Emirates cash profit from operations (or EBITDAR) for the year ended 31 March 2008 remained robust at 28.6% of operating revenue or AED 10,434 million, up by AED 2,857 million (37.7%) compared to year ended 31 March 2007. EBITDAR for the year equated to more than twenty two months of debt service and lease rentals, including periodic principal and interest payments on aircraft financing and bond issues.

Emirates continued to target a balanced portfolio approach, subject to taking advantage of market movements, of hedging around half of its interest rate and currency risk exposures going forward, using appropriate hedging solutions including interest swaps and options. Emirates borrowings and lease liabilities (net of cash) after including operating leases, at 31 March 2008, comprised 68% on a fixed interest rate basis with the balance 32% on floating interest rates. A one percentage point increase in interest rates would increase the interest charges and the operating lease charges (net of interest income) during the next financial year by AED 17 million (2007: AED 48 million). At 31 March 2008, Emirates borrowings and lease liabilities carried a weighted average interest rate of circa 5.21% (2007: 5.70%).

Emirates proactively managed its currency exposure by using appropriate hedging solutions including currency swaps, options and operating leases denominated in Pound sterling, Euros, Japanese yen and Australian dollars. To-date we have secured seven aircraft in Pound sterling, four aircraft in Euros and one aircraft in Japanese yen on operating leases. The lease rent payments of these aircraft hedge a portion of revenue inflows in Pound sterling, Euros and Japanese yen. At 31 March 2008, around 42% of the net annual Pound sterling receipts were hedged, while hedging coverage for Australian Dollar, Euro, and Japanese yen were 70%, 41% and 5% respectively.

Shareholder's funds



Emirates shareholder's funds at 31 March 2008 was AED 16,687 million (USD 4,547 million), up 28.0% compared to AED 13,040 million (USD 3,553 million) at 31 March 2007. Emirates long term borrowings and lease liabilities was AED 12,301 million (USD 3,352 million) at 31 March 2008, a decrease of AED 109 million (USD 30 million) over 31 March 2007. At 31 March 2008, Emirates long term borrowings and lease liabilities (net of cash) / shareholders' funds ratio was 1% (2007: 11%). After including operating leases, the same ratio was 82 % (2007: 103%).

Dnata

At 31 March 2008, Dnata cash balance including short term bank deposits was AED 1,383 million (USD 377 million). This balance was recorded after funding capital outflows of AED 191 million during the year.

Dnata shareholder's funds at 31 March 2008 was AED 2,180 million (USD 594 million), up by 19.6% compared to AED 1,823 million (USD 497 million) at 31 March 2007. Dnata long term debt was AED 528 million (USD 144 million) at 31 March 2008, a net increase of AED 292 million over 31 March 2007.

Value added is a measure of wealth created. This statement shows the value added by the Group over the past five years and its distribution by way of payments to employees, governments and to providers of capital. It also indicates the portion of wealth retained in the business.

	2007-08 AED'000	2006-07 AED'000	2005-06 AED'000	2004-05 AED'000	2003-04 AED'000
Group operating revenue	38,015,185	29,827,768	23,418,465	18,496,306	13,542,317
Less : Purchase of goods and services	26,161,579	20,221,627	15,666,133	11,608,858	8,336,822
	11,853,606	**9,606,141**	**7,752,332**	**6,887,448**	**5,205,495**
Add : Other operating income	2,401,090	559,919	382,261	324,509	285,959
Interest income	665,805	660,227	378,942	191,270	97,925
Share of results in associated companies and joint ventures	73,342	83,644	59,555	54,469	86,643
Total value added by the Group	**14,993,843**	**10,909,931**	**8,573,090**	**7,457,696**	**5,676,022**
Distribution of value added:					
To employees - salaries and other employee costs	6,906,249	5,017,307	4,049,662	3,400,725	2,831,320
To overseas governments - Corporation and other taxes	36,974	163,361	89,418	58,685	16,871
To suppliers of capital -					
Dividends	1,035,056	431,035	454,479	406,670	329,000
Interest	747,706	691,682	405,998	283,670	217,065
Minority interests	-	-	-	-	110,726
Retained for re-investment and future growth -					
Depreciation and amortisation	1,923,030	1,513,954	1,142,298	951,493	752,750
Retained profits	4,344,828	3,092,592	2,431,235	2,356,453	1,418,290
Total distribution of value added	**14,993,843**	**10,909,931**	**8,573,090**	**7,457,696**	**5,676,022**

2006-07 figures have been re-classified to conform with the current year's presentation. Figures for financial years' prior to 2005-06 have not been amended.

In 2007-08, the total 'value added' of the Group increased by AED 4,084 million (37.4%) to AED 14,994 million (2006-07: AED 10,910 million). The increase came mainly from the growth in operating revenue (AED 8,187 million) while the cost of purchases of goods and services increased by AED 5,940 million.

Employees received AED 6,906 million (46.1% of the total value added) in the form of salaries and other related costs including a profit share whilst distributions on account of taxation, interest and dividends were AED 1,820 million (12.1%).

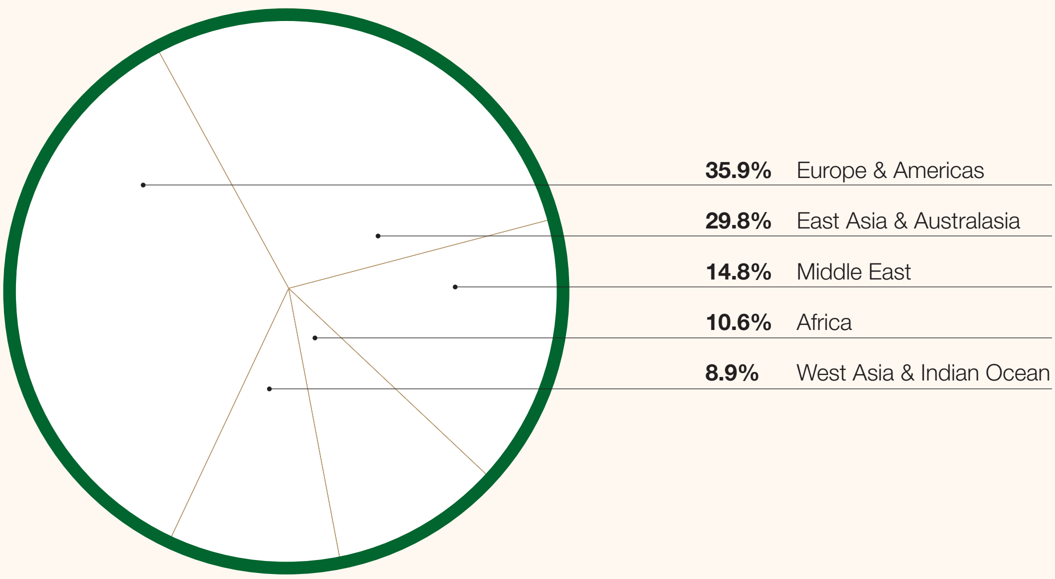
The amount retained in the business for future growth was AED 6,268 million (41.8%).

Revenue

	2007-08 AED million	%	2006-07 AED million	%
Passenger	28,118	77.2	21,677	75.7
Cargo	6,012	16.5	5,047	17.6
Courier	299	0.8	264	0.9
Excess baggage	256	0.7	217	0.8
Mail	138	0.4	66	0.2
Transport revenue	**34,823**	**95.6**	**27,271**	**95.2**
Sale of goods	1,232	3.4	1,019	3.6
Destination and leisure (see below)	196	0.5	183	0.6
Other	190	0.5	170	0.6
Total operating revenue	**36,441**	**100.0**	**28,643**	**100.0**

Destination and leisure revenue reflects the net income after removal of inter-company transactions and direct operating costs. Total package sales achieved for 2007-08 was AED 1,392 million up 21% on the previous year (2006-07: AED 1,151 million).

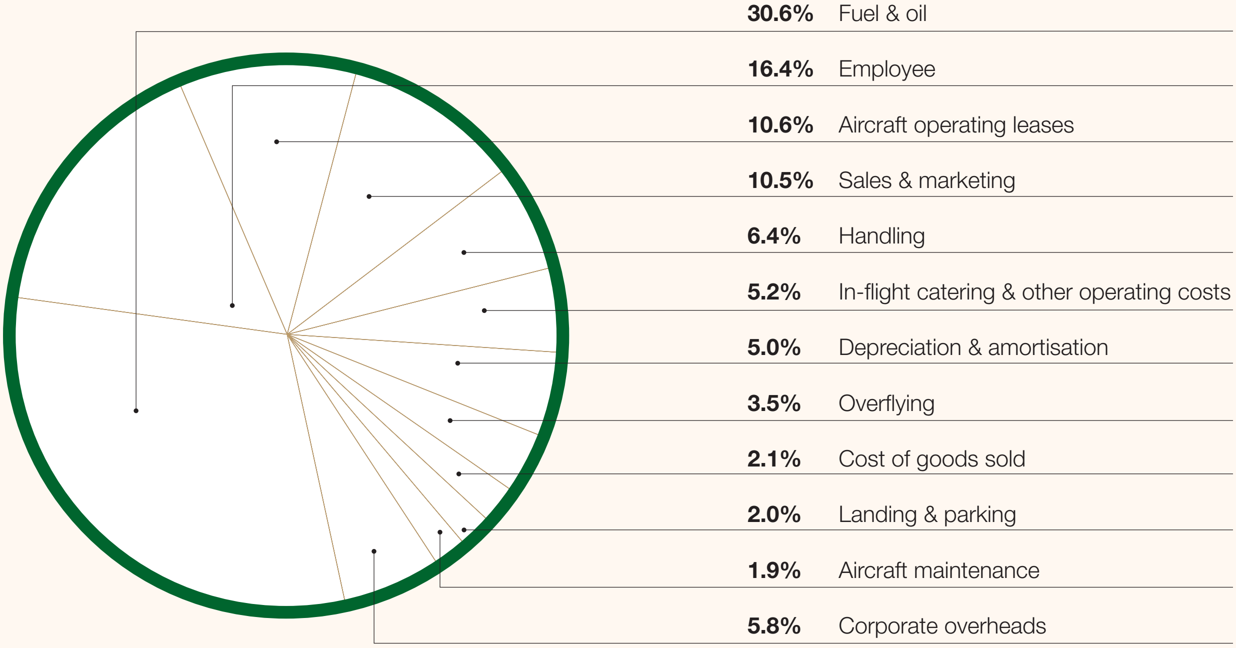
Segment revenue



	2007-08 AED million	%	2006-07 AED million	%
Fuel and oil	10,276	30.6	7,525	29.1
Employee (see (a) below)	5,516	16.4	4,024	15.6
Aircraft operating leases	3,579	10.6	2,909	11.3
Sales and marketing	3,546	10.5	2,907	11.3
Handling	2,138	6.4	1,752	6.8
In-flight catering and other operating costs	1,763	5.2	1,352	5.2
Depreciation	1,652	4.9	1,310	5.1
Overflying	1,157	3.5	947	3.7
Cost of goods sold	701	2.1	548	2.1
Landing and parking	683	2.0	535	2.1
Aircraft maintenance	631	1.9	500	1.9
Amortisation	48	0.1	42	0.2
Corporate overheads	1,940	5.8	1,483	5.6
Total operating costs (see (b) below)	**33,630**	**100.0**	**25,834**	**100.0**

(a) Includes in-house engineering employees.
(b) Excludes interest and financing costs.

Expenditure



Yield, unit cost and breakeven load factor

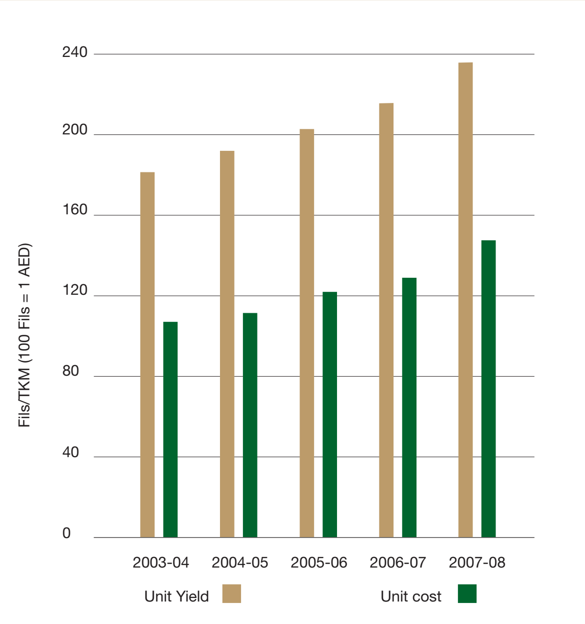
Overall yield increased across all products by 20.6 fils (9.5%) to 236 fils per revenue tonne-kilometre.

Passenger yield and freight yield improved by 7.2% and 9.3% respectively from a combination of fare increases introduced and favourable currency mix.

Unit cost increased by 18.9 fils (14.6%) to 148 fils per available tonne-kilometre. The increase is due to higher fuel costs by 7.8 fils, staff costs by 4.1 fils and other operating expenses by 7.0 fils.

The breakeven load factor increased to 62.7% from 59.9% last year, reflecting unit cost per available tonne-kilometre rising faster than the increase in unit yield per revenue tonne-kilometre, mainly on account of higher fuel costs.

Yield and unit cost



Capacity increased by 13.7% to 22,078 million tonne-kilometres. Traffic increased, faster than the capacity increase, by 16.6% to 14,739 million tonne-kilometres helped by aircraft departure increase of 10.4% to 101,709. This resulted in overall load factor increasing by 1.7 percentage points to 66.8% (2006-07: 65.1%).

The increase in traffic came principally from:

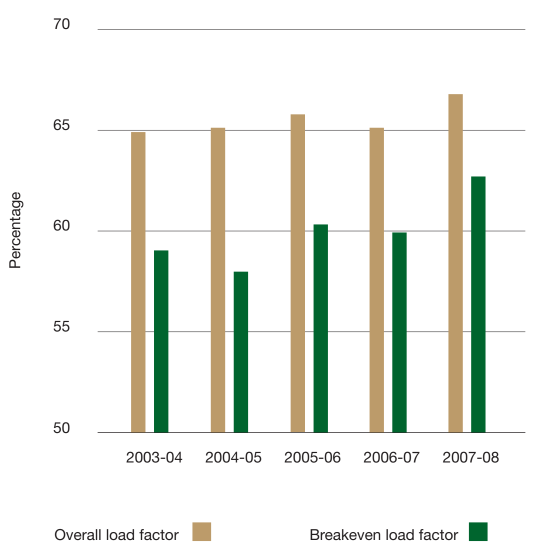
- introduction of new passenger services to Venice, Newcastle, Sao Paulo, Ahmedabad, Toronto, Houston and Cape Town and freighter services to Djibouti, Hann, Toledo and Zaragoza.
- increased frequencies to Beijing, Hamburg, New York, Johannesburg, Dhaka, Zurich, Nagoya, Bangalore, Nairobi, Hong Kong, Chennai and Mumbai.
- increased capacity to existing destinations with bigger aircraft, mainly New York, Perth, Jakarta, Singapore, Manchester, Athens, Kuala Lumpur and Seoul.

The passenger seat factor, at a record 79.8%, increased 3.6 percentage points over last year (2006-07: 76.2%) reflecting strong growth across the network. Passengers carried in 2007-08 reached 21.2 million, representing an increase of 21% over last year.

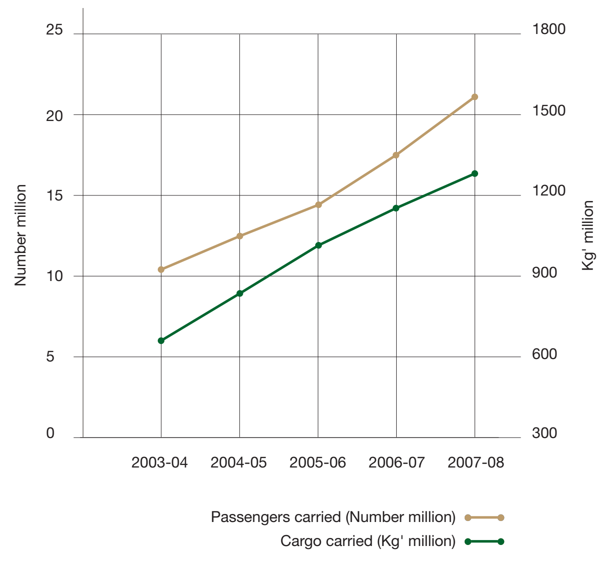
Cargo carried in 2007-08 improved by 10.9% to 1,282,134 tonnes (2006-07: 1,155,894 tonnes).

Aircraft utilisation remained one of the highest in the industry at 13.7 hours per day.

Overall and breakeven load factor



Pax and cargo carried



Employee strength and productivity

In the year under review, the average workforce rose by 3,949 (15.1%) to 30,177. The average number of employees in the airline grew by 3,377 (16.7%) to 23,650 as a result of the growth in capacity.

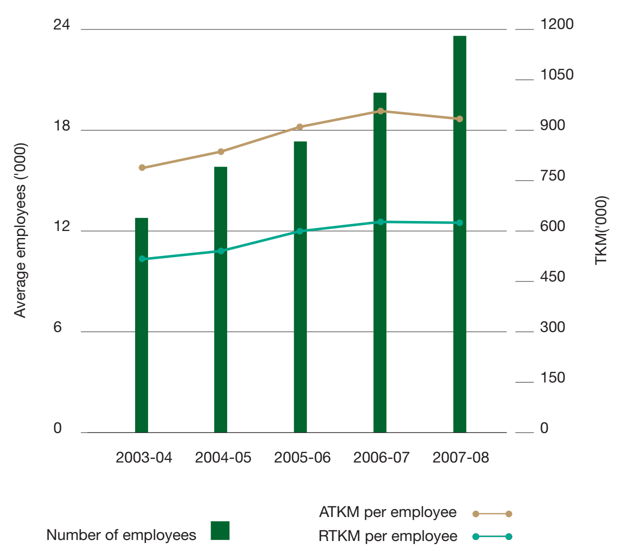
A breakdown of the average number of employees by category is shown below:

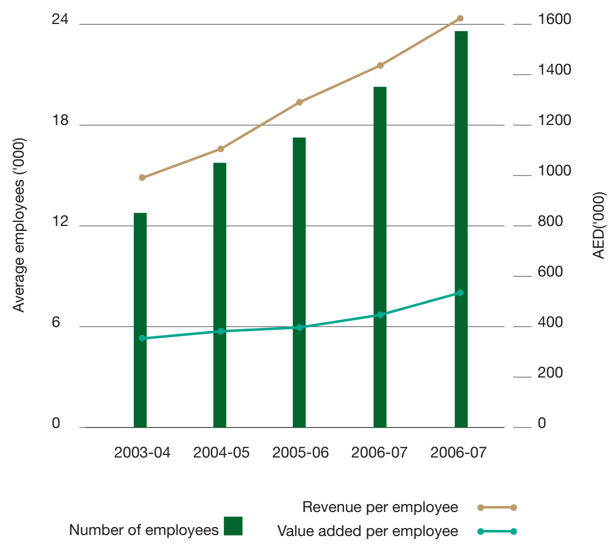
	2007-08	2006-07
UAE		
Cabin crew	8,554	7,499
Flight deck crew	1,810	1,528
Engineering	1,633	1,438
Other	7,784	6,409
	19,781	**16,874**
Overseas stations	3,869	3,399
Total Emirates	**23,650**	**20,273**
Subsidiary companies	**6,527**	**5,955**
Average employee strength	**30,177**	**26,228**

Employee productivity for the airline, measured in terms of revenue per employee was up 13.6% to AED 1,625,424 compared with AED 1,431,038 in 2006-07.

Value added, which is a measure of wealth created by the airline was AED 12,546 million up 39.5% over last year (2006-07: AED 8,991 million). This is equivalent to AED 530,498 per employee, up 19.6% over the previous year (2006-07: AED 443,515).

Capacity per airline employee at ATKM 933,531 was marginally lower by 3% compared with the previous year. Load carried per airline employee remained unchanged at RTKM 623,214 (2006-07: 623,637).





At 31 March 2008:

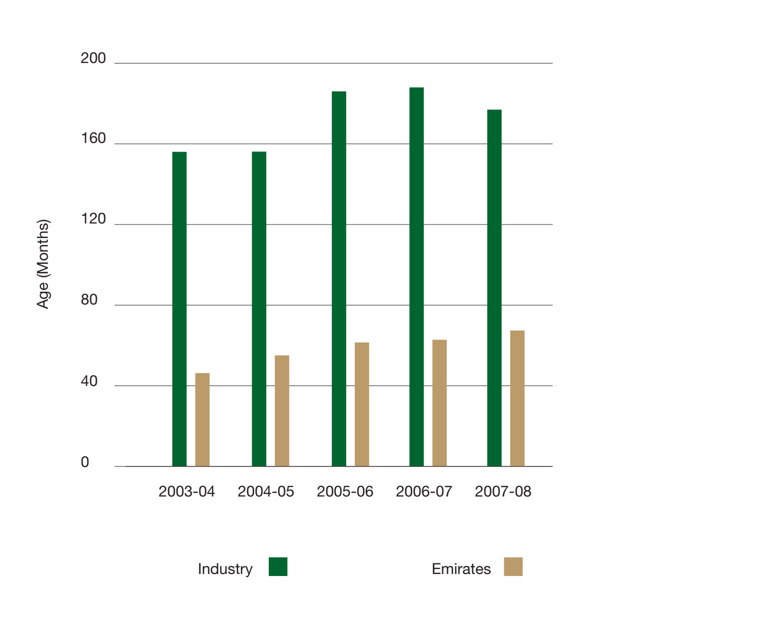
Aircraft	In operation	On firm order	On option
B777-200	9	-	-
B777-300	12	-	-
B777-300ER	32	34	20
A310-300F	3	-	-
A330-200	29	-	-
A340-300	8	-	-
A340-500	10	-	-
A350-900/1000XWB	-	70	50
A380-800	-	58	-
B777-200LR	4	6	-
B747-400ERF	2	-	-
Total	**109**	**168**	**70**

Emirates also had five B747 freighters on wet lease for its cargo operations at 31 March 2008.

In addition to above, Emirates has contracted for five B777-300ER aircraft from General Electric Capital Aviation Services (GECAS), four B777-200LRF and five B747-800F for delivery from Dubai Aerospace Enterprise (DAE).

Emirates operates one of the youngest fleet in the industry with an average age of 67 months compared with an industry average of 177 months.

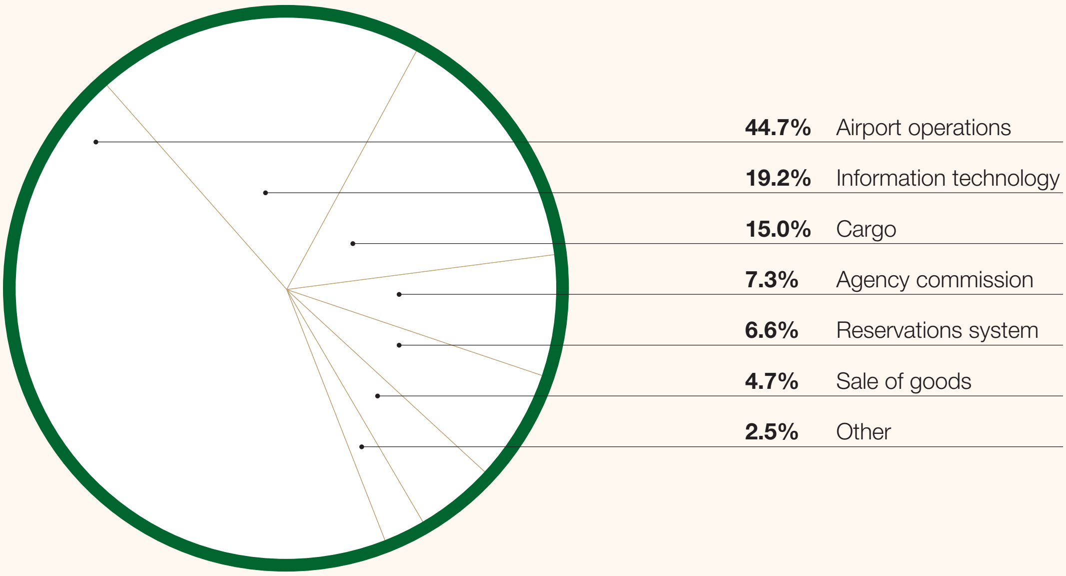
Average fleet age: Emirates and industry



Revenue

	2007-08 AED million	%	2006-07 AED million	%
Airport operations	1,126	44.7	849	43.2
Information technology	484	19.2	374	19.0
Cargo	378	15.0	285	14.5
Agency commission	183	7.3	145	7.4
Reservations system	167	6.6	144	7.3
Sale of goods	119	4.7	125	6.3
Other	65	2.5	45	2.3
Total operating revenue	**2,522**	**100.0**	**1,967**	**100.0**

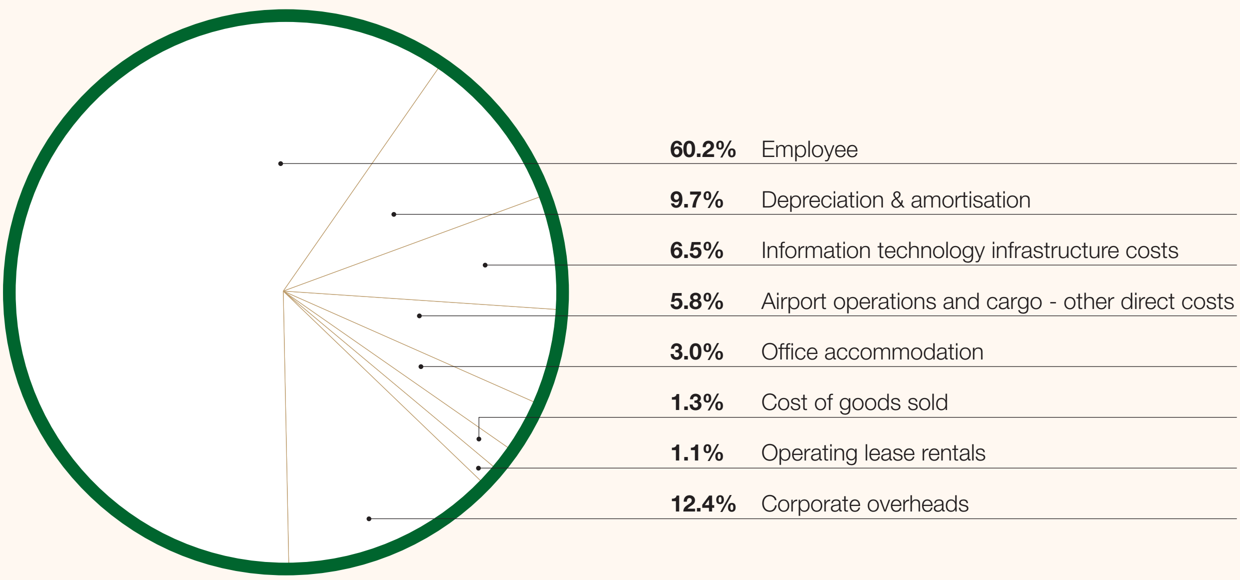
Revenue



	2007-08 AED million	%	2006-07 AED million	%
Employee	1,390	60.2	993	58.4
Depreciation and amortisation	223	9.7	162	9.5
Information technology infrastructure costs	150	6.5	123	7.2
Airport operations and cargo - other direct costs	133	5.8	75	4.4
Office accommodation	70	3.0	56	3.3
Cost of goods sold	30	1.3	33	1.9
Operating lease rentals	24	1.1	14	0.9
Corporate overheads	288	12.4	244	14.4
Total operating costs	**2,308**	**100.0**	**1,700**	**100.0**

2006-07 figures have been re-classified to conform with the current year's presentation.

Expenditure

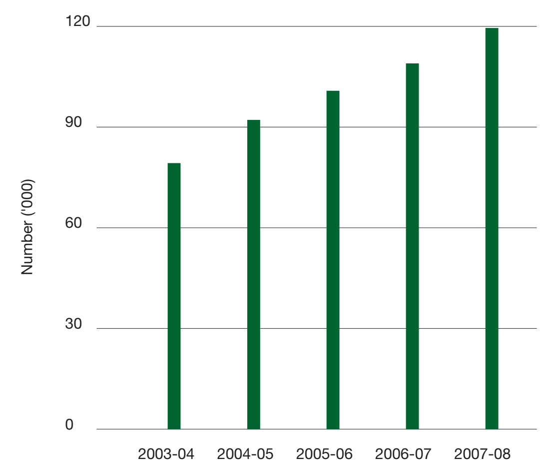


Aircraft, passengers and cargo handled

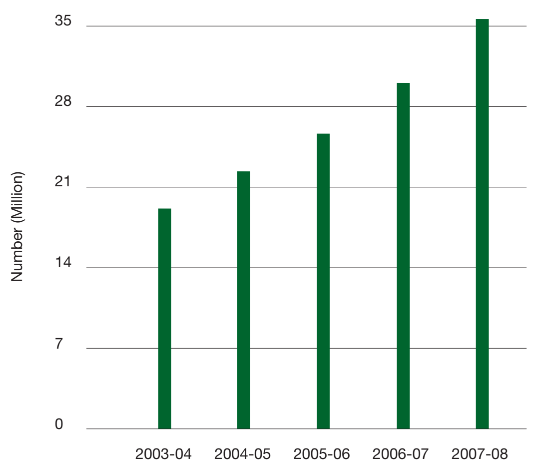
Dubai International Airport maintained its impressive growth in traffic volumes:

- the number of passengers handled were 35.6 million, an increase of 18% or 5.5 million over the previous year.
- the volume of cargo handled was 632,549 tonnes. This reflects a growth of 18% as compared with last year's volume of 535,132 tonnes.
- Dnata handled 122 (2006-07:120) scheduled international airlines operating to Dubai International Airport.
- the number of aircraft handled during the year increased by 9% to 119,510 as compared with 109,648 during 2006-07.

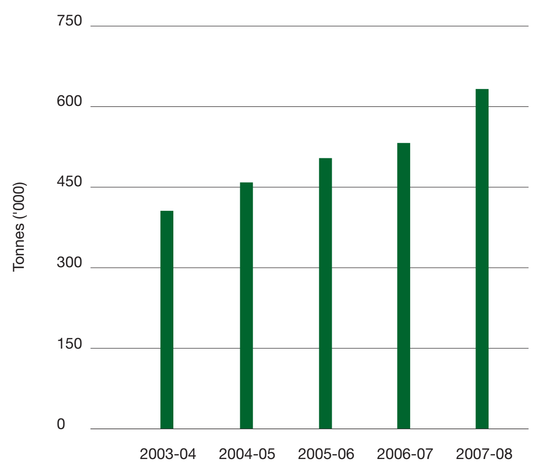
Aircraft handled



Passengers handled



Cargo handled



A breakdown of the average number of employees by category is shown below:

	2007-08	2006-07
Airport operations	5,611	5,445
Cargo handling	1,036	948
Dnata agencies	818	667
Other	1,508	1,331
Total Dnata	**8,973**	**8,391**
Subsidiary companies	**2,667**	**1,441**
Average employee strength	**11,640**	**9,832**

During the year under review, the average workforce increased by 1,808 (18.4%) to 11,640.

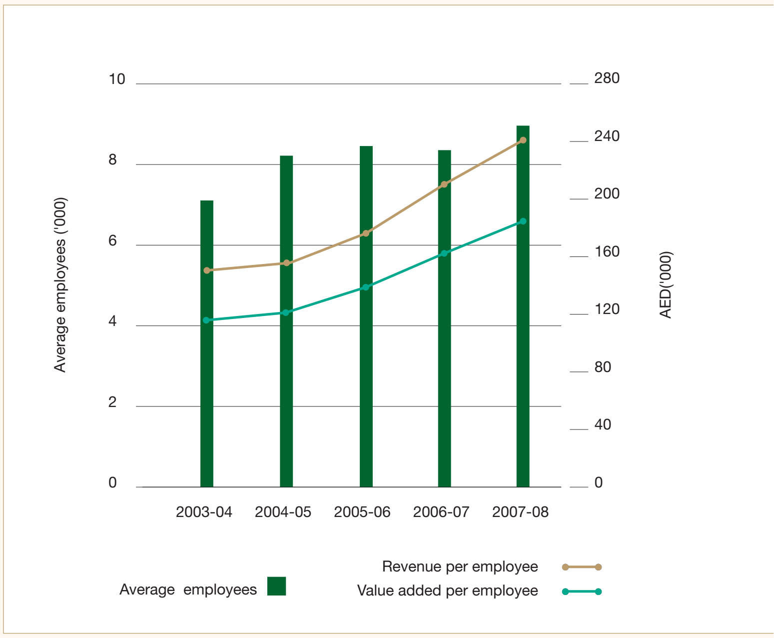
Revenue per employee for Dnata increased by 14.9% to AED 241,493 from AED 210,209 in 2006-07.

Value added, which is a measure of wealth created by Dnata during the year, was up by 21.4% to AED 1,655 million (2006-07: AED 1,363 million). This is equivalent to AED 184,397 per employee an increase of 13.5% over the previous year (2006-07: AED 162,414).

Aircraft handled per airport employee was 21 (2006-07: 20) while passengers handled per airport employee increased by 14.9% to 6,342 (2006-07: 5,521).

Cargo handled per cargo handling employee was up 8.2% to 610,569 kgs compared with 564,485 kgs in 2006-07.

Employee strength and productivity



Glossary

Terms

1. ATKM (Available Tonne Kilometre) - Overall capacity measured in tonnes available for carriage of passengers and cargo load multiplied by the distance flown

2. RTKM (Revenue Tonne Kilometre) - Actual traffic load (passenger and cargo) carried measured in terms of tonnes multiplied by the distance flown

3. ASKM (Available Seat Kilometre) - Passenger seat capacity measured in seats available multiplied by the distance flown

4. RPKM (Revenue Passenger Kilometre) - Number of passengers carried multiplied by the distance flown

5. EBITDAR - Operating profit before depreciation, amortisation and operating lease rentals

Ratios

1. Passenger seat factor - RPKM divided by ASKM

2. Overall load factor - RTKM divided by ATKM

3. Yield (Fils per RTKM) - Transport revenue earned per RTKM

4. Unit cost (Fils per ATKM) - Transport operating costs incurred per ATKM

5. Breakeven load factor - The load factor at which revenue will equal operating costs

6. Operating margin - Operating profit expressed as a percentage of the sum of operating revenue and other operating income

7. Net margin - Profit for the year expressed as a percentage of the sum of operating revenue and other operating income

8. Return on shareholder's funds - Profit for the year expressed as a percentage of average shareholder's funds

9. Operating cash margin - Cash generated from operating activities expressed as a percentage of the sum of operating revenue and other operating income

Report on the financial statements

We have audited the accompanying consolidated financial statements of Emirates and its subsidiaries (together referred to as "Emirates"), which comprise the consolidated balance sheet as of 31 March 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Emirates as of 31 March 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
20 April 2008

Consolidated income statement for the year ended 31 March 2008

	Note	2008 AED'000	2007 AED'000
Revenue	4	36,440,522	28,642,701
Other operating income	5	2,369,307	530,420
Operating costs	6	(33,629,658)	(25,834,248)
Operating profit		**5,180,171**	**3,338,873**
Finance income	7	597,081	591,272
Finance costs	7	(734,256)	(679,062)
Share of results in associated companies and joint ventures	11	60,517	75,225
Profit before income tax		**5,103,513**	**3,326,308**
Income tax expense	8	(28,546)	(162,581)
Profit for the year		**5,074,967**	**3,163,727**
Profit attributable to minority interest		54,543	67,311
Profit attributable to Emirates' Owner		**5,020,424**	**3,096,416**

Notes 1 to 36 form an integral part of the consolidated financial statements.

Consolidated balance sheet
as at 31 March 2008

	Note	2008 AED'000	2007 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	21,368,506	17,173,958
Intangible assets	10	863,353	841,394
Investments in associated companies and joint ventures	11	614,670	435,344
Advance lease rentals	12	222,674	230,955
Available-for-sale financial assets	13	1,847,833	1,940,619
Held-to-maturity investments	13	200,000	397,811
Loans and other receivables	14	1,227,508	341,228
Derivative financial instruments	31	1,377,167	1,168,779
		27,721,711	**22,530,088**
Current assets			
Inventories	15	751,290	541,124
Trade and other receivables	16	7,179,559	5,420,320
Available-for-sale financial assets	13	96,000	-
Held-to-maturity investments	13	215,796	136,730
Derivative financial instruments	31	187,726	206,617
Short term bank deposits	29	7,644,972	1,052,810
Cash and cash equivalents	29	2,714,940	8,070,435
		18,790,283	**15,428,036**
Total assets		**46,511,994**	**37,958,124**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	17	801,214	801,214
Other reserves	18	781,765	1,155,717
Retained earnings		15,103,852	11,083,428
Attributable to Emirates' Owner		**16,686,831**	**13,040,359**
Minority interest		156,039	129,599
Total equity		**16,842,870**	**13,169,958**
Non-current liabilities			
Borrowings and lease liabilities	19	12,300,610	12,409,330
Provisions	23	570,343	454,372
Deferred credits	24	600,064	700,634
Deferred income tax liability	25	19,950	50,642
Trade and other payables	26	12,578	84,191
Derivative financial instruments	31	702,872	510,841
		14,206,417	**14,210,010**
Current liabilities			
Trade and other payables	26	13,549,801	9,303,772
Income tax liabilities		161,839	158,926
Borrowings and lease liabilities	19	1,416,275	929,129
Deferred credits	24	164,696	177,825
Derivative financial instruments	31	170,096	8,504
		15,462,707	**10,578,156**
Total liabilities		**29,669,124**	**24,788,166**
Total equity and liabilities		**46,511,994**	**37,958,124**

The consolidated financial statements were approved on the 20th day of April 2008 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

Notes 1 to 36 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2008

	Attributable to Emirates' Owner					
	Capital AED'000	**Other reserves** AED'000	**Retained earnings** AED'000	**Total** AED'000	**Minority interest** AED'000	**Total equity** AED'000
1 April 2006	801,214	1,600,145	8,387,012	10,788,371	130,180	10,918,551
Currency translation differences	-	(11,753)	-	(11,753)	-	(11,753)
Loss on available-for-sale financial assets	-	(23,728)	-	(23,728)	-	(23,728)
Net gain / (loss) on fair value of cash flow hedges	-	327,686	-	327,686	(53)	327,633
Transferred to consolidated income statement	-	(736,633)	-	(736,633)	-	(736,633)
Net direct movement in equity	**-**	**(444,428)**	**-**	**(444,428)**	**(53)**	**(444,481)**
Profit for the year	-	-	3,096,416	3,096,416	67,311	3,163,727
Total net income for the year	**-**	**(444,428)**	**3,096,416**	**2,651,988**	**67,258**	**2,719,246**
Acquired from minority interest	-	-	-	-	(36,804)	(36,804)
Dividend	-	-	(400,000)	(400,000)	(31,035)	(431,035)
31 March 2007	**801,214**	**1,155,717**	**11,083,428**	**13,040,359**	**129,599**	**13,169,958**
Currency translation differences	-	14,796	-	14,796	-	14,796
Loss on available-for-sale financial assets	-	(13,497)	-	(13,497)	-	(13,497)
Net gain / (loss) on fair value of cash flow hedges	-	461,656	-	461,656	(631)	461,025
Transferred to consolidated income statement	-	(836,907)	-	(836,907)	-	(836,907)
Net direct movement in equity	**-**	**(373,952)**	**-**	**(373,952)**	**(631)**	**(374,583)**
Profit for the year	-	-	5,020,424	5,020,424	54,543	5,074,967
Total net income for the year	**-**	**(373,952)**	**5,020,424**	**4,646,472**	**53,912**	**4,700,384**
Additional investment by minority shareholders	-	-	-	-	7,584	7,584
Dividend	-	-	(1,000,000)	(1,000,000)	(35,056)	(1,035,056)
31 March 2008	**801,214**	**781,765**	**15,103,852**	**16,686,831**	**156,039**	**16,842,870**

Notes 1 to 36 form an integral part of the consolidated financial statements.

Consolidated cash flow statement
for the year ended 31 March 2008

	2008 AED'000	2007 AED'000
Operating activities		
Profit for the year before income tax	5,103,513	3,326,308
Adjustments for:		
Depreciation and amortisation (Note 6)	1,700,052	1,351,754
Finance costs - net (Note 7)	137,175	87,790
(Profit) / loss on sale of property, plant and equipment	(566,539)	1,081
Profit on sale of business units (Note 36)	-	(34,028)
Share of results in associated companies and joint ventures (Note 11)	(60,517)	(75,225)
Provision for impairment of trade receivables (Note 16)	21,070	8,747
Provision for employee benefits (Note 6)	315,460	246,592
Net movement on derivative financial instruments	(114,815)	386,990
Employee benefit payments	(242,752)	(191,550)
Income tax paid	(56,325)	(56,449)
Change in inventories (Note 15)	(210,166)	(61,555)
Change in receivables and advance lease rentals	(2,263,073)	(936,541)
Change in payables and deferred credits	3,572,224	1,710,965
Net cash generated from operating activities	**7,335,307**	**5,764,879**
Investing activities		
Proceeds from sale of property, plant and equipment	3,336,640	2,985
Proceeds from sale of business units (Note 36)	-	41,204
Additions to intangible assets (Note 10)	(69,729)	(70,420)
Additions to property, plant and equipment (Note 30)	(6,114,530)	(4,183,134)
Investments in associated companies and joint ventures	(123,414)	(10,865)
Additional investment in a subsidiary	-	(187,154)
Addition to available-for-sale financial assets	-	(1,836,500)
Movement in short term bank deposits (Note 29)	(6,592,162)	883,690
Net movement in held-to-maturity investments	118,745	(1,547)
Interest income	531,098	540,681
Dividends from associated companies and joint ventures (Note 11)	43,865	72,289
Net cash used in investing activities	**(8,869,487)**	**(4,748,771)**
Financing activities		
Net proceeds from issue / repayment of bonds	-	1,246,562
Net loan (repayment) / drawdown (Note 21)	(156,966)	250,108
Aircraft financing costs	(367,842)	(325,687)
Other finance charges	(390,717)	(358,738)
Net lease liabilities	(2,380,878)	(592,936)
Dividend paid	(488,152)	(386,000)
Dividend paid to minority shareholders	(35,056)	(31,035)
Net cash used in financing activities	**(3,819,611)**	**(197,726)**
Net (decrease) / increase in cash and cash equivalents	**(5,353,791)**	**818,382**
Cash and cash equivalents at beginning of year	8,070,435	7,252,182
Effects of exchange rate changes	(1,704)	(129)
Cash and cash equivalents at end of year (Note 29)	**2,714,940**	**8,070,435**

Notes 1 to 36 form an integral part of the consolidated financial statements.

1. Establishment and operations

Emirates comprises Emirates and its subsidiaries. Emirates was incorporated, with limited liability, by an Emiri Decree issued by H. H. Sheikh Maktoum bin Rashid Al-Maktoum on 26 June 1985 and is wholly owned by the Government of Dubai. Emirates commenced commercial operations on 25 October 1985 and is designated as the International Airline of the UAE.

The Government of Dubai is in the process of restructuring certain ownership interests under an investment arm, the Investment Corporation of Dubai. There will be no change in the ultimate ownership of Emirates after the transfer of ownership is formalised as the Investment Corporation of Dubai is wholly owned by the Government of Dubai.

The main activities of Emirates comprise:

- commercial air transportation which includes passenger, cargo and postal carriage services
- wholesale and retail of consumer goods
- in-flight and institutional catering
- hotel operations

2. Summary of significant accounting policies

A summary of the significant accounting policies, which have been applied consistently, is set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The consolidated financial statements are prepared under the historical cost convention except for those financial assets and financial liabilities that are measured at fair value as stated in the accounting policies below.

Standards, interpretations and amendments to published standards that are not yet effective, have not been early adopted and are relevant to Emirates' operations

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing on or after 1 July 2008. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Emirates' operations:

- IFRS 8, Operating segments (effective from 1 January 2009)
- IFRIC 13, Customer loyalty programmes (effective from 1 July 2008)

Basis of consolidation

Subsidiaries are those entities (including special purpose entities) in which Emirates has the power to govern the entity's operating and financial policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to Emirates and are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains and losses arising on transactions between Emirates and its subsidiaries are eliminated.

The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets including intangible assets acquired, liabilities and contingent liabilities incurred or assumed in a business combination are measured at their fair values at the acquisition date.

Transactions with minority interests are treated as transactions with external parties. Disposals to minority interests results in gains and losses that are recorded in the consolidated income statement. Purchases from minority interests results in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary.

Associated companies are those entities in which Emirates has between 20% and 50% of the voting rights, or over which it has significant influence, but which it does not control. Investments in associated companies are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition.

Joint ventures are contractual arrangements which establish joint control. Investments in jointly controlled entities are accounted for by applying the equity method.

2. Summary of significant accounting policies (continued)

Unrealised gains and losses arising on transactions between Emirates and its associates and joint ventures are eliminated to the extent of Emirates' interest.

Accounting policies of subsidiaries, associated companies and joint ventures have been changed where necessary to ensure consistency with Emirates' accounting policies.

Revenue

Passenger and cargo (which includes courier and mail) sales are recognised as revenue when the transportation is provided. Tickets sold but unused are held in the consolidated balance sheet under current liabilities as passenger and cargo sales in advance.

Revenue from sale of goods is recognised when risks and rewards of ownership are transferred to the customer and are stated net of discounts and returns. Other revenue is recognised net of discounts when services are rendered.

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

Liquidated damages

Income from claims for liquidated damages is recognised in the consolidated income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to a compensation for loss of income or towards incremental operating costs, the amounts are taken to the consolidated balance sheet and recorded as a reduction in the cost of the related asset.

Foreign currency translation

Foreign currency transactions are translated into UAE Dirhams (AED), the functional currency, at exchange rates approximating those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the exchange rates ruling on the balance sheet date. The resultant foreign exchange gains and losses, other than those on qualifying cash flow hedges deferred in equity, are recognised in the consolidated income statement.

Translation differences on non-monetary items classified as available-for-sale financial assets are included in a fair value reserve in equity.

Income statements and cash flows of subsidiaries are translated into UAE Dirhams at average exchange rates for the year and their assets and liabilities are translated at the exchange rates ruling on the balance sheet date. The resulting exchange differences are recognised in the translation reserve in equity.

Share of results in associated companies and joint ventures are translated into UAE Dirhams at average exchange rates for the year. Translation differences relating to investments in subsidiaries, associated companies and joint ventures are classified as a translation reserve in equity. When the investment in subsidiaries, associated companies or joint ventures are disposed of, the translation differences held in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Taxation

Taxation is provided for as and when the liability arises except where management is of the firm opinion that exemption from such taxation will ultimately be granted by the relevant authorities in the countries concerned.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost consists of purchase cost, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost can be reliably measured. Repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Land is not depreciated. Depreciation is calculated on other items of property, plant and equipment so as to write off its cost, less estimated residual values, on a straight-line basis over the estimated useful lives of the assets concerned. The estimated useful lives and residual values are:

Passenger aircraft - new	15 years (residual value 10%)
Passenger aircraft - used	8 years (residual value 10%)
Freighter aircraft - used	10 years (residual value 10%)
Aircraft engines and parts	5 - 15 years (residual value 0 - 10%)
Buildings	5 - 20 years
Other property, plant and equipment	3 - 15 years or over the lease term, if shorter

Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul or lease term or useful life of the asset concerned.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each balance sheet date for possible reversal of the impairment loss.

Capital projects are stated at cost. When the asset is ready for its intended use, it is transferred from capital projects to the appropriate category under property, plant and equipment and depreciated in accordance with Emirates' policies.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are substantially ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense when incurred.

Manufacturers' credits

Emirates receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on their nature, these credits are either recorded as a reduction to the cost of the related aircraft and engines or reduced from ongoing operating expenses. Where the aircraft are held under operating leases, these credits are deferred and reduced from the operating lease rentals on a straight-line basis over the period of the related lease as deferred credits.

2. Summary of significant accounting policies (continued)

Finance and operating leases

Where property, plant and equipment have been financed by lease agreements under which substantially all of the risks and rewards incidental to ownership are transferred to Emirates, they are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. The interest element is charged to the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Property, plant and equipment acquired under finance leases are depreciated in accordance with Emirates' policies.

Leases, where a significant portion of risks and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rental charges, including advance rentals in respect of operating leases, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Profits arising on sale and leaseback transactions resulting in operating leases are recognised in the consolidated income statement to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Any excess of sale proceeds over the fair value is deferred and amortised over the lease term. In the case of profits arising on sale and leaseback transactions resulting in finance leases, the excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time. The revised agreement is considered as a new agreement and accounted for appropriately prospectively over the remaining term of the lease.

Intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each balance sheet date for possible reversal of the impairment loss.

Intangible assets are amortised on a straight-line basis over their estimated useful lives which are:

Service rights	15 years
Computer software	5 years

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets acquired by Emirates in its subsidiaries at the date of acquisition. In the case of a subsequent exchange transaction where control is already established, goodwill is calculated with reference to the net asset value at the date of transaction. Goodwill is presented with intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised when the carrying value of the cash generating unit exceeds its recoverable amount. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Summary of significant accounting policies (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Such investments are initially recognised in the balance sheet on the trade date at fair value including transaction costs. Assets in this category are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. The investments are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

Quoted investments are subsequently measured at their fair value based on quoted bid prices.

Unquoted investments in this category are stated at fair value or at cost less impairment when fair values cannot be reliably measured.

Unrealised gains and losses arising from change in fair value are recognised in the fair value reserves in equity until the investment is sold or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement.

At each balance sheet date an assessment is made whether there is any objective evidence of impairment. In such instances, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less impairment loss previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the intent and ability to hold to maturity are recognised in the consolidated balance sheet on the trade date as held-to-maturity investments. Such investments are initially recognised at fair value including transaction costs and carried at amortised cost using the effective interest method. The investments are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

At each balance sheet date, an assessment is made whether there is any objective evidence of impairment. Where necessary the carrying amount is written down through the consolidated income statement to the present value of expected future cash flows discounted at the effective interest rate computed at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such amounts are initially recognised at fair value including transaction costs and carried at amortised cost using the effective interest method. The amounts are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

At each balance sheet date, an assessment is made whether there is any objective evidence of impairment. Where necessary the carrying amount is written down through the consolidated income statement to the present value of expected future cash flows discounted at the effective interest rate computed at initial recognition.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. Derivatives are designated either as a hedge of the fair value of a recognised asset or liability or of a firm commitment (fair value hedge) or a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Emirates' criteria to account for a derivative financial instrument as a hedge include:

- formal documentation of the hedging instruments, hedged items, hedging objective, strategy and basis of measuring effectiveness all of which are prepared prior to applying hedge accounting; and

- documentation showing that the hedge effectiveness is assessed on an ongoing basis and is determined to have been highly effective in offsetting the risk of the hedged item throughout the reporting period.

2. Summary of significant accounting policies (continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the consolidated income statement, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. This accounting treatment is discontinued when the fair value hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the fair value reserve in equity. When the forecasted transaction results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and recognised in profit or loss in the same period during which the asset or liability affects profit or loss. In all other cases, amounts deferred in equity are transferred to the consolidated income statement in the period during which the forecasted transaction affects the consolidated income statement and are presented in the same line item as the gains and losses from hedged items.

When a cash flow hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time is retained in equity and is ultimately recognised in the consolidated income statement when the forecasted transaction occurs. If a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The gain or loss on the ineffective portion is recognised in the consolidated income statement.

Changes in the fair value of certain embedded currency derivatives in non-derivative contracts that do not qualify for cash flow hedge accounting are recognised immediately in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average cost basis with the exception of consumer goods inventory which is determined on a first-in-first-out basis.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment of these receivables. Where there is objective evidence of amounts that are not collectible, a provision is made for the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Employee benefits

UAE national employees participate in the UAE government's pension fund to which the employee and Emirates contribute a specified percentage of salary. Contributions to the pension fund, are charged to the consolidated income statement in the period in which they fall due.

Senior employees who are based in the UAE participate in a provident fund to which the employee and Emirates contribute a specified percentage of salary. Contributions to the provident fund are charged to the consolidated income statement in the period in which they fall due.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and are based on periods of cumulative service and levels of employees' basic salary.

End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

2. Summary of significant accounting policies (continued)

Frequent flyer programme

Emirates maintains a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on Emirates and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

Miles accrued through utilising the services of programme partners is paid for by the participating partners and the resulting revenue is recorded as other operating income.

The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is provided for as programme members accrue miles.

Trade payables

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

Cash and cash equivalents

Cash and cash equivalents comprise all cash and liquid funds with an original maturity of three months or less.

3. Critical accounting estimates and judgements

In the preparation of the consolidated financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following discussion addresses the accounting policies that require subjective and complex judgements, often as a result of the need to make estimates.

Depreciation of property, plant and equipment

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management has reviewed the residual values and useful lives of major items of property, plant and equipment and determined that no adjustment is necessary.

Provision for the frequent flyer programme

The provision is based on miles outstanding valued at the incremental direct cost of providing the service. In arriving at the miles outstanding, an adjustment is made for miles which are not expected to be redeemed based on current trends. Incremental direct costs are arrived at based on the forecasted weighted average cost of the reward mix i.e. redemptions on Emirates services and on non-airline or other member airlines. These estimates are reviewed on an annual basis and the liability suitably adjusted as appropriate.

Taxation

Income tax liabilities are not provided for when management is of the firm opinion that exemption from income tax will ultimately be granted by the relevant authorities in the concerned jurisdictions. In making its judgement, management considers the status of discussions with the relevant authorities in different countries, the existence of reciprocal exemptions or of a memorandum of understanding. The resolution of issues is not always within the control of management and is often dependant upon external parties. When, due to a change in circumstances, it is unlikely that a tax exemption will be obtained, the income tax liability is fully provided for on a conservative basis till a resolution is reached or the final tax outcome is determined.

4. Revenue

	2008 AED'000	2007 AED'000
Services		
Passenger	28,118,106	21,677,143
Cargo	6,011,536	5,046,888
Courier	299,131	263,485
Excess baggage	255,542	217,153
Destination and leisure	195,668	182,953
Mail	138,208	65,992
Hotel operations	134,408	91,467
Others	55,981	78,458
	35,208,580	**27,623,539**
Sale of goods		
Consumer goods	555,292	583,231
In-flight catering	353,037	251,089
Others	323,613	184,842
	1,231,942	**1,019,162**
	36,440,522	**28,642,701**

Segment information
Primary reporting format - geographical segments

	Middle East AED'000	Europe and Americas AED'000	East Asia and Australasia AED'000	West Asia and Indian Ocean AED'000	Africa AED'000	Total AED'000
2008						
Segment revenue	6,306,782	13,566,340	11,008,582	3,964,092	3,964,033	38,809,829
Segment results	4,057,396	3,252,656	2,736,218	1,155,526	1,061,574	12,263,370
Unallocated costs						(7,083,199)
Operating profit						**5,180,171**
Finance costs - net	(137,175)	-	-	-	-	(137,175)
Share of results in associated companies and joint ventures	60,517	-	-	-	-	60,517
Income tax (expense) / credit	(20,537)	(2,534)	7,443	(77)	(12,841)	(28,546)
Profit for the year						**5,074,967**
2007						
Segment revenue	4,314,841	10,461,633	8,695,324	2,621,045	3,080,278	29,173,121
Segment results	2,243,110	2,611,223	2,025,709	728,691	860,342	8,469,075
Unallocated costs						(5,130,202)
Operating profit						**3,338,873**
Finance costs - net	(87,790)	-	-	-	-	(87,790)
Share of results in associated companies and joint ventures	75,225	-	-	-	-	75,225
Income tax expense	(15,475)	-	(136,598)	(73)	(10,435)	(162,581)
Profit for the year						**3,163,727**

4. Revenue (continued)

Transport revenue is allocated to the segments based on turnover by destination. Revenue from inbound and outbound airline operations between UAE and the overseas point are attributed to the geographical area in which the respective overseas points are located. The Middle East segment also includes other operating income and other revenue streams since it is the principal segment in which services are rendered. Costs not directly attributable to geographical segments are shown as unallocated.

The major revenue earning asset is the aircraft fleet which is registered in the UAE. Since the aircraft fleet is deployed flexibly across Emirates' route network, there is no suitable basis of allocating such assets and the related depreciation and liabilities to geographical segments. Other non-cash items are primarily related to the Middle East segment.

Secondary reporting format - business segments

	Airline related		Consumer goods	Other	Total
	Passenger AED'000	Cargo AED'000	AED'000	AED'000	AED'000
2008					
Segment revenue	31,475,732	6,448,875	555,292	329,930	38,809,829
Total assets	44,977,012	215,776	501,559	817,647	46,511,994
Capital expenditure and intangible assets	8,419,476	68,501	4,226	565,725	9,057,928
2007					
Segment revenue	23,082,581	5,376,365	583,231	130,944	29,173,121
Total assets	36,911,918	417,303	424,887	204,016	37,958,124
Capital expenditure and intangible assets	5,378,554	144,931	13,324	1,977	5,538,786

5. Other operating income

Other operating income includes an amount of AED 720.4 million (2007: Nil) being the sale of purchase rights in certain aircraft, AED 553.8 million (2007: Nil) being the gain on sale and leaseback of aircraft, AED 404.0 million (2007: Nil) from liquidated damages, AED 176.3 million (2007: AED 96.8 million) being gross income from the frequent flyer programme and a net foreign exchange gain of AED 223.8 million (2007: AED 99.9 million).

6. Operating costs

	2008 AED'000	2007 AED'000
Fuel and oil	10,275,780	7,525,311
Employee (see (a) over)	5,515,905	4,024,328
Aircraft operating leases (see (b) over)	3,578,795	2,909,181
Sales and marketing	3,545,797	2,907,483
Handling	2,137,803	1,751,697
In-flight catering and other operating costs	1,762,897	1,351,580
Depreciation (Note 9)	1,652,282	1,309,883
Overflying	1,157,115	947,168
Cost of goods sold	700,838	547,927
Landing and parking	683,429	534,754
Aircraft maintenance	631,317	499,630
Amortisation (Note 10)	47,770	41,871
Corporate overheads (see (c) over)	1,939,930	1,483,435
	33,629,658	**25,834,248**

6. Operating costs (continued)

(a) Employee costs include AED 315.5 million (2007: AED 246.6 million) in respect of post-employment benefits and AED 664.6 million (2007: AED 156.7 million) in respect of an employee profit share scheme.

(b) Aircraft operating lease charges include AED 2,908.8 million (2007: AED 2,260.0 million) in respect of eighty five aircraft (2007: seventy) and AED 670.0 million (2007: AED 649.2 million) in respect of wet leases of freighter aircraft.

(c) Corporate overheads includes non-aircraft operating lease charges amounting to AED 176.3 million (2007: AED 131.4 million).

7. Finance income and costs

	2008 AED'000	2007 AED'000
Finance income		
Interest income on short term bank deposits	503,756	513,046
Interest income on investments	49,135	52,659
Related parties (Note 33)	23,567	-
Other interest income	20,623	25,567
	597,081	**591,272**
Finance costs		
Aircraft financing costs	(350,628)	(337,025)
Interest charges on borrowings	(376,360)	(335,569)
Other interest charges	(7,268)	(6,468)
	(734,256)	**(679,062)**

Net financing costs of AED 42.4 million (2007: AED 44.0 million) were capitalised during the year (Note 9).

8. Income tax expense

The components of income tax expense are:

	2008 AED'000	2007 AED'000
Current tax	(59,238)	(111,939)
Deferred tax credit / (expense) (Note 25)	30,692	(50,642)
	(28,546)	**(162,581)**

Emirates has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. Therefore income tax expense relates only to certain overseas stations where Emirates is subject to income tax. Hence, providing information on effective tax rates is not meaningful.

9. Property, plant and equipment

	Aircraft AED'000	Aircraft engines and parts AED'000	Land and buildings AED'000	Other property, plant and equipment AED'000	Capital projects AED'000	Total AED'000
Cost						
1 April 2006	8,190,099	2,177,867	1,156,657	2,559,977	3,960,877	18,045,477
Additions	-	231,289	7,939	567,504	4,511,284	5,318,016
Currency translation differences	-	-	-	199	735	934
Transfer from capital projects	1,195,640	130,754	1,715,970	294,090	(3,336,454)	-
Disposals	(240,743)	(27,273)	(816)	(408,214)	(28,664)	(705,710)
31 March 2007	**9,144,996**	**2,512,637**	**2,879,750**	**3,013,556**	**5,107,778**	**22,658,717**
Depreciation						
1 April 2006	2,350,074	606,491	436,185	1,117,852	-	4,510,602
Charge for the year	533,787	153,869	125,693	496,534	-	1,309,883
Currency translation differences	-	-	-	79	-	79
Disposals	(163,094)	(15,789)	(702)	(156,220)	-	(335,805)
31 March 2007	**2,720,767**	**744,571**	**561,176**	**1,458,245**	**-**	**5,484,759**
Net book amount 31 March 2007	**6,424,229**	**1,768,066**	**2,318,574**	**1,555,311**	**5,107,778**	**17,173,958**
Cost						
1 April 2007	9,144,996	2,512,637	2,879,750	3,013,556	5,107,778	22,658,717
Additions	1,687,498	251,448	191,286	869,415	5,988,552	8,988,199
Currency translation differences	-	-	-	584	4,306	4,890
Transfer from capital projects	2,148,324	121,730	1,636,239	690,178	(4,942,182)	(345,711)
Disposals	(3,743,311)	(24,119)	(3,048)	(527,533)	-	(4,298,011)
31 March 2008	**9,237,507**	**2,861,696**	**4,704,227**	**4,046,200**	**6,158,454**	**27,008,084**
Depreciation						
1 April 2007	2,720,767	744,571	561,176	1,458,245	-	5,484,759
Charge for the year	682,762	159,459	169,488	640,573	-	1,652,282
Currency translation differences	-	-	-	288	-	288
Disposals	(1,105,623)	(13,627)	(1,280)	(377,221)	-	(1,497,751)
31 March 2008	**2,297,906**	**890,403**	**729,384**	**1,721,885**	**-**	**5,639,578**
Net book amount 31 March 2008	**6,939,601**	**1,971,293**	**3,974,843**	**2,324,315**	**6,158,454**	**21,368,506**

9. Property, plant and equipment (continued)

The net book amount of property, plant and equipment includes AED 6,385.4 million (2007: AED 6,115.8 million) in respect of aircraft and AED 431.7 million (2007: AED 297.2 million) in respect of aircraft engines held under finance leases.

The net book amount of land and buildings, aircraft and aircraft engines and parts includes an amount of AED 540.0 million (2007: AED 600.6 million) in respect of assets provided as security against term loans.

No depreciation is charged on land carried at AED 277.6 million (2007: AED 64.5 million).

Property, plant and equipment includes capitalised interest amounting to AED 42.4 million (2007: AED 44.0 million).

Capital projects include pre-delivery payments of AED 4,012.5 million (2007: AED 2,568.9 million) in respect of aircraft (Note 27) due for delivery between 2008 and 2014. An amount of AED 345.7 million (2007: AED Nil) has been transferred out of capital projects to trade and other receivables consequent to the sale of purchase rights in certain aircraft.

10. Intangible assets

	Goodwill AED'000	Service rights AED'000	Computer software AED'000	Total AED'000
Cost				
1 April 2006	416,317	162,333	210,783	789,433
Additions	150,350	-	70,420	220,770
Disposals (Note 36)	(7,176)	-	-	(7,176)
31 March 2007	**559,491**	**162,333**	**281,203**	**1,003,027**
Amortisation and impairment				
1 April 2006	6,738	11,581	101,443	119,762
Amortisation for the year	-	10,815	31,056	41,871
31 March 2007	**6,738**	**22,396**	**132,499**	**161,633**
Net book amount 31 March 2007	**552,753**	**139,937**	**148,704**	**841,394**
Cost				
1 April 2007	559,491	162,333	281,203	1,003,027
Additions	-	-	69,729	69,729
31 March 2008	**559,491**	**162,333**	**350,932**	**1,072,756**
Amortisation and impairment				
1 April 2007	6,738	22,396	132,499	161,633
Amortisation for the year	-	10,845	36,925	47,770
31 March 2008	**6,738**	**33,241**	**169,424**	**209,403**
Net book amount 31 March 2008	**552,753**	**129,092**	**181,508**	**863,353**

Computer software includes an amount of AED 87.4 million (2007: AED 56.2 million) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, goodwill amounting to AED 184.3 million (2007: AED 184.3 million) is allocated to the consumer goods' cash generating unit and AED 368.5 million (2007: AED 368.5 million) is allocated to the in-flight catering services' cash generating unit which forms part of the passenger business segment. The recoverable amounts for these cash generating units have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations for both cash generating units include a risk adjusted discount rate, historical gross margins of 20% and growth rates based on management's expectations for market development. Cash flow projections for both cash generating units are based on forecasts approved by management covering a three year period and a discount rate of 12% per annum. Cash flows for both cash generating units beyond the three year period have been extrapolated using a 4% growth rate per annum. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate.

11. Investments in subsidiaries, associated companies and joint ventures

Principal subsidiaries

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Maritime & Mercantile International L.L.C.	68.7	Wholesale and retail of consumer goods	UAE
Emirates Leisure Retail L.L.C.	68.7	Food and beverage operations	UAE
Emirates Leisure Retail (Oman) L.L.C.	70.0	Food and beverage operations	Oman
Emirates Leisure Retail Holding L.L.C.	100.0	Holding company	UAE
Emirates Hotel L.L.C.	100.0	Hotel operations	UAE
Emirates Hotel (Australia) Pty Ltd.	100.0	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90.0	Catering services to airlines	UAE

Emirates Leisure Retail (Oman) L.L.C. was incorporated during the year. In the previous year, Emirates invested a further 17.6% in Emirates Flight Catering Company L.L.C. (refer Note 10).

Principal associated companies

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
SriLankan Airlines Limited	43.6	Air transportation, aircraft handling and catering	Sri Lanka
Alpha Flight Services Pty Ltd.	49.0	Catering services to airlines	Australia

The investment in Alpha Flight Services Pty Ltd. was made during the year.

Joint ventures

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Emirates-CAE Flight Training L.L.C.	50.0	Flight simulator training	UAE
PTI Gulf Hotels L.L.C.	51.0	Hotel operations	UAE

In the previous year, property, plant and equipment valued at AED 288.2 milion was transferred to Emirates-CAE Flight Training L.L.C., AED 196.4 million as capital contributed and AED 91.8 million as a loan instrument (Note 33).

PTI Gulf Hotels L.L.C. is subject to joint control and is therefore accounted for as a jointly controlled entity.

11. Investments in subsidiaries, associated companies and joint ventures (continued)

Movement of investments in associated companies and joint ventures

	2008 AED'000	2007 AED'000
Balance brought forward	**435,344**	**268,293**
Investments during the year	123,414	207,235
Share of results	60,517	75,225
Other equity movements	27,269	(30,639)
Dividends	(43,865)	(72,289)
Currency translation differences	11,991	(12,481)
Balance carried forward	**614,670**	**435,344**

The carrying value of the investments in associated companies amounted to AED 382.7 million (2007: AED 224.1 million) and the share of results amounted to AED 49.6 million (2007: AED 69.6 million). The investments in associated companies include goodwill of AED 54.7 million (2007: AED 31.3 million).

The financial statements of SriLankan Airlines Limited have been drawn for a twelve month period ended 31 January 2008 to comply with the accelerated reporting timetable of Emirates. For the purpose of applying the equity method of accounting and disclosures, the financial statements as drawn above have been used and appropriate adjustments have been made, where necessary, for the effect of significant events between 1 February 2008 and 31 March 2008.

Summarised financial information in respect of the associated companies is set out below:

	2008 AED'000	2007 AED'000
Total assets	2,055,360	1,482,460
Total liabilities	1,454,604	1,046,624
Net assets	600,756	435,836
Revenue	3,350,387	2,769,112
Profit for the year	95,593	144,981

Summarised financial information in respect of Emirates' share in jointly controlled entities is set out below:

	2008 AED'000	2007 AED'000
Non-current assets	364,626	286,918
Current assets	136,373	79,486
Non-current liabilities	116,342	116,363
Current liabilities	152,598	38,837
Total income	77,553	34,909
Total expense	66,629	29,238

12. Advance lease rentals

	2008 AED'000	2007 AED'000
Balance brought forward	**258,776**	**285,587**
Additions / transfers during the year	25,221	-
Charge for the year	(30,661)	(26,811)
Balance carried forward	**253,336**	**258,776**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 16)	**30,662**	**27,821**
Total over one year	**222,674**	**230,955**

Advance lease rentals are non-refundable in the event of the related lease being terminated prior to its expiry.

13. Other investments

(a) Available-for-sale financial assets

	2008 AED'000	2007 AED'000
Quoted	96,000	96,000
Unquoted	1,847,833	1,844,619
	1,943,833	**1,940,619**
Available-for-sale financial assets are expected to be realised as follows:		
Within one year	96,000	-
After one year	1,847,833	1,940,619

The quoted investment represents Government of Dubai bonds, the effective interest rate earned was 3.11% (2007: 3.11%) per annum.

Unquoted investments include:

	2008 AED'000	2007 AED'000
Capital guaranteed notes	1,843,754	1,840,540
Depository certificates	4,079	4,079
	1,847,833	**1,844,619**

The capital guaranteed notes are capital protected if held to maturity and are issued by financial institutions with a Standard & Poor's rating of AA.

The carrying value of investments in capital guaranteed notes approximates their fair value and is based on the net asset value of the investments.

Depository certificates represent an investment in SITA Inc. and are without fixed maturity. The investment does not carry any voting rights and transfer is restricted. Therefore, the investment is measured at cost as the fair value cannot be reliably measured.

The maximum exposure to credit risk at the reporting date is the fair value of available-for-sale financial assets.

13. Other investments (continued)

(b) Held-to-maturity investments

	2008 AED'000	2007 AED'000
Deposits with financial institutions:		
Current	215,796	136,730
Non-current	200,000	397,811
	415,796	**534,541**
The maturity dates fall into the following periods:		
Within one year	215,796	136,730
Between 1 and 2 years	200,000	397,811

The effective interest rate earned was 5.68% (2007: 5.63%) per annum.

The carrying amounts of investments approximate their fair value. Fair value is determined by discounting projected cash flows using the interest rate yield curve applicable to the different maturities.

The maximum exposure to credit risk at the reporting date is the carrying value of the held-to-maturity financial assets.

14. Loans and other receivables

	2008 AED'000	2007 AED'000
Related parties (Note 33)	1,025,301	68,171
Other receivables	202,207	273,057
	1,227,508	**341,228**
The amounts are receivable as follows:		
Between 2 and 5 years	1,013,228	331,883
After 5 years	214,280	9,345
	1,227,508	**341,228**

The carrying amounts of the loans and other receivables approximate their fair value. Fair value is determined by discounting projected cash flows using the interest rate yield curve applicable to the different maturities.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and other receivables.

15. Inventories

	2008 AED'000	2007 AED'000
Engineering	351,726	241,944
In-flight consumables	244,078	177,532
Consumer goods	84,954	65,749
Other	70,532	55,899
	751,290	**541,124**

16. Trade and other receivables

	2008 AED'000	2007 AED'000
Trade receivables - net of provision	2,906,555	2,260,030
Related parties (Note 33)	1,383,651	150,621
Prepayments	1,723,257	1,073,333
Advance lease rentals (Note 12)	30,662	27,821
Operating lease and other deposits	881,054	896,712
Other receivables	1,481,888	1,353,031
	8,407,067	**5,761,548**
Less: Receivables over one year (Note 14)	(1,227,508)	(341,228)
	7,179,559	**5,420,320**

The impairment charge on trade receivables recognised in the consolidated income statement during the year mainly relates to ticketing agents who are in unexpected difficult economic situations and are unable to meet their obligations under the IATA agency programme. This charge is included in operating costs. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

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

	2008 AED'000	2007 AED'000
Balance brought forward	**78,939**	**74,300**
Charge for the year	38,618	27,328
Amounts written off as uncollectible	(1,889)	(5,090)
Unused amounts reversed	(17,548)	(18,581)
Currency translation differences	2,902	982
Balance carried forward	**101,022**	**78,939**

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

The maximum exposure to credit risk of current trade and other receivables at the reporting date is the carrying value of each class of receivable mentioned above.

Ageing of receivables that are past due but not impaired is as follows:

	2008 AED'000	2007 AED'000
Below 3 months	383,181	293,300
3-6 months	64,642	67,582
Above 6 months	23,090	76,432
	470,913	**437,314**

17. Capital

Capital represents the permanent capital provided by the Government of Dubai.

18. Other reserves

	Fair value reserve			
	Hedging instruments AED'000	Other AED'000	Translation reserve AED'000	Total AED'000
1 April 2006	**1,629,391**	**(3,900)**	**(25,346)**	**1,600,145**
Currency translation differences	-	-	(11,753)	(11,753)
Loss on available-for-sale financial assets	-	(23,728)	-	(23,728)
Gain / (loss) on fair value of cash flow hedges:				
-excluding associated companies	358,302	-	-	358,302
-associated companies	(30,616)	-	-	(30,616)
Transferred to consolidated income statement	(736,633)	-	-	(736,633)
31 March 2007	**1,220,444**	**(27,628)**	**(37,099)**	**1,155,717**
Currency translation differences	-	-	14,796	14,796
Loss on available-for-sale financial assets	-	(13,497)	-	(13,497)
Gain on fair value of cash flow hedges:				
-excluding associated companies	434,387	-	-	434,387
-associated companies	27,269	-	-	27,269
Transferred to consolidated income statement	(836,907)	-	-	(836,907)
31 March 2008	**845,193**	**(41,125)**	**(22,303)**	**781,765**

The amounts transferred to the consolidated income statement have been (debited) / credited to the following line items:

	2008 AED'000	2007 AED'000
Revenue	(212,688)	(74,618)
Operating costs	902,207	711,180
Finance costs	147,388	100,071
	836,907	**736,633**

19. Borrowings and lease liabilities

	2008 AED'000	2007 AED'000
Non-current		
Bonds (Note 20)	6,745,067	6,644,763
Term loans (Note 21)	520,909	951,588
Lease liabilities (Note 22)	5,034,634	4,812,979
	12,300,610	**12,409,330**
Current		
Term loans (Note 21)	393,296	119,583
Lease liabilities (Note 22)	1,022,979	809,546
	1,416,275	**929,129**

The effective interest rate per annum on lease liabilities and term loans was 5.13% (2007: 5.29%) and on bonds was 5.30% (2007: 6.11%).

20. Bonds

	2008 AED'000	2007 AED'000
Bonds are denominated in the following currencies:		
UAE Dirhams	1,836,500	1,836,500
Singapore Dollars	1,065,064	968,172
US Dollars	3,856,650	3,856,650
	6,758,214	**6,661,322**
Less: Transaction costs	(13,147)	(16,559)
	6,745,067	**6,644,763**
Bonds are repayable as follows:		
Between 2 and 5 years	4,514,251	2,435,257
After 5 years	2,230,816	4,209,506

Contractual repricing dates are set at six month intervals except for bonds denominated in Singapore Dollars amounting to AED 532.5 million (2007: AED 484.1 million) which carry a fixed interest rate over its term.

USD bonds, carried at AED 1,836.5 million (2007: AED 1,836.5 million), maturing in March 2011 may be redeemed earlier at principal amounts plus accrued interest on the interest payment date in March 2009 by Emirates or the holders of more than 50% of the bonds.

USD bonds, carried at AED 2,020.2 million (2007: AED 2,020.2 million), represent the proceeds raised from an Islamic 'sukuk' (bond) issue to finance the construction of certain buildings.

The carrying amounts of the bonds approximate their fair value other than Singapore Dollar fixed rate bonds carried at AED 532.5 million (2007: AED 484.1 million), the fair value of which was AED 502.7 million (2007: AED 502.9 million) based on listed prices. The fair value of the other bonds is determined by discounting projected cash flows using the interest rate yield curve applicable to different maturities adjusted for contractual repricing.

21. Term loans

	2008 AED'000	2007 AED'000
Balance brought forward	**1,071,171**	**821,063**
Additions during the year	-	324,510
Repayments during the year	(156,966)	(74,402)
Balance carried forward	**914,205**	**1,071,171**
Loans are repayable as follows:		
Within one year (Note 19)	**393,296**	**119,583**
Between 2 and 5 years	457,997	770,064
After 5 years	62,912	181,524
Total over one year (Note 19)	**520,909**	**951,588**

Contractual repricing dates are set at six month intervals. Term loans amounting to AED 536.7 million (2007: AED 635.7 million) are secured on land and buildings, aircraft and aircraft engines and parts.

The carrying amounts of the term loans approximate their fair value. The fair value is determined by discounting projected cash flows using the interest rate yield curve applicable to different maturities adjusted for contractual pricing.

22. Lease liabilities

Finance leases

	2008 AED'000	2007 AED'000
Gross lease liabilities:		
Within one year	1,253,094	1,264,430
Between 2 and 5 years	3,121,403	3,718,387
After 5 years	3,697,934	2,649,630
	8,072,431	**7,632,447**
Future interest	(1,898,464)	(1,759,249)
Term deposits	(116,354)	(250,673)
Net lease liabilities	**6,057,613**	**5,622,525**
Net lease liabilities are repayable as follows:		
Within one year (Note 19)	**1,022,979**	**809,546**
Between 2 and 5 years	2,093,306	2,707,465
After 5 years	2,941,328	2,105,514
Total over one year (Note 19)	**5,034,634**	**4,812,979**

The lease liabilities are secured on the related aircraft and aircraft engines. In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2008, the penalties would have been AED 171.7 million (2007: AED 155.2 million).

The fair value of net lease liabilities amounts to AED 6,061.4 million (2007: AED 5,625.5 million). The fair value is determined by discounting projected cash flows using the interest rate yield curve applicable to different maturities adjusted for contractual pricing.

22. Lease liabilities (continued)

Operating leases

Future minimum lease payments are as follows:

	2008 AED'000	**2007** AED'000
Aircraft fleet	25,880,651	22,573,297
Other	2,504,453	2,668,839
	28,385,104	**25,242,136**
Within one year	3,486,778	2,947,347
Between 2 and 5 years	13,059,833	11,606,738
After 5 years	11,838,493	10,688,051
	28,385,104	**25,242,136**

In the event of the aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2008, the penalties would have been AED 478.0 million (2007: AED 489.0 million).

Emirates is entitled to extend certain aircraft leases for a further period of one to three years at the end of the initial lease period. Further, Emirates is entitled to purchase eighteen of eighty five (2007: twenty five of seventy) aircraft under these leases.

In addition, Emirates has fourteen Boeing aircraft contracted on operating leases for delivery between April 2008 and March 2014.

23. Provisions

	End of service benefits AED'000	**Frequent flyer programme** AED'000	**Total** AED'000
Balance brought forward	**372,904**	**81,468**	**454,372**
Charge for the year	111,754	85,453	197,207
Payments made / benefits utilised during the year	(39,046)	(42,190)	(81,236)
Balance carried forward	**445,612**	**124,731**	**570,343**

The end of service benefit provision relates to employees who do not participate in the provident fund or the UAE Government's pension fund.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2008, in respect of employees' end of service benefits payable under the relevant local regulations. The assessment assumed expected salary increases averaging 5% (2007: 5%) and a discount rate of 6% (2007: 6%) per annum. The present values of the obligations at 31 March 2008 were computed using the actuarial assumptions set out above.

24. Deferred credits

	2008 AED'000	2007 AED'000
Balance brought forward	**878,459**	**947,254**
Net additions during the year	110,240	91,209
Transferred to property, plant and equipment	(65,514)	-
Recognised during the year	(158,425)	(160,004)
Balance carried forward	**764,760**	**878,459**
Deferred credits will be recognised as follows:		
Within one year	**164,696**	**177,825**
Total over one year	**600,064**	**700,634**

Deferred credits transferred to property, plant and equipment are consequent to change in classification of certain aircraft from operating lease to finance lease.

25. Deferred income tax liability

	2008 AED'000	2007 AED'000
Balance brought forward	**50,642**	**-**
(Credited) / charged to the consolidated income statement	(30,692)	50,642
Balance carried forward	**19,950**	**50,642**

Deferred income tax liability is on account of accelerated tax depreciation.

26. Trade and other payables

Trade payables and accruals	6,928,586	5,199,273
Related parties (Note 33)	55,855	39,375
Passenger and cargo sales in advance	5,666,090	3,749,315
Dividend payable	911,848	400,000
	13,562,379	**9,387,963**
Less: Payables over one year	(12,578)	(84,191)
	13,549,801	**9,303,772**

The carrying value of trade and other payables over one year approximate their fair value.

27. Commitments

	2008 AED'000	2007 AED'000
Capital commitments		
Authorised and contracted:		
Aircraft fleet	109,545,992	66,487,872
Non-aircraft	2,294,081	1,187,670
Joint ventures	-	28,157
	111,840,073	**67,703,699**
Authorised but not contracted:		
Non-aircraft	7,632,592	6,180,006
Joint ventures	52,340	-
	7,684,932	**6,180,006**
	119,525,005	**73,883,705**

Commitments have been entered into for the purchase of aircraft for delivery as follows (Note 9):

Financial year	Aircraft
2008 - 2009	17
Beyond 2008 - 2009	151

In addition, options are held on fifty Airbus and twenty Boeing aircraft.

	2008 AED'000	2007 AED'000
Operational commitments		
Letters of credit issued by bankers in the normal course of business	548,664	997,844
Sales and marketing	1,639,594	1,540,027

28. Guarantees

	2008 AED'000	2007 AED'000
Performance bonds provided by bankers in the normal course of business	39,707	32,023

29. Short term bank deposits, cash and cash equivalents

	2008 AED'000	2007 AED'000
Short term bank deposits and liquid funds	9,621,585	8,494,854
Cash and bank	738,327	628,391
Cash and bank balances	**10,359,912**	**9,123,245**
Less: Short term bank deposits over 3 months	(7,644,972)	(1,052,810)
Cash and cash equivalents	**2,714,940**	**8,070,435**

Cash and bank balances earned an effective interest rate of 5.2% (2007: 5.6%) per annum.

30. Analysis of capital expenditure

For the purposes of the consolidated statement of cash flows, capital expenditure is analysed as follows:

	2008 AED'000	2007 AED'000
Payments for property, plant and equipment	8,903,179	5,283,112
Less: Assets acquired under finance leases	(2,788,649)	(1,099,978)
Cash outflow on capital expenditure	**6,114,530**	**4,183,134**

31. Derivative financial instruments

Description	2008		2007	
	Term	AED'000	Term	AED'000
Non-current assets				
Cash flow hedge				
Interest rate swaps		-	2007-2015	29,095
Currency swaps and forward	2008-2016	157,122	2007-2017	19,705
Fuel price futures and options	2009-2013	1,220,045	2008-2011	1,065,709
		1,377,167		**1,114,509**
Currency embedded derivative		-	2007-2016	54,270
		1,377,167		**1,168,779**
Current assets				
Cash flow hedge				
Currency swaps and forward	2008-2009	1,867		-
Fuel price futures and options	2008-2009	185,859	2007-2008	206,617
		187,726		**206,617**
Non-current liabilities				
Cash flow hedge				
Interest rate swaps	2008-2015	(55,449)	2007-2015	(3,833)
Currency swaps and forward	2008-2017	(647,423)	2007-2017	(477,959)
		(702,872)		**(481,792)**
Currency embedded derivative		-	2007-2015	(29,049)
		(702,872)		**(510,841)**
Current liabilities				
Cash flow hedge				
Currency swaps and forward	2008-2009	(69,267)	2007-2008	(8,504)
Fuel price futures and options	2008-2009	(100,829)		-
		(170,096)		**(8,504)**

31. Derivative financial instruments (continued)

The notional principal amounts outstanding are:

	2008 AED'000	2007 AED'000
Interest rate contracts	463,033	1,168,900
Currency contracts	5,253,309	4,694,500
Fuel price contracts	15,180,000	14,086,000

The full fair value of the derivative instrument is classified as non-current if the remaining maturity of the hedged item is more than 12 months.

Inflows on account of terminated currency derivatives amounting to AED 41.7 million (2007: AED 59.4 million) will enter into the determination of profit between 2008 and 2017.

Inflows on account of terminated interest rate derivatives amounting to AED 69.4 million (2007: AED Nil) will enter into the determination of profit between 2008 and 2012.

Inflows on account of terminated fuel price derivatives amounting to AED 236.0 million will enter into the determination of profit between 2008 and 2012 (2007: AED 441.2 million between 2007 and 2009).

An amount of AED 15.8 million (2007: Nil) has been removed from equity and recognised in the consolidated income statement on account of interest rate and currency forecast transactions that are no longer expected to occur.

A letter of credit for AED Nil (2007: AED 129.3 million) has been placed as a collateral against the currency derivatives.

In the event of the fuel price derivative asset turning into a liability with the counter party, a letter of credit for AED 367.3 million (2007: AED 734.6 million) has been pledged as a collateral.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative asset in the balance sheet.

32. Classification of financial instruments

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

Description	Available-for-sale AED'000	Held-to-maturity AED'000	Loans and receivables AED'000	Derivative financial instruments AED'000	Financial liabilities at amortised cost AED'000	Total AED'000
2008						
Assets						
Available-for-sale financial assets	1,943,833	-	-	-	-	1,943,833
Held-to-maturity investments	-	415,796	-	-	-	415,796
Loans and other receivables	-	-	1,227,508	-	-	1,227,508
Derivative financial instruments	-	-	-	1,564,893	-	1,564,893
Trade and other receivables (excluding prepayments and advance lease rentals)	-	-	5,425,640	-	-	5,425,640
Short term bank deposits	-	-	7,644,972	-	-	7,644,972
Cash and cash equivalents	-	-	2,714,940	-	-	2,714,940
Total	**1,943,833**	**415,796**	**17,013,060**	**1,564,893**	**-**	**20,937,582**
Liabilities						
Borrowings and lease liabilities	-	-	-	-	13,716,885	13,716,885
Trade and other payables (excluding passenger and cargo sales in advance)	-	-	-	-	7,896,289	7,896,289
Derivative financial instruments	-	-	-	872,968	-	872,968
Total	**-**	**-**	**-**	**872,968**	**21,613,174**	**22,486,142**
2007						
Assets						
Available-for-sale financial assets	1,940,619	-	-	-	-	1,940,619
Held-to-maturity investments	-	534,541	-	-	-	534,541
Loans and other receivables	-	-	341,228	-	-	341,228
Derivative financial instruments	-	-	-	1,375,396	-	1,375,396
Trade and other receivables (excluding prepayments and advance lease rentals)	-	-	4,319,166	-	-	4,319,166
Short term bank deposits	-	-	1,052,810	-	-	1,052,810
Cash and cash equivalents	-	-	8,070,435	-	-	8,070,435
Total	**1,940,619**	**534,541**	**13,783,639**	**1,375,396**	**-**	**17,634,195**
Liabilities						
Borrowings and lease liabilities	-	-	-	-	13,338,459	13,338,459
Trade and other payables (excluding passenger and cargo sales in advance)	-	-	-	-	5,638,648	5,638,648
Derivative financial instruments	-	-	-	519,345	-	519,345
Total	**-**	**-**	**-**	**519,345**	**18,977,107**	**19,496,452**

33. Related party transactions

The following transactions were carried out with related parties:

	2008 AED'000	2007 AED'000
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Associated companies	9,163	-
Sale of goods - Companies under common control	4,939	-
Services rendered - Associated companies	113,952	94,229
Services rendered - Joint ventures	9,080	9,212
Services rendered - Companies under common control	34,094	27,878
	171,228	**131,319**
(ii) Purchase of goods and services		
Purchase of goods - Associated companies	94,512	98,038
Purchase of goods - Companies under common control	1,619,277	1,229,712
Services received - Associated companies	8,566	-
Services received - Joint ventures	20,158	-
Services received - Companies under common control	949,565	741,462
	2,692,078	**2,069,212**
Other transactions:		
(i) Finance income		
Joint ventures	5,696	-
Companies under common control	17,871	-
	23,567	**-**
(ii) Sale of assets		
Companies under common control	**1,928,325**	**-**
(iii) Sale of purchase rights in assets		
Companies under common control	**720,413**	**-**
(iv) Sale of business unit		
Companies under common control	**-**	**10,556**
(v) Compensation to key management personnel		
Salaries and short term employee benefits	180,114	74,284
Post-employment benefits	16,277	7,862
Termination benefits	-	377
	196,391	**82,523**
Year end balances		
(i) Receivables - sale of goods and services (Note 16)		
Associated companies	15,308	14,089
Joint ventures	235	5,610
Companies under common control	111,891	36,427
	127,434	**56,126**
(ii) Receivables - other transactions		
Joint ventures	8,643	-
Companies under common control	801,116	-
	809,759	**-**
Receivable within one year (Note 16)	**77,685**	**-**
Receivable over one year (Note 14)	**732,074**	**-**

33. Related party transactions (continued)

	2008 AED'000	2007 AED'000
(iii) Payables - purchase of goods and services (Note 26)		
Associated companies	33,969	25,611
Joint ventures	2,053	-
Companies under common control	19,833	13,764
	55,855	**39,375**

The amounts outstanding at year end are unsecured and will be settled in cash. No impairment charge has been recognised during the year in respect of amounts owed by related parties.

(iv) Loans

	2008 AED'000	2007 AED'000
Joint ventures	87,234	91,825
Companies under common control	345,711	-
	432,945	**91,825**
Movement in the loans were as follows:		
Balance brought forward	**91,825**	**-**
Extended during the year	345,711	91,825
Repayments during the year	(4,591)	-
Balance carried forward	**432,945**	**91,825**
Receivable within one year (Note 16)	**146,208**	**24,793**
Receivable over one year (Note 14)	**286,737**	**67,032**

The effective interest rate on the loans was 6.41% (2007: 6.42%) per annum.

(v) Loans and advances to key management personnel

	2008 AED'000	2007 AED'000
Balance brought forward	**2,670**	**3,726**
Additions during the year	14,478	3,760
Repayments during the year	(3,635)	(4,816)
Balance carried forward	**13,513**	**2,670**
Receivable within one year (Note 16)	**7,023**	**1,531**
Receivable over one year (Note 14)	**6,490**	**1,139**

Loans and advances are interest free and repayable over a period upto 60 months (2007: Advances amounting to AED 0.2 million carried an interest rate of 7.3% per annum). Emirates has the right to recover outstanding loans and advances against the final dues payable to the employees.

34. Financial risk management

(i) Market risk

Interest rate risk

Emirates is exposed to interest rate fluctuations in the international financial market with respect to interest cost on its long term debt obligations, operating lease rentals and interest income on its cash surpluses.

Emirates targets a balanced portfolio approach, subject to taking advantage of market movements, of hedging around half of its net interest rate exposures going forward, using appropriate hedging solutions including interest swaps and options. Variable rate debts and cash surpluses were mainly denominated in UAE Dirhams and US Dollars.

Currency risk

Emirates is exposed to exchange rate fluctuations between the UAE Dirham and other currencies which are generated from its revenue earning activities. Long term debt obligations are mainly denominated in UAE Dirhams, the functional currency or in US Dollars to which the UAE Dirham is pegged. No currency exposure exists on the Singapore dollar borrowing as an effective hedging solution is in place.

Emirates closely monitors currency rate trends and the related impact on revenues and proactively manages its currency exposure from its revenue related activities. Emirates is in a net payer position with respect to the US dollar and in a net surplus position for other currencies. UK pounds, Euro and Australian dollars are considered the main currency risks that are hedged using swaps, forwards and options, as appropriate, as well as by way of natural hedge between foreign currency inflows and outflows. Approximate inflows of 42% in UK pounds, 41% in Euros and 70% in Australian dollars are hedged.

Fuel price risk

The airline industry is exposed to fluctuations in the price of jet fuel. Emirates closely monitors the actual cost of fuel against forecasted cost. Emirates utilises commodity futures and options to achieve a level of control over jet fuel costs so that profitability is not adversely affected. As a general principle, not more than the forecasted fuel consumption is hedged with percentage of cover being significantly higher in the near term than in latter periods.

34. Financial risk management (continued)

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2008 AED'000		2007 AED'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Interest cost				
- 100 basis points	121,063	57,147	185,023	3,490
+ 100 basis points	(121,063)	(57,147)	(185,023)	(3,490)
Interest income				
- 100 basis points	(20,097)	(20,097)	(11,903)	(11,903)
+ 100 basis points	20,097	20,097	11,903	11,903
Currency - UK pounds				
+ 1%	1,135	(10,704)	1,873	(16,978)
- 1%	(1,135)	10,704	(1,873)	16,978
Currency - Euro				
+ 1%	5,818	(670)	1,886	(1,057)
- 1%	(5,818)	670	(1,886)	1,057
Currency - Australian dollars				
+ 1%	2,996	(4,834)	323	(5,114)
- 1%	(2,996)	4,834	(323)	5,114
Fuel price				
+ 1 US Dollar	-	52,891	-	94,763
- 1 US Dollar	-	(63,176)	-	(109,088)

(ii) Credit risk

Credit risk arises mainly from surplus funds held in the form of bank balances, short term deposits, held-to-maturity investments or available-for-sale financial assets. Credit exposure also arises from derivative counterparties as well as from agents selling commercial air transportation.

There are no significant concentrations of credit risk other than on derivative counterparties where transactions are limited to financial institutions possessing high credit quality and hence the risk of default is low.

Cash surpluses, held-to-maturity investments and available-for-sale financial assets are maintained with financial institutions possessing a Standard & Poor's investment grade or higher credit quality. 25.0% (2007: 13.6%) of short term bank deposits, cash and cash equivalent and held-to-maturity investments are held with financial institutions under common control.

The sale of passenger and cargo transportation is largely achieved through International Air Transport Association (IATA) approved sales agents. All IATA agents have to meet a minimum financial criteria applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an ongoing basis by IATA through their Agency Programme. The credit risk associated with such sales agents is relatively small owing to a broad diversification.

34. Financial risk management (continued)

(iii) Liquidity risk

Emirates proactively manages cash surpluses using a combination of short and long term investment programmes that ensure adequate liquidity to meet its short and long term obligations. Emirates seeks to maintain sufficient cash balances to cover six months debt obligations and lease rentals.

Summarised below in the table is the maturity profile of financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year AED'000	**2 - 5 years** AED'000	**Over 5 years** AED'000	**Total** AED'000
31 March 2008				
Borrowings and lease liabilities	1,960,487	9,317,386	6,026,725	17,304,598
Derivative financial instruments	282,184	201,222	1,152	484,558
Trade and other payables (excluding passenger and cargo sales in advance)	7,883,711	12,578	-	7,896,289
	10,126,382	**9,531,186**	**6,027,877**	**25,685,445**
31 March 2007				
Borrowings and lease liabilities	1,949,114	10,428,366	5,285,914	17,663,394
Derivative financial instruments	128,639	253,027	1,885	383,551
Trade and other payables (excluding passenger and cargo sales in advance)	5,554,457	84,191	-	5,638,648
	7,632,210	**10,765,584**	**5,287,799**	**23,685,593**

35. Capital management

Emirates monitors the return on Owner's equity which is defined as the profit for the year expressed as a percentage of average Owner's equity. Emirates seeks to provide a higher return to the Owner by resorting to borrowing and taking aircraft on operating leases to meet its growth plans. In 2008 Emirates achieved a return on Owner's equity of 33.8% (2007: 26.0%) in comparison to an effective interest rate of 5.2% (2007: 5.7%) on borrowings.

Emirates also monitors capital on the basis of a gearing ratio which is calculated as the ratio of non-current borrowings and lease liabilities, net of cash and capital guaranteed notes to Owner's equity. In 2008 this ratio was 0.6% (2007: 11.1%) and if operating leases are included, the same ratio was 82.0% (2007: 102.5%).

36. Disposal of business units

In the previous year, certain business units in subsidiary companies were disposed. No net assets were transferred. Details of goodwill derecognised and the consideration received were as follows:

	2007 AED'000
Goodwill derecognised (Note 10)	7,176
Profit on sale of business units	34,028
Total disposal consideration	41,204

Independent auditor's report to the Government of Dubai

Report on the financial statements

We have audited the accompanying consolidated financial statements of Dnata and its subsidiaries (together referred to as "Dnata"), which comprise the consolidated balance sheet as of 31 March 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dnata as of 31 March 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
20 April 2008

Consolidated income statement for the year ended 31 March 2008

	Note	2008 AED'000	2007 AED'000
Revenue	4	2,521,956	1,966,511
Other operating income		31,783	29,499
Operating costs	5	(2,308,493)	(1,700,084)
Operating profit		**245,246**	**295,926**
Finance income	6	70,148	69,223
Finance costs	6	(14,874)	(12,888)
Share of results in associated companies and joint ventures	10	12,825	8,419
Profit before income tax		**313,345**	**360,680**
Income tax expense	7	(8,428)	(780)
Profit for the year		**304,917**	**359,900**

Notes 1 to 26 form an integral part of the consolidated financial statements.

Consolidated balance sheet as at 31 March 2008

	Note	2008 AED'000	2007 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	890,377	832,500
Intangible assets	9	762,017	203,445
Investments in associated companies and joint ventures	10	264,077	38,998
Loans to related parties	23	1,307	1,446
Advance lease rentals	11	28,781	27,407
Deferred tax assets	16	3,735	3,680
		1,950,294	**1,107,476**
Current assets			
Inventories		21,583	17,539
Trade and other receivables	12	586,746	424,911
Short term bank deposits	21	809,003	183,650
Cash and cash equivalents	21	574,435	1,219,668
		1,991,767	**1,845,768**
Total assets		**3,942,061**	**2,953,244**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	13	62,615	62,615
Reserves		2,117,149	1,760,585
Total equity		**2,179,764**	**1,823,200**
Non-current liabilities			
End of service benefit provision	14	202,763	179,927
Term loans	15	528,086	235,924
Deferred tax liabilities	16	114,070	43,847
		844,919	**459,698**
Current liabilities			
Trade and other payables	17	855,206	625,550
Term loans	15	49,904	33,597
Income tax liabilities		12,268	11,199
		917,378	**670,346**
Total liabilities		**1,762,297**	**1,130,044**
Total equity and liabilities		**3,942,061**	**2,953,244**

The consolidated financial statements were approved on the 20th day of April 2008 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Gary Chapman
President

Notes 1 to 26 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2008

	Capital AED'000	Capital reserve AED'000	Translation reserve AED'000	Retained earnings AED'000	Total equity AED'000
1 April 2006	**62,615**	**832**	**(1,910)**	**1,391,297**	**1,452,834**
Profit for the year	-	-	-	359,900	359,900
Other equity movement (Note 10)	-	92	-	-	92
Currency translation differences	-	-	10,374	-	10,374
31 March 2007	**62,615**	**924**	**8,464**	**1,751,197**	**1,823,200**
Profit for the year	-	-	-	304,917	304,917
Other equity movement (Note 10)	-	154	-	-	154
Currency translation differences	-	-	51,493	-	51,493
31 March 2008	**62,615**	**1,078**	**59,957**	**2,056,114**	**2,179,764**

Capital reserve represents Dnata's share of a non-distributable reserve of an associated company.

Notes 1 to 26 form an integral part of the consolidated financial statements.

Consolidated cash flow statement for the year ended 31 March 2008

	2008 AED'000	2007 AED'000
Operating activities		
Profit for the year before income tax	313,345	360,680
Adjustments for:		
Depreciation and amortisation (Note 5)	222,978	162,200
Finance income - net (Note 6)	(55,274)	(56,335)
Amortisation of advance lease rentals (Note 11)	1,278	1,207
Share of results in associated companies and joint ventures (Note 10)	(12,825)	(8,419)
Profit on sale of property, plant and equipment and intangible assets	(725)	(288)
Profit on sale of an associate	-	(1,983)
Provision for impairment of trade receivables (Note 12)	6,221	4,650
Impairment of loan to a related party (Note 23)	2,590	5,930
Provision for employee benefits (Note 5)	73,940	58,826
Employee benefit payments	(51,104)	(41,004)
Income tax paid	(23,301)	(12,237)
Change in inventories	(1,499)	625
Change in trade and other receivables	(115,177)	(81,457)
Change in trade and other payables	179,457	139,016
Net cash generated from operating activities	**539,904**	**531,411**
Investing activities		
Purchase of property, plant and equipment (Note 8)	(190,809)	(358,682)
Additions to intangible assets (Note 9)	(14,474)	(12,031)
Proceeds from sale of property, plant and equipment and intangible assets	2,781	1,095
Investments in associated companies and joint ventures (Note 10)	(220,427)	(2,636)
Finance income	71,614	62,821
Dividend received from associated companies	18,150	5,000
Movement in short term bank deposits (Note 21)	(625,353)	(183,650)
Held-to-maturity investment	-	128,555
Acquisition of a subsidiary (Note 25)	(447,507)	(15,366)
Loans to related parties - net (Note 23)	(13,775)	(317)
Proceeds from sale of an associate	-	1,983
Net cash used in investing activities	**(1,419,800)**	**(373,228)**
Financing activities		
Net drawdown / (repayment) of loans (Note 15)	238,851	(32,837)
Finance cost	(14,673)	(12,733)
Net cash provided by / (used in) financing activities	**224,178**	**(45,570)**
Net (decrease) / increase in cash and cash equivalents	**(655,718)**	**112,613**
Cash and cash equivalents at beginning of year	1,219,668	1,099,267
Effects of exchange rate changes	10,485	7,788
Cash and cash equivalents at end of year (Note 21)	**574,435**	**1,219,668**

Notes 1 to 26 form an integral part of the consolidated financial statements.

1. Establishment and operations

Dnata comprises Dnata and its subsidiaries. Dnata was incorporated in the emirate of Dubai, UAE with limited liability, under an Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 4 April 1987. On that date, the total assets and liabilities of Dubai National Air Travel Agency were transferred to Dnata, with effect from 1 April 1987, for nil consideration. Dnata is wholly owned by the Government of Dubai.

The Government of Dubai is in the process of restructuring certain ownership interests under an investment arm, the Investment Corporation of Dubai. There will be no change in the eventual ownership of Dnata after the transfer of ownership is formalised as the Investment Corporation of Dubai is wholly owned by the Government of Dubai.

The main activities of Dnata comprise:

- aircraft handling and engineering services
- handling services for export and import cargo
- information technology services
- representing airlines as their general sales agent
- travel agency and other travel related services
- inflight and institutional catering

2. Summary of significant accounting policies

A summary of the significant accounting policies, which have been applied consistently, is set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards. The consolidated financial statements are prepared under the historical cost convention.

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to the existing standards have been published. These standards, interpretations and amendments are not likely to have a significant impact on Dnata's operations.

Basis of consolidation

Subsidiaries are those entities in which Dnata has the power to govern the entity's operating and financial policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to Dnata and are no longer consolidated from the date on which control ceases. All material inter-company transactions, balances and unrealised gains and losses arising on transactions between Dnata and its subsidiaries are eliminated.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets including intangible assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Associated companies are those entities in which Dnata has between 20% and 50% of the voting rights, or over which it has significant influence, but which it does not control. Investment in associated companies are accounted for by applying the equity method and includes goodwill (net of accumulated impairment loss, if any) identified on acquisition.

Joint ventures are contractual arrangements which establish joint control. Investment in jointly controlled entities are accounted for by applying the equity method and includes goodwill (net of accumulated impairment loss, if any) identified on acquisition.

All material unrealised gains and losses arising on transactions between Dnata and its associated companies and joint ventures are eliminated to the extent of Dnata's interest.

Accounting policies of subsidiaries, associated companies and joint ventures have been changed where necessary to ensure consistency with Dnata's accounting policies.

2. Summary of significant accounting policies (continued)

Revenue

Revenue from services other than from information technology services is stated net of value-added taxes, rebates and discounts, and is recognised on the performance of services.

Revenue from information technology services is recognised as services are rendered for time-and-material contracts and as per the percentage-of-completion method with reference to the stage of completion for software implementation services.

Revenue from sale of goods is recognised when the risks and rewards of ownership are transferred to the customer and is stated net of discounts.

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

Foreign currency translation

Foreign currency transactions are translated into UAE Dirhams (AED), the functional currency, at exchange rates approximating those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the exchange rates ruling on the balance sheet date. The resultant foreign exchange gains and losses are recognised in the income statement.

Income statements and cash flows of subsidiaries are translated into UAE Dirhams at average exchange rates for the year and their assets and liabilities are translated at the exchange rates ruling on the balance sheet date. Share of results in associated companies and joint ventures are translated into UAE Dirhams at average exchange rates for the year.

Translation differences relating to investments in associated companies, joint ventures, subsidiaries and foreign currency borrowings that provide a hedge against a net investment in a foreign entity are classified as a translation reserve in equity until the disposal of the investment when the translation differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost consists of purchase cost, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow and the cost can be reliably measured. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight line basis over the estimated useful life of the assets concerned. The estimated useful lives are:

Buildings	5 - 20 years
Leasehold property	over the remaining term of the lease
Airport plant and equipment	5 - 10 years
Office equipment and furniture	3 - 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When the carrying amount of property, plant and equipment is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each balance sheet date for possible reversal of the impairment charges.

Capital projects are stated at cost. When the asset is ready for its intended use, it is transferred from capital projects to the appropriate category under property, plant and equipment and depreciated in accordance with Dnata's policies.

2. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each balance sheet date for possible reversal of the impairment loss.

Intangible assets are amortised on a straight-line basis over the estimated useful lives, which are:

Computer software	5 years
Customer relationships	5 years
Contractual rights	over the term of the rights

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the identifiable net assets acquired by Dnata in its subsidiaries at the date of acquisition. Goodwill is presented with intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised when the carrying value of the cash generating unit exceeds its recoverable amount. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Operating leases

Leases, where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental charges, including advance rentals in respect of operating leases, are charged to the income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average cost basis.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment of these receivables. Where there is objective evidence of amounts that are not collectible, a provision is made for the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowing using the effective interest rate method.

Employee benefits

UAE national employees participate in the UAE government's pension fund to which the employee and Dnata contribute specified percentages of salary. Contributions to the pension fund are charged to the income statement in the period in which they fall due.

Senior employees who are based in the UAE participate in a provident fund to which the employee and Dnata contribute specified percentages of salary. Contributions to the provident fund are charged to the income statement in the period in which they fall due.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and are based on periods of cumulative service and levels of employee's basic salary.

End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

2. Summary of significant accounting policies (continued)

Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted in the jurisdiction of the individual companies by the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the deferred tax asset is realised.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Trade payables

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

Cash and cash equivalents

Cash and cash equivalents comprise all cash and liquid funds with an original maturity of three months or less.

3. Critical accounting estimates and judgements

In the preparation of the consolidated financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amounts of assets and liabilities and income and expense. The estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following discussion addresses the accounting policies that require subjective and complex judgements, often as a result of the need to make estimates.

Valuation of intangibles on acquisition

For each acquisition management assesses the fair value of intangible assets acquired. The instances where individual fair values of assets in a group are not reliably measurable, a single asset separate from goodwill is recognised. Where an active market does not exist for an intangible asset, fair values are established using valuation techniques e.g. discounting future cash flows from the asset. In the process, estimates are made of the future cash flows, the useful life and the discount rate based on management's experience and expectation at the time of acquisition.

Depreciation of property, plant and equipment

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management has reviewed the residual value and useful lives of major items of property, plant and equipment and determined that no adjustment is necessary.

4. Revenue

	2008 AED'000	2007 AED'000
Services		
Airport operations	1,126,070	849,408
Information technology	483,557	373,750
Cargo	377,685	285,394
Agency commission	182,960	144,768
Reservations system	167,078	143,552
Other	65,264	44,910
	2,402,614	**1,841,782**
Sale of goods	**119,342**	**124,729**
	2,521,956	**1,966,511**

5. Operating costs

Employee (see below)	1,390,344	992,979
Depreciation and amortisation	222,978	162,200
Information technology infrastructure costs	150,424	122,801
Airport operations and cargo - other direct costs	133,203	75,112
Office accommodation	69,549	55,933
Cost of goods sold	30,361	32,883
Operating lease rentals	23,804	14,504
Corporate overheads	287,830	243,672
	2,308,493	**1,700,084**

Employee costs include AED 73.9 million (2007: AED 58.8 million) in respect of post-employment benefits and AED 131.8 million (2007:AED 33.3 million) in respect of an employee profit share scheme.

6. Finance income and costs

	2008 AED'000	2007 AED'000
Finance income:		
Interest income	**70,148**	**69,223**
Finance costs:		
Interest charges	**(14,874)**	**(12,888)**

7. Income tax expense

The components of income tax expense are:

Current tax	14,408	9,398
Deferred tax credit (Note 16)	(5,980)	(8,618)
	8,428	**780**

Income tax relates to subsidiary companies which are subject to tax. Hence, providing information on effective tax rates is not meaningful.

In the previous year, deferred tax credit included a credit of AED 4.8 million on account of a change in a tax rate.

8. Property, plant and equipment

	Buildings and leasehold property AED'000	Airport plant and equipment AED'000	Office equipment and furniture AED'000	Motor vehicles AED'000	Capital projects AED'000	Total AED'000
Cost						
1 April 2006	324,693	367,722	540,180	19,157	71,251	1,323,003
Additions	572	87,700	125,945	4,345	140,120	358,682
Currency translation differences	16,522	2,354	123	40	249	19,288
Transfer from capital projects	166,472	-	1,761	-	(168,233)	-
Disposals	(722)	(14,916)	(7,071)	(1,017)	-	(23,726)
31 March 2007	**507,537**	**442,860**	**660,938**	**22,525**	**43,387**	**1,677,247**
Depreciation						
1 April 2006	61,780	218,140	431,919	11,192	-	723,031
Charge for the year	18,720	59,647	60,617	3,072	-	142,056
Currency translation differences	1,761	758	35	25	-	2,579
Disposals	(722)	(14,407)	(6,804)	(986)	-	(22,919)
31 March 2007	**81,539**	**264,138**	**485,767**	**13,303**	**-**	**844,747**
Net book amount 31 March 2007	**425,998**	**178,722**	**175,171**	**9,222**	**43,387**	**832,500**
Cost						
1 April 2007	507,537	442,860	660,938	22,525	43,387	1,677,247
Additions	910	50,550	112,003	4,203	23,143	190,809
Acquisition (Note 25)	1,555	24,126	795	684	-	27,160
Currency translation differences	21,045	8,772	450	166	305	30,738
Transfer from capital projects	2,053	9,498	28,385	-	(39,936)	-
Disposals	(71,450)	(12,385)	(21,885)	(507)	-	(106,227)
31 March 2008	**461,650**	**523,421**	**780,686**	**27,071**	**26,899**	**1,819,727**
Depreciation						
1 April 2007	81,539	264,138	485,767	13,303	-	844,747
Charge for the year	30,020	72,727	80,656	3,709	-	187,112
Currency translation differences	(505)	2,203	(58)	49	-	1,689
Disposals	(71,363)	(10,858)	(21,540)	(437)	-	(104,198)
31 March 2008	**39,691**	**328,210**	**544,825**	**16,624**	**-**	**929,350**
Net book amount 31 March 2008	**421,959**	**195,211**	**235,861**	**10,447**	**26,899**	**890,377**

9. Intangible assets

	Goodwill AED'000	Computer software AED'000	Customer relationships AED'000	Contractual rights AED'000	Total AED'000
Cost					
1 April 2006	76,814	89,637	-	78,049	244,500
Additions	-	12,031	-	-	12,031
Acquisition (Note 25)	3,067	-	11,586	-	14,653
Currency translation differences	5,271	434	-	5,355	11,060
31 March 2007	**85,152**	**102,102**	**11,586**	**83,404**	**282,244**
Amortisation					
1 April 2006	-	46,625	-	10,827	57,452
Charge for the year	-	11,508	1,159	7,477	20,144
Currency translation differences	-	221	-	982	1,203
31 March 2007	**-**	**58,354**	**1,159**	**19,286**	**78,799**
Net book amount					
31 March 2007	**85,152**	**43,748**	**10,427**	**64,118**	**203,445**
Cost					
1 April 2007	85,152	102,102	11,586	83,404	282,244
Additions	-	14,474	-	-	14,474
Acquisition (Note 25)	214,656	-	-	272,493	487,149
Currency translation differences	43,428	431	-	53,047	96,906
Disposals	-	(773)	-	-	(773)
31 March 2008	**343,236**	**116,234**	**11,586**	**408,944**	**880,000**
Amortisation					
1 April 2007	-	58,354	1,159	19,286	78,799
Charge for the year	-	13,715	2,317	19,834	35,866
Currency translation differences	-	264	-	3,800	4,064
Disposals	-	(746)	-	-	(746)
31 March 2008	**-**	**71,587**	**3,476**	**42,920**	**117,983**
Net book amount					
31 March 2008	**343,236**	**44,647**	**8,110**	**366,024**	**762,017**

Computer software includes an amount of AED 15.4 million (2007: AED 10.2 million) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, goodwill amounting to AED 90.3 million (2007: AED 82.1 million) is allocated to the airport services cash generating unit in Singapore and AED 249.8 million (2007: AED Nil) is allocated to the airport services cash generating unit in Switzerland. The recoverable amount for the cash generating unit has been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations for the Singapore and Switzerland cash generating units include a risk adjusted discount rate, historical gross margins of 15% and 20% respectively and growth rates based on management's expectations for market development. Cash flow projections for these cash generating units are based on forecasts approved by management covering a five year period and discount rates of 10% and 8% per annum respectively. Cash flows beyond the five year period have been extrapolated using growth rates of 4% and 2% respectively. These growth rates do not exceed the long term average growth rate for the markets in which these cash generating units operate.

Goodwill allocated to the travel agency cash generating unit amounts to AED 3.1 million (2007: AED 3.1 million) and is not significant in comparison to the total carrying amount of goodwill. Further, due to the profitability of this business unit, management is of the opinion that goodwill is not impaired.

10. Investments in subsidiaries, associated companies and joint ventures

Principal subsidiaries

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Dnata Travel (UK) Ltd.	100	Travel agency	UK
Dnata Inc.	100	Aircraft handling services	Philippines
Dnata International Airport Services Pte Ltd. (formerly Kedma Holdings Pte Ltd.)	100	Investment company	Singapore
Changi International Airport Services Pte Ltd.	100	Aircraft handling and catering services	Singapore
MMI Travel L.L.C.	100	Travel agency	UAE
Dnata Gmbh	100	Investment company	Austria
Dnata Switzerland AG	100	Aircraft handling services	Switzerland

Dnata Gmbh was incorporated during the year and Dnata Switzerland AG was acquired during the year.

Principal associated companies

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Dubai Express L.L.C.	50	Freight clearing and forwarding	UAE
Gerry's Dnata (Private) Ltd.	50	Aircraft handling services	Pakistan
Xi'an Dnata Aviation Services Co Ltd.	45	Aircraft handling services	People's Republic of China

The investment in Xi'an Dnata Aviation Services Co Ltd. was made during the year. The investment in Emirates Loyalty company L.L.C. carried at nil value, was disposed during the previous year.

Joint ventures

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Dnata-PWC Airport Logistics	50	Logistics services	UAE
Dnata Saudi Travel Agency	50	Travel agency	Saudi Arabia
Transguard Group L.L.C.	100	Security services	UAE
Toll Dnata Airport Services	50	Aircraft handling services	Australia
Dunya Travel L.L.C.	50	Travel agency	UAE

The investments in Transguard Group L.L.C., Dunya Travel L.L.C. and Toll Dnata Airport Services were made during the year. The beneficial interest in Transguard Group L.L.C. is 50% and is subject to joint control.

The percentage of equity owned in Dnata Saudi Travel Agency has changed from 33% to 50% during the year.

There was no other change in ownership during the year.

10. Investments in subsidiaries, associated companies and joint ventures (continued)

Movement of investments in associated companies and joint ventures

	2008 AED'000	2007 AED'000
Balance brought forward	**38,998**	**38,965**
Acquisiton (Note 25)	-	713
Investments during the year	220,427	2,636
Share of results	12,825	8,419
Dividends	(11,150)	(12,000)
Other equity movement	154	92
Currency translation differences	2,823	173
Balance carried forward	**264,077**	**38,998**

The carrying value of the investments in associated companies amounted to AED 52.2 million (2007: AED 39.1 million) and the share of results amounted to AED 17.4 million (2007: AED 12.2 million). The investments in associated companies and joint ventures includes goodwill of AED 11.8 million (2007: AED Nil).

Summarised financial information in respect of associated companies is set out below:

	2008 AED'000	2007 AED'000
Total assets	307,616	271,164
Total liabilities	130,468	145,964
Net assets	177,148	125,200
Revenue	212,058	158,650
Profit for the year	36,323	25,077

Summarised financial information in respect of Dnata's share in joint ventures are set out below:

	2008	2007
Non-current assets	196,268	3,298
Current assets	94,375	3,660
Non-current liabilities	11,902	1,563
Current liabilities	66,855	5,475
Total income	97,930	5,251
Total expense	102,508	9,037

11. Advance lease rentals

	2008	2007
Balance brought forward	**27,407**	**26,812**
Currency translation differences	2,652	1,802
Charge for the year	(1,278)	(1,207)
Balance carried forward	**28,781**	**27,407**

12. Trade and other receivables

	2008 AED'000	2007 AED'000
Trade receivables	393,733	292,499
Prepayments	32,237	34,175
Related parties (Note 23)	47,837	31,916
Deposits and other receivables	112,939	66,321
	586,746	**424,911**

The impairment charge on trade receivables recognised in the consolidated income statement during the year mainly relates to commercial, travel agency and airline customers who are in unexpected difficult economic situations and are unable to meet their obligations. This charge is included in operating costs. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

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

	2008 AED'000	2007 AED'000
Balance brought forward	**13,131**	**8,538**
Acquisition	443	-
Charge for the year	25,864	9,997
Amounts written off as uncollectible	(877)	(103)
Unused amounts reversed	(19,643)	(5,347)
Currency translation differences	104	46
Balance carried forward	**19,022**	**13,131**

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

The maximum exposure to credit risk of current trade and other receivables at the reporting date is the carrying value of each class of receivable mentioned above.

Ageing of receivables that are past due but not impaired is as follows:

	2008 AED'000	2007 AED'000
Below 3 months	190,234	104,506
3-6 months	28,448	40,562
Above 6 months	36,602	34,372
	255,284	**179,440**

13. Capital

Capital represents the permanent capital provided by the Government of Dubai.

14. End of service benefit provision

	2008 AED'000	2007 AED'000
Balance brought forward	**179,927**	**162,140**
Charge for the year	42,935	36,290
Payments during the year	(20,099)	(18,503)
Balance carried forward	**202,763**	**179,927**

The end of service benefit provision relates to employees who do not participate in the provident fund or the UAE government's pension fund.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2008, in respect of employees' end of service benefits payable under the relevant local regulations. The assessment assumed expected salary increases averaging 5% (2007: 5%) and a discount rate of 6% (2007: 6%) per annum. The present values of the obligations at 31 March 2008 were computed using the actuarial assumptions set out above.

15. Term loans

	2008 AED'000	2007 AED'000
Term loans are denominated in the following currencies:		
Singapore Dollars	259,433	269,521
Swiss Francs	318,557	-
	577,990	**269,521**
Movement in the term loans were as follows:		
Balance brought forward	**271,088**	**285,397**
Additions during the year	273,666	-
Repayments during the year	(34,815)	(32,837)
Currency translation differences	69,559	18,528
	579,498	**271,088**
Unamortised transaction costs	(1,508)	(1,567)
Balance carried forward	**577,990**	**269,521**
Term loans are repayable as follows:		
Within one year	**49,904**	**33,597**
Between 2 and 5 years	251,647	134,761
After 5 years	276,439	101,163
Total over one year	**528,086**	**235,924**

A term loan amounting to AED 260.9 million is secured by a charge on the shares of Changi International Airport Services (International) Pte Ltd. (a subsidiary of Dnata International Airport Services Pte Ltd.) and Changi International Airport Services Pte Ltd. A corporate guarantee has also been provided by Dnata for the total value of the term loans.

Contractual repricing dates are set at six month intervals. The effective interest rate on the term loans was 3.62% (2007: 4.49%) per annum. The carrying amounts of the term loans approximate their fair value. The fair value is determined by discounting projected cash flows using the interest rate yield curve applicable to different maturities adjusted for contractual pricing.

16. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same income tax authority. The offset amounts are as follows:

	2008 AED'000	2007 AED'000
Deferred tax assets	3,735	3,680
Deferred tax liabilities	(114,070)	(43,847)
	(110,335)	**(40,167)**

The movement in the deferred tax account is as follows:

	2008	2007
Balance brought forward	**(40,167)**	**(46,088)**
Acquisition (Note 25)	(62,139)	-
Currency translation differences	(14,009)	(2,697)
Credited to the consolidated income statement	5,980	3,794
Effect of change in tax rates	-	4,824
Balance carried forward	**(110,335)**	**(40,167)**

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities

	Property, plant and equipment AED'000	**Intangible assets** AED'000	**Other** AED'000	**Total** AED'000
1 April 2006	**(36,888)**	**(13,444)**	**-**	**(50,332)**
Currency translation differences	(2,338)	(833)	-	(3,171)
Credited to the consolidated income statement	2,454	1,495	-	3,949
Effect of change in tax rates	3,581	1,243	-	4,824
31 March 2007	**(33,191)**	**(11,539)**	**-**	**(44,730)**
Acquisition (Note 25)	(3,579)	(57,223)	(1,337)	(62,139)
Currency translation differences	(3,712)	(10,166)	(274)	(14,152)
Credited / (charged) to the consolidated income statement	2,562	3,928	(498)	5,992
31 March 2008	**(37,920)**	**(75,000)**	**(2,109)**	**(115,029)**

Deferred tax assets

	Tax losses AED'000	**Provisions** AED'000	**Total** AED'000
1 April 2006	**3,268**	**976**	**4,244**
Currency translation differences	412	62	474
Charged to the consolidated income statement	-	(155)	(155)
31 March 2007	**3,680**	**883**	**4,563**
Currency translation differences	55	88	143
Charged to the consolidated income statement	-	(12)	(12)
31 March 2008	**3,735**	**959**	**4,694**

17. Trade and other payables

	2008 AED'000	2007 AED'000
Trade payables and accruals	562,009	405,716
Related parties (Note 23)	111,902	36,481
Employee leave pay	57,643	44,609
Airlines	123,652	138,744
	855,206	**625,550**

18. Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	2008 AED'000	2007 AED'000
Less than 1 year	21,287	6,509
Between 2 and 5 years	31,747	18,233
After 5 years	60,195	53,661
	113,229	**78,403**

19. Capital commitments

	2008 AED'000	2007 AED'000
Authorised and contracted	37,469	59,378
Authorised but not contracted	595,334	331,195
	632,803	**390,573**

20. Guarantees

	2008 AED'000	2007 AED'000
Guarantees provided by Dnata's bankers in the normal course of business	**71,489**	**73,780**

21. Short term bank deposits, cash and cash equivalents

	2008 AED'000	2007 AED'000
Short term bank deposits	1,268,298	1,327,666
Cash and bank	115,140	75,652
Cash and bank balances	**1,383,438**	**1,403,318**
Less: Short term bank deposits over 3 months	(809,003)	(183,650)
Cash and cash equivalents	**574,435**	**1,219,668**

Short term bank deposits, cash and cash equivalents yield an effective interest rate of 4.91% (2007: 5.34%) per annum.

22. Classification of financial instruments

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

Description	Loans and receivables AED'000	Financial liabilities at amortised cost AED'000	Total AED'000
2008			
Assets			
Loans to related parties	1,307	-	1,307
Trade and other receivables (excluding prepayments)	554,509	-	554,509
Short term bank deposits	809,003	-	809,003
Cash and cash equivalents	574,435	-	574,435
Total	**1,939,254**	-	**1,939,254**
Liabilities			
Term loans	-	577,990	577,990
Trade and other payables	-	825,422	825,422
Total	**-**	**1,403,412**	**1,403,412**
2007			
Assets			
Loans to related parties	1,446	-	1,446
Trade and other receivables (excluding prepayments)	390,736	-	390,736
Short term bank deposits	183,650	-	183,650
Cash and cash equivalents	1,219,668	-	1,219,668
Total	**1,795,500**	**-**	**1,795,500**
Liabilities			
Term loans	-	269,521	269,521
Trade and other payables	-	590,520	590,520
Total	**-**	**860,041**	**860,041**

23. Related party transactions

The following transactions were carried out with related parties:

Trading transactions

	2008 AED'000	2007 AED'000
(i) Sale / purchase of goods and services		
Sale		
Sale of goods - Associated companies	-	48
Sale of goods - Companies under common control	48,908	39,982
Services rendered - Associated companies	11,891	16,656
Services rendered - Joint ventures	3,100	1,434
Services rendered - Companies under common control	898,385	741,462
	962,284	**799,582**
Purchase		
Purchase of goods - Companies under common control	4,939	1,822
Services received - Associated companies	120	543
Services received - Companies under common control	34,094	27,878
	39,153	**30,243**
(ii) Year end balances arising from sale / purchase of goods and / or services		
Receivables from related parties (Note 12)		
Associated companies	6,888	11,434
Joint ventures	6,971	3,897
Companies under common control	19,833	13,764
	33,692	**29,095**
Payables to related parties (Note 17)		
Associated companies	-	54
Companies under common control	111,902	36,427
	111,902	**36,481**

The amounts outstanding at year end are unsecured and will be settled in cash. In the previous year, an impairment charge of AED 2.58 million was recognised in respect of amounts owed by an associate.

23. Related party transactions (continued)

Other transactions

	2008 AED'000	2007 AED'000
(i) Sale of assets		
Sale of assets - Associated companies	4,078	-
	4,078	**-**
(ii) Acquisition		
Acquisition of a business (Note 25)	-	**10,556**
(iii) Compensation to key management personnel		
Salaries and short-term employee benefits	44,130	22,222
Post-employment benefits	4,140	2,033
	48,270	**24,255**
(iv) Loans		
Associated companies	-	2,590
Joint ventures	15,288	1,409
	15,288	**3,999**
Movement in the loans were as follows:		
Balance brought forward	**3,999**	**9,520**
Loans advanced during the year	14,029	1,409
Repayments	(150)	(1,000)
Impairment provision	(2,590)	(5,930)
Balance carried forward	**15,288**	**3,999**
Within one year (Note 12)	**14,029**	**2,590**
Total over one year	**1,259**	**1,409**

The current portion of the loan earns interest at 8.26% per annum, while the non-current portion is interest free.

(v) Loans and advances to key management personnel

	2008 AED'000	2007 AED'000
Balance brought forward	**268**	**360**
Additions during the year	593	229
Repayment during the year	(697)	(321)
Balance carried forward	**164**	**268**
Within one year (Note 12)	**116**	**231**
Total over one year	**48**	**37**

Loans and advances to key management personnel are interest free and are repayable monthly over 36 months. Dnata has the right to recover outstanding loans and advances against the final dues payable to the employees.

24. Financial risk management

Dnata has limited exposure to financial risks by virtue of the nature of its operations. The relevant areas and the extent of risk related to financial instruments are discussed below.

(i) Market risk

Interest rate risk

Dnata's interest rate risk arises from its long term borrowings. The term loans are taken at variable interest rates. No hedging cover exists due to the stable interest rate environment that exists in the country where the loans are contracted.

Dnata is exposed to interest rate changes on its cash surpluses placed on short term deposits.

Currency risk

Dnata is exposed to exchange rate fluctuations on its long term debt obligations denominated in Singapore Dollars and Swiss Francs. Cash flows from the Singapore and Switzerland operations are adequate to meet the repayment schedules.

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2008 AED'000		**2007** AED'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
Interest cost				
- 100 basis points	3,902	3,902	2,873	2,873
+ 100 basis points	(3,902)	(3,902)	(2,873)	(2,873)
Interest income				
- 100 basis points	(1,054)	(1,054)	(1,403)	(1,403)
+ 100 basis points	1,054	1,054	1,403	1,403
Currency - Singapore Dollars				
+ 1%	-	(2,609)	-	(2,711)
- 1%	-	2,609	-	2,711
Currency - Swiss Francs				
+ 1%	-	(3,186)	-	-
- 1%	-	3,186	-	-

(ii) Credit risk

Credit risk arises mainly from surplus funds held in the form of bank balances and short term deposits. Credit exposure also arises from trade debtors.

There are no significant concentrations of credit risk. Cash surpluses are maintained with financial institutions possessing investment grade or higher credit quality. 33.18% (2007: 3.12%) of cash and bank balances are held with a financial institution under common control.

Policies are in place to ensure that sales are made to customers with an appropriate credit history failing which an appropriate level of security is obtained, where necessary sales are made on cash terms. Credit limits are also imposed to cap exposure to a customer.

24. Financial risk management (continued)

(iii) Liquidity risk

Dnata's income and operating cash flows are substantial and adequate to meet its growth plans including capital expenditure. Commercial borrowing is availed to finance large acquisitions.

Summarised below in the table is the maturity profile of financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Description	**Less than 1 year** AED'000	**2 - 5 years** AED'000	**Over 5 years** AED'000	**Total** AED'000
2008				
Term loans	68,051	306,327	305,728	680,106
Trade and other payables	825,422	-	-	825,422
	893,473	**306,327**	**305,728**	**1,505,528**
2007				
Term loans	43,621	152,414	105,569	301,604
Trade and other payables	590,520	-	-	590,520
	634,141	**152,414**	**105,569**	**892,124**

25. Business combinations

On 6 November 2007, Dnata acquired 100% of the shares in Jet Aviation Handling AG through its wholly owned subsidiary Dnata Gmbh. The acquired business contributed revenue of AED 152.2 million and profit of AED 11.1 million from the acquisition date to 31 March 2008. The principal activities of Jet Aviation Handling AG, subsequently rebranded as Dnata Switzerland AG is providing aircraft handling services at Zurich and Geneva airports in Switzerland.

The assets and liabilities arising from the acquisition of the subsidiary are as follows:

	Recognised on acquisition AED'000	**Acquiree's carrying amount** AED'000
Cash and cash equivalents	41,522	41,522
Property, plant and equipment (Note 8)	27,160	27,160
Intangible assets (Note 9)	272,493	-
Other current assets	41,107	41,107
Deferred tax liability (Note 16)	(62,139)	(4,916)
Current liabilities	(45,770)	(45,770)
Fair value of net assets acquired	**274,373**	**59,103**
Goodwill (Note 9)	214,656	
Total purchase consideration	489,029	
Less: Cash and cash equivalents acquired	(41,522)	
Cash outflow on acquisition	**447,507**	

The purchase consideration includes direct costs of acquisition amounting to AED 5.8 million.

The goodwill is attributable to the profitability of the acquired business and synergies with other companies under common control.

25. Business combinations (continued)

In the previous year, on 1 October 2006, Dnata acquired 100% of the shares in MMI Travel L.L.C. The assets and liabilities arising from the acquisition were:

	Recognised on acquisition AED'000	**Acquiree's carrying amount** AED'000
Cash and cash equivalents	345	345
Investment in associated company	713	713
Intangible assets (Note 9)	11,586	-
Fair value of assets acquired	**12,644**	**1,058**
Goodwill (Note 9)	3,067	
Total purchase consideration	15,711	
Less: Cash and cash equivalents acquired	(345)	
Cash outflow on acquisition	**15,366**	

Cash outflow on acquisition in the previous year included AED 10.6 million paid to a related party (Note 23).

26. Capital management

Dnata monitors the return on equity which is defined as profit for the year expressed as a percentage of average equity. Dnata seeks to provide a higher return to the Owner by resorting to borrowings to finance its acquisitions. In 2008 Dnata achieved a return on equity of 15.2% (2007: 22.0%) in comparison to an effective interest rate of 3.62% (2007: 4.49%) on borrowings.