Annual Report 2008-2009

The Emirates Group

Emirates

Dnata

His Highness Sheikh Mohammed bin Rashid Al-Maktoum

Vice President and Prime Minister of the UAE and Ruler of Dubai

Emirates is the international airline of the United Arab Emirates. Its main activity is the provision of commercial air transportation services.

Dnata is the largest travel management services company in the UAE and the sole ground handling agent at Dubai International airport. Its main activities are the provision of aircraft and cargo handling, information technology services, aircraft engineering services and the sale of air tickets on behalf of airlines either as their agent or General Sales Agent.

Emirates and Dnata are independent entities and do not form a group as defined by International Financial Reporting Standards. However, these entities are under common management. Therefore, in the Management Review and Financial Statistics sections of this document, they are together referred to as the Emirates Group.

Front cover: Emirates and Dnata staff at Emirates Terminal 3, Dubai International airport.

The Emirates Group has launched a company-wide environmental programme which has already made significant strides in improving the way the businesses work to address our responsibilities to the world. Many initiatives are being implemented, from eco-flights to office procedures.

Contents

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Chairman and Chief Executive, Emirates Airline and Group

His Highness Sheikh Ahmed bin Saeed Al-Maktoum

At the San Francisco inaugural, Sheikh Ahmed with Mayor Gavin Newsom

No one could have predicted the global recession which is now impacting every country on earth. As I have often indicated, airlines are particularly susceptible to the socio-economic conditions prevailing in the world – and this is no ordinary situation.

I agree with my colleague, Giovanni Bisignani, the Director General and CEO of the International Air Transport Association (IATA) who said, "The state of the airline industry today is grim and we predict a worldwide loss of US$4.7 billion (AED 17.3 billion), adding to an industry debt of US$170 billion (AED 624 billion) reflecting the rapid deterioration of global economic conditions."

In fact, as we move into the new financial year, the outlook is not improving.

Although fuel prices are dropping, demand is slowing down and revenues plummeting.

For Emirates, the past year saw the first six months posting record fuel prices with oil rising to US$147 (AED 540) a barrel and then the decrease in demand was followed by declining yields with the strengthening US dollar against major currencies, causing significant losses. The GBP dropped 28 per cent in value, AUD went down 25 per cent and the EUR fell 16 per cent.

Despite the global meltdown and the doom and gloom associated with this real crisis, and without trying to minimise the devastating effect it is having on so many countries, businesses and families, I still believe that 2009/10 will be a year of satisfactory growth for the Emirates Group.

In the financial year 2008/09, the group met these awesome challenges with determination, improved efficiency and fresh, market-leading initiatives.

We returned a net profit of AED 1.49 billion (US$406 million), a 72 per cent decrease on the previous year's all-time record profit, but under the circumstances a satisfactory result.

Emirates net profit was AED 982 million (US$268 million) and Dnata earned AED 507 million (US$138 million).

It has been forecast that in the Middle East in 2009/10 there will be a slight increase in passenger growth of 1.2 per cent, though this will be accompanied by an overall increase in capacity of 3.8 per cent.

We expect continuing fierce competition as we defend our market share in all regions, often facing "suicidal" air fares from some of the competing airlines. This is a situation which puts pressure on all carriers but we will continue to maintain our high service standards as the fares hit levels which are unprofitable.

Already, we have tried to respond by introducing new features such as Business Rewards to help small to medium enterprises benefit from Skywards Miles.

We have not reduced the quality of our award-winning service. Unlike other travel-related organisations, we have not reduced staff numbers. In fact, as usual we have not responded with knee-jerk reactions as we face an unsettled future.

We know we must remain flexible. We have to make changes to adapt to the new world travel order and address our costs without affecting the travel convenience and enjoyment of our customers.

We will maintain our commitment to the protection of the environment. We will meet the high expectations of our passenger and cargo clients. We will ensure the job security of our staff.

In the financial year, there were two major events which involved Emirates and Dnata – the delivery of Emirates' first A380 superjumbo and the opening of the new Emirates Terminal 3 at Dubai International airport. Emirates earned worldwide headlines in both cases but we recognised Dnata's important role behind the scenes, in opening the state-of-the-art baggage handling system.

One of the highlights of my year was attending the A380 Reveal Ceremony in Hamburg.

Chairman and Chief Executive, Emirates Airline and Group

HH Sheikh Mohammed was accompanied by HH Sheikh Ahmed on a tour of Emirates Group Headquarters

Sheikh Ahmed received the Verfassungsportugaleser, a gold medal previously awarded to Great Britain's Queen Elizabeth and Queen Beatrix of the Netherlands, from Senator of Economics Axel Gedaschko

Airbus' entire workforce in Germany turned out on the tarmac to give us an unforgettable send-off.

We had a plane full of journalists on the A380 flight from Hamburg to Dubai with myself and my senior colleagues showing them the unique features of this double-decker aviation mammoth, including the onboard Lounge and the Shower Spa.

I was delighted, too, with the phased launch of our Terminal 3 with the Emirates Group and Dubai International airport working together to avoid the problems which plagued Heathrow's Terminal 5.

It was my privilege to lead Emirates' delegations to various parts of the network, including visits to Australia, Germany, UK and the USA.

I attended the inaugural celebrations in San Francisco, our fifth gateway in North America, with the chart-topping Sheryl Crow and Oscar-winning Hilary Swank helping to lead the festivities.

We had opened Los Angeles two months earlier with similar glitter and razzmatazz to herald our arrival on the US West Coast where we had a wonderful Californian welcome.

The five finalists for the Emirates Chairman's Award for Sales Excellence revealed the extraordinary people we have and the international nature of our team.

Japanese Yuri Sunahata based in Dubai won the award for her outstanding ability while the excellent runners up were UAE national, Mohammed Abdulaziz based in Sanaa, American JJ Catanzavita from San Francisco, Iranian Shafag Khavendi from Tehran and Arthur Hongchen Zhang from Shanghai.

In its 50th year, Dnata continued to expand internationally, investing in a contact centre company with operations in Spain, Australia and South Africa, while Dnata Cargo remained at the forefront of freight handlers with the launch of Calogi, the cargo services portal.

It was a personal pleasure for me to attend the graduation of 36 UAE cadet pilots who had completed their ab-initio training in Adelaide, Australia and are now undergoing simulator courses at Emirates Aviation College before joining their 2,226 international colleagues on the flight deck.

In Emirates, we now have 172 captains and first officers who are UAE nationals, less than one tenth of the pilot workforce but an incredible achievement for the country considering its relatively small population. These young persons represent the crème-de-la-crème of our university graduates.

Another highlight for me was the retrofitting of the Boeing 777s and A340-300s to bring the interiors in line with the rest of the fleet.

All the work is being carried out in-house at the Emirates Engineering Centre, underlining the diversity of the group's activities.

In addition to Emirates and Dnata, the group's subsidiary companies are involved in hotels; inflight catering; laundry; upmarket gourmet and quick-service restaurants; airport ground handling; freight and removal services; security; flight training and educational establishments; marine services and IT software production.

The group and subsidiaries staff count stood at 48,246.

Finally, I can confirm we have no plans to slow down our development plans and will forge ahead in the future to build the airline, Dnata and the many subsidiary companies. We will shape our services to meet the ever-changing demands of our many clients around the globe.

I would like to pay a sincere tribute to my staff whose hard work and enthusiasm convinces me that despite the current downturn, we will emerge stronger, fitter and in fine shape for more profitable years ahead.

Ahmed bin Saeed Al-Maktoum

Sheikh Ahmed and Tom Enders, CEO, Airbus during the A380 handover in Hamburg last July

Yuri Sunahata received the Chairman's Award for Sales Excellence from Sheikh Ahmed

Executive Vice Chairman, Emirates Airline and Group

Maurice Flanagan CBE

HH Sheikh Ahmed bin Saeed Al-Maktoum has highlighted the highs and lows of the group's financial position and the exceptional efforts of our staff to achieve our 21st consecutive net profit. I would add my congratulations and appreciation to Sheikh Ahmed for his hands-on leadership which is enabling us to fight our way through this economic wilderness.

They say change is the only constant. It's good to have a historical perspective of success (and failure) to be able to predict trends. For what it's worth, here's a retrospective of my 55 years in commercial aviation, of which 30 have been spent in Dubai and the Emirates Group.

- From noisy, propeller-driven aircraft, fully loaded with 60 passengers and seven on the flight deck, to today's mammoth 600-seaters, with just two people on the flight deck.

- From 2.5 million air travellers in the 1940s to 2.5 billion today, of which 22.7 million chose to fly on Emirates in our last financial year.

- From lounges with small packets of biscuits and warm tea to luxurious Emirates Lounges with show kitchens, offering waiter-served, gourmet meals.

- From the "chicken or fish?" call by cabin crew to Emirates' fancy printed menus bursting with choices, discreet service and food and drink that reflect ethnic and international choices.

- From the no-security days when we could stroll from check-in directly to the aircraft, to the body searches; limited liquids, aerosols and gels; shoe removals; and screening machines of today's airports. Overdone? Almost certainly, but safety is paramount.

- From taxis to the airport to chauffeur-driven cars at our doorstep that drive us to a kerbside check-in, and meet us at our destination.

- From inflight entertainment on one large screen in the cabin matched with awkward rubber earplugs, to today's large seatback television screens, an ice entertainment system offering 1,000+ channels of movies, games, music and "edutainment".

- From shutting out the real world on long-distance flights, to telephones that keep you in touch with the ground, to using your own mobile telephones on Emirates flights.

- From protectionism for national airlines, rampant in many first-world countries, to an understanding of the considerable benefits that can be reaped with an open skies policy, practiced by states such as the UAE.

- From aircraft trailing jet-black smoke to performance that betters the best environmentally-friendly car. Despite drastically improving its track-record, airlines are the environmentalists' new poster boy personifying air pollution, in what I can only call the 'green irony'.

And in Dubai…

- From pearl diving and fishing, and the lucrative gold re-export market, to steel-and-chrome business empires spanning the world and winning contracts from Fortune 500 companies.

- From a populace of 150,000 in the 1970s and a deserted highway featuring the lone World Trade Centre, like a big candle on a muffin, to a bustling metropolis of more than 1.5 million people. The city has a personality and attitude all its own, with infrastructure and architecture rivalling any megapolis.

- From six people manning airport operations, managing a handful of weekly flights, to Dnata's army of more than 6,100 highly-trained and skilful workforce handling almost 130 plus airlines and 2,500 scheduled services.

The history of Dubai is also that of the Emirates Group, inextricably intertwined and interlocked. Dnata is celebrating its golden jubilee this year and Emirates will celebrate its silver next year - two companies that highlight the future of Dubai.

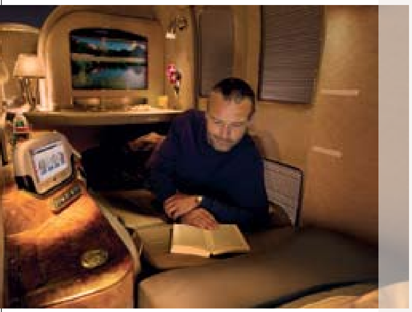
Maurice Flanagan

Maurice Flanagan CBE

Dnata was ready to handle Emirates A380s

President Emirates Airline

Tim Clark



First Class Suite

Although a softening of income in the last quarter of the previous year had indicated serious difficulties ahead, this prediction was an underestimation of the global turmoil being faced by all airlines which impacted the financial results and performance.

The worldwide recession has meant that the Asia Pacific, the "workshop of the world", has slowed considerably resulting in a dramatic fall in cargo tonnage and depressed business travel from key markets such as Japan and China. Europe, too, and the USA have been severely impacted.

With 30 carriers announcing bankruptcy, Emirates was not immune to the challenging trading conditions, the worst in living memory.

But there were positive signs. Revenue increased by 17 per cent and passenger numbers continued to grow with the airline maintaining its share of the premium passenger traffic.

Emirates carried 22.7 million passengers, a seven per cent increase compared with the previous year's record numbers, while cargo saw a growth of 10 per cent in tonnage and 14 per cent in revenue.

Fuel prices dropped in the second half of the year but these gains were neutralised and led to a decline in yields, with significant losses on major currencies like GBP, AUD and EUR due to the strengthening of the US dollar.

Nevertheless, Emirates' seat factor remained a steady 75.8 per cent, which was an encouraging result considering there was an expansion of 13 per cent in capacity.

We have continued to break the mould. The Emirates A380 double-decker launched a new era, evoking the leisurely travel of cruise ships, with a Shower Spa in First Class, the first-ever for a commercial airline and a spacious onboard Lounge for premium passengers.

The airline met the worsening economic conditions in the only way we know – by introducing more passenger-pleasing incentives, like the Dine-on-Demand in First Class – and the unique executive lounges at 20 airports.

We have always been a marketing-led airline and the appearance of the world's largest model aircraft on the United Kingdom's prime advertising site at London Heathrow was the forerunner of a unique campaign to show the travel world that our A380 superjumbo was decidedly different.

Emirates began new Boeing 777-200LR flights non-stop to Los Angeles, San Francisco in the US and began serving in China.

Four A380s, 10 B777-300ERs and six B777-200LRs were delivered, taking the passenger fleet to 124 aircraft by the end of the year.

Our commitment to the environment was illustrated when we operated "green" flights to San Francisco from Dubai, and on the A380 inaugural to Sydney, Australia.

Our Corporate Social Responsibility was extended through the Emirates Airline Foundation which helped launch the Emirates Floating Hospital in Bangladesh, complete with operating theatre, supported by contributions from our passengers.

A new stylish uniform was worn by cabin crew on the first A380 flight and will be seen by passengers on all flights from June 2009.

Striving to make flying easier and more convenient, Emirates' innovations included pre-departure SMS and email; a Best Price pledge to meet the lowest price offered on any website and more self check-in kiosks at Dubai International airport.

A milestone was reached when we enrolled the four millionth Skywards member.

Emirates remains positive that our business model is robust and we will adapt to the fast-changing conditions facing the world, improving productivity whilst continuing to develop and expand the fleet and network.

Timothy Clark

Tim Clark

Emirates First Class Lounge at Emirates Terminal 3, Dubai International airport

Emirates Engineering

The Airline

Emirates A380 - the exclusive onboard Lounge

Commercial Operations

Despite the tough recession, Commercial Operations continued to expand by offering a wider range of flights and destinations, opening new offices, and introducing additional online self-service options, while carefully monitoring trading conditions to ensure that customers continued to receive value for money.

Online sales via emirates.com for the year amounted to AED 4.42 billion (US$1.2 billion), which represents 73 per cent growth on 2007/08. A total of 896,838 bookings were made online and an average of 9,244 passenger segments were booked per day, an increase of 80 per cent over last year.

For the first time, the division introduced multi-currency pricing on the newly-developed booking engine as well as the Best Price pledge, promising to offer the lowest price on any Emirates flight on any website, as well as introducing a Skywards Miles upgrade facility.

The division also introduced pre-departure notifications on mobile phones, the launch of Business Rewards, which enables small businesses to accumulate Skywards Miles, as well as the ability to book a number of low cost carriers' services on emirates.com. Arabic, Turkish and Greek booking engines were also launched.

New offices were opened in Los Angeles, Muscat, Sanaa, Kuala Lumpur, Jakarta, Jeddah and Kuwait. Globally, Emirates commercial contact centres and reservations offices receive 21 calls every minute and answer 85.3 per cent of them in under 20 seconds.

From centralising the reservations office for China in Guangzhou to increasing capacity in most offices, Emirates strove to make the telephone booking experience as efficient as possible. Additionally, for customers without convenient internet access, self-service kiosks were installed in the UAE in each retail hub. During the year, approximately 13 million calls were answered.

In India, the chauffeur-drive service was introduced in Mumbai, Delhi, Hyderabad and Bengaluru while in Damascus, a new daily bus service was introduced from the capital to Aleppo via Homs and Hamah.

Skywards membership crossed the four million mark with a new member enrolling every 41 seconds.

In Dubai International airport's new Emirates Terminal 3, Skywards Silver members travelling in Economy Class now have a special check-in service.

Since its inception in 2004, Skywards members have contributed over 155 million Miles to charities supporting children's welfare, humanitarian and medical assistance in developing countries and for disaster relief. In addition to its long-standing co-branded credit card with Citibank UAE, Skywards has launched co-branded credit cards with Emirates Islamic Bank, Emirates Bank, Citibank Australia and Standard Chartered Bank India.

The Emirates High Street completed its first full year of operation with over 450 products available online and delivered to over 60 countries worldwide.

Customer Affairs & Service Audit

Customer Affairs & Service Audit (CASA) continued to decentralise by establishing offices in Johannesburg, Osaka, Hong Kong and Tehran, adding to the existing network of regional offices in UK/Europe, The Americas, Australia/New Zealand and the Indian subcontinent.

This re-organisation has resulted in a 50 per cent improvement in handling complaints in Dubai and across the network as it allows customers' concerns to be dealt with more effectively and promptly at a local level. Due to ongoing customer service improvements, Baggage Claim processing times have been reduced by 66 per cent.

Plans are in place to develop a targeted training and development plan for CASA staff to further improve skills and knowledge, which will be supported by a dedicated Knowledge Portal to better share information and relevant data globally.

CASA is committed to retaining the business of Emirates and Dnata customers by demonstrating an empathetic, caring and personalised manner when dealing with situations that have not met the group's or the customer's expected standards of performance.

To ensure that the Emirates Group maintains its reputation for excellence during its rapid growth, the Service Audit Team constantly monitors and measures product and service standards.

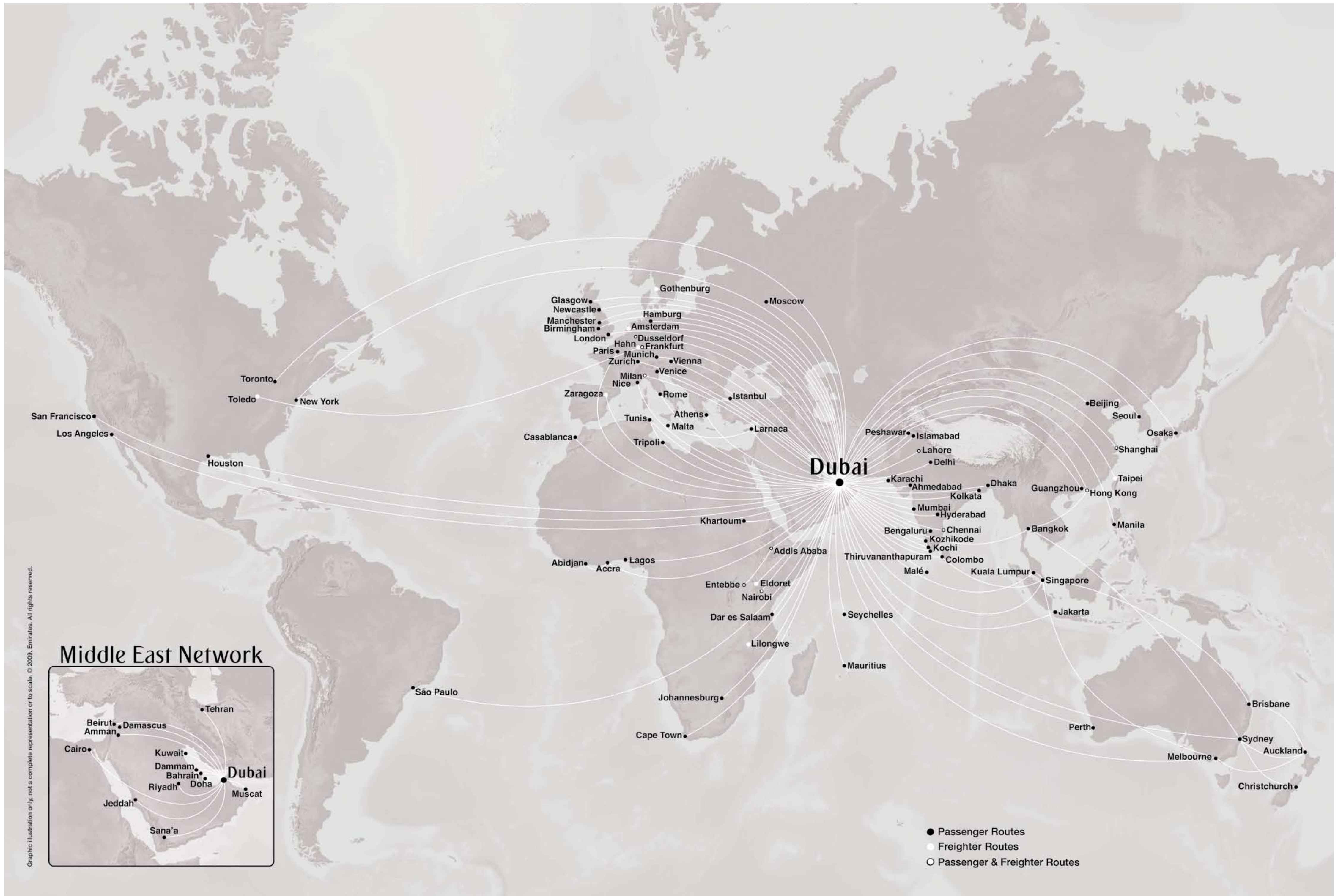
In addition, the Mystery Shopper team also contributes to the evaluation of how well our customer service staff meet the expectations of our customers. The process will grow as the organisation adds more routes, products and destinations.

Service Audit is continuing to expand its programmes. All elements of customer service are regularly evaluated including Service Delivery, Airport Services, Skywards and the worldwide call centres with recommendations made to departments to enhance and improve the product and service delivery.

This year there were 500 audits on Emirates' flights, plus 200 at the worldwide call centres, three major audits on Dubai International airport, 20 on outstations and 100 involving Dnata Travel Services.

A recycling campaign was launched across the group

Welcoming the Emirates A380



Emirates has ordered 58 A380s

The Airline

Emirates Engineering

Housed in the world's largest maintenance hangar (above), Emirates Engineering is now one of the top three facilities, capable of carrying out extensive interior reconfiguration and retrofitting of its wide-bodied fleet.

During the year, the division refreshed 16 out of 29 A330 cabins and all eight A340-300 were upgraded with new interiors.

By the end of the year, 40 of the A330s, A340s and Boeing 777s had been fitted with GSM modifications to enable passengers to use their own mobile phones. The refurbishing and retrofitting of the Boeing 777s requires each aircraft to be in maintenance for up to 45 days and includes the installation of new First, Business and Economy Class seats, inflight entertainment system, toilets and galleys. This is an investment by Emirates to provide our passengers with a uniform fleet, offering the highest standards.

The number of heavy maintenance activities, including C-checks, increased by 20 per cent from last year.

In 2008, a dedicated engine component-cleaning workshop was inaugurated and the new aircraft paint facility, is currently being finalised, to be fully commissioned by mid-2009.

The new engine test cell was responsible for the testing of 60 engines.

Emirates has established an engineering presence at four more outstations – San Francisco, Los Angeles, Cape Town and Guangzhou.

Flight Operations

It was another year of "firsts" for Flight Operations. The division completed a seamless move to the world's largest and most complex Flight and Cabin Crew Operations Centre. At the same time, vying for the headlines was the operationally-efficient entry into service of the long-awaited A380.

Other firsts included:
The implementation of the RAAS, the Runway Awareness and Advisory System, across all the fleet, which will add to safer operations by preventing runway incursions.

The Introduction of Class II electronic flight bags and the LIDO electronic Charting System to enhance pilots' chart information quality, as well as save costs.

The Flight Training department was refurbished, with the move completed on time and below budget. The 2,000 pilots completed the mandatory English language licence certification, a month ahead of the GCAA schedule.

The division recorded the fifth anniversary of the use of Flex Tracks in cooperation with Air Services Australia, the Maldives, and Sri Lankan air traffic service providers. Up to now this partnership has resulted in fuel savings of 9.6 million litres and shaved an average of 772 kilometres and 21 minutes off scheduled flight times. It is estimated to have cut emissions by 26,440 tonnes of carbon dioxide and 163,000 tonnes of nitrogen oxide. In this connection, Flight Operations worked with the European Union regulators to help draft and design the Emission Trading Scheme's monitoring and verification process.

The airline also reduced the usage of Auxiliary Power Unit (APU) during transit and reviewed the load of variable items which resulted in the direct reduction of operating cost, saving millions.

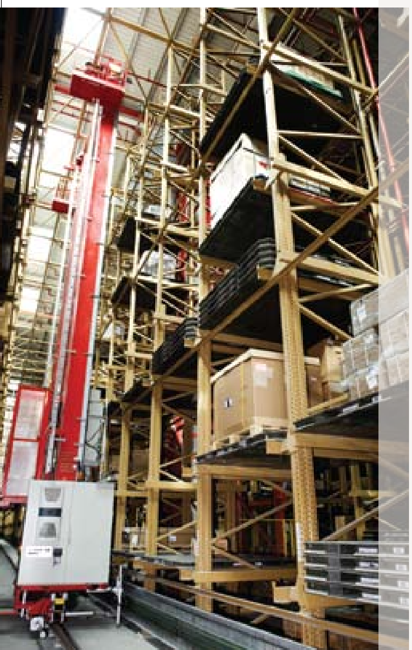
Emirates' Network Control Centre is based at Emirates Group Headquarters with a bird's eye view of the entire Dubai International airport complex. The effective integration and ability to monitor in real time, aircraft location as well as performance, provides the company with one of the best tools to optimise the network's efficiency. This avoids any unnecessary diversions, reduced ground time for technical rectifications and effective management of passenger logistics. This state-of-the-art technology employed across 100 destinations, is one of the largest in the world.

The increased complexity of Emirates' network operations over the years has required the establishment of a fully-integrated and centralised Network Control Centre housing relevant stakeholders. There is representation within Network Control from all operational and support departments such as Emirates SkyCargo, Crew Control, Flight Dispatch, Maintenance Control, Aircraft Planning, Commercial Operations, Hub Control, Reservations, Dnata Airport Operations, Airport Services Dubai and Outstations, as well as Duty Operations Dubai and Outstations.

The robustness of the airline's operations throughout the network is largely dependent on effective communication and good decisions made everyday, which are orchestrated by highly competent and specialised network control managers.

Adel Al Redha,
Executive Vice President,
Engineering and Operations

Extensive retrofitting carried out in Dubai



The fully-automated Cargo Mega Terminal

Emirates SkyCargo

Tonnage carried by Emirates SkyCargo increased by 10 per cent to 1,408,300 metric tonnes though there was a decrease in yield of 2.6 per cent. Despite the challenges, Emirates SkyCargo produced a growth performance.

It was an extremely challenging year for Emirates SkyCargo with global trade slowing, the banking sector eventually collapsing and the world going into a recession.

The effects of reduced demand/production in the automotive sector and associated industries, which account for some 20 per cent of global airfreight, has impacted negatively on exports from Germany, Brazil, South Africa and the Asia-Pacific region.

In the first half-year, fuel price directly impacted on air cargo rates, exacerbating a slow down in world trade, which resulted in reduced consumer spending in Europe and the USA.

Second-half results were drastically affected by the global economic downturn with the economies of many countries moving into recession, negating the effect of fuel price decreases.

As a result of the credit crisis and liquidity problems, currency values, especially in Europe, Australia and South Africa severely impacted yields.

With the commissioning of the Cargo Mega Terminal (CMT), upgrades to the existing Emirates SkyCargo warehouse were implemented to facilitate process improvement for the handling of sea-air consignments, handling of charter flight traffic and break-bulk operations.

An additional 200 Cool Cells were commissioned in the CMT for the storage of unitised temperature-sensitive consignments.

Emirates SkyCargo introduced White Covers, an innovation utilising gas-permeable porous material, tailored to cover pallets, which assists in the maintenance of proscribed temperature parameters during the transportation cycle. This is used, particularly by shippers of perishables and pharmaceuticals, to maintain product quality.

Further investment in automation, with the cutover of SkyChain 3.0 incorporating the terminal handling module, was implemented to enhance shipment life cycle data; handle related transaction data; and provide real-time information.

A series of relief charter flights were operated to Chengdu, China in June carrying relief supplies for victims of the earthquake disaster.

During the year, Emirates SkyCargo won a clutch of international awards including Air Cargo Carrier of the Year by International Freighting Weekly Awards, United Kingdom; Air Cargo of the Year by Asian Freight & Supply Chain magazine, Asia; Best Middle East Cargo Airline by Air Cargo News, UK; Best Air Cargo Carrier Middle East by Asian Freight and Supply Chain – Cargo News Asia, Hong Kong; and Best Customer Care by Air Cargo Week, UK.

Emirates SkyCargo participated in the following trade events: Intermodal 2008 (São Paulo) in April 2008; Air Cargo China 2008 (Shanghai) in June 2008; and Air Cargo Forum 2008 (Kuala Lumpur) in November 2008.

Destination & Leisure Management

The division, like all travel companies, was affected by the global downturn and from a shortage of rooms in Dubai in 2008, this year saw a lessening of demand with Arabian Adventures hosting 267,600 guests. The top five markets of UK, Australia, Germany, GCC and South Africa showed a 10 to 15 per cent decline, but Brazil proved a successful new market.

Emirates Holidays cared for a total of 81,504 tourists with top destinations again being Dubai, Malaysia, Thailand, the Maldives and Mauritius.

Congress Solutions International (CSI) strengthened its brand locally and internationally with the staging of several high-profile events.

Some 1,350 top executives from the travel and tourism industry, heads of states and other dignitaries attended the Global Travel & Tourism Summit organised in Dubai by CSI on behalf of the World Travel & Tourism Council.
Later in the year, CSI also arranged, on behalf of the World Economic Forum and the government of Dubai, a summit on the Global Agenda attended by 700 of the world's leading academics, business, and government representatives.

Emirates Hotels & Resorts continued to develop with international central reservations, a corporate sales and business development unit, plus a global online distribution system driven by newly acquired technology.

Emirates continued its support of the Dubai Desert Conservation Reserve which gained the coveted Protected Area Status from UNEP (United Nations Environment Programme) and the IUCN (International Union for Conservation of Nature), a culmination of five years' work in conservation management. Attracting over 210,000 visitors in 2008, the DDCR proved that management of popular desert safaris need not impact the environment. The Harbour Hotel & Residence completed its first full-year of operation achieving 73 per cent occupancy, despite the challenging economic conditions.

Al Maha Desert Resort & Spa continued its inspirational success in its ninth year of operation, again generating profits, plaudits from its guests and awards for the high quality of service.

In Australia, Wolgan Valley Resort & Spa is due for completion in late 2009, setting a new benchmark for hospitality. The hotel has paid special attention to the preservation of endangered wildlife and the indigenous habitats by obtaining approval of federal and state environmental agencies.

In Seychelles, Cap Ternay Resort & Spa is slated to open in 2011/12. This five-star, 416-room-resort including a luxury 40-villa complex, will again emphasise Emirates' commitment to conservation and environmental sustainability.

Arabian oryx at
Al Maha Desert Resort & Spa

Location of Wolgan Valley Resort & Spa, opening October 2009

The Airline

Golden Gate Bridge, San Francisco

The Gold Coast, Australia, served through Brisbane

Also under construction, and due for completion by the end of this fiscal year, is a 10-storey extension of the Emirates Holidays building and by summer of 2009, the new Arabian Adventures Operations Centre, in Dubai Investments Park, should be ready. The Centre will include a multi-storey car park for 300 cars and four-wheel drives, over 120 parking bays for larger vehicles like buses, and 15 washing bays.

Planning and Market Research

With Airbus delivering four A380s and Boeing delivering 10 Boeing 777-300ERs and six Boeing 777-200LRs, the Emirates passenger fleet size at year-end was 124 aircraft.

A number of new destinations and services were added to the network.

In Brazil, a seventh service was launched to São Paulo, bringing the operation to a daily service.

In the USA, two more cities joined the network – Los Angeles became the third US city to be served by Emirates with three flights per week using the ultra-long range Boeing 777-200LR. Two months later, in December, San Francisco was inaugurated with three weekly services.

In Europe, Rome and Milan were de-linked, which enabled the airline to provide daily non-stop services to Milan. A second daily service to Milan began in January 2009. Five direct flights to Nice were launched and daily non-stop services introduced to Rome. The A380 was deployed on the London route from 1st December.

Istanbul flights were increased to 11 per week; the Larnaca and Malta service became daily, a second daily flight boosted the Moscow service from 1st March, and another daily service to Athens began before the end of the fiscal year on 26th March.

In East Asia, Guangzhou (Canton) became the fourth city in China to be served by Emirates in July, starting six times a week and daily services from 1st October 2008.

The airline increased Kuala Lumpur services to 12 weekly flights.

In Australia, a second daily flight was launched to Brisbane and on to Auckland on 1st February, and a third non-stop daily to Melbourne on 2nd February. The A380 was introduced to Sydney and Auckland from 1st February. Operations to Nagoya, Japan ceased on 29th March 2009.

In West Asia, the total number of flights to Dhaka increased to 17 per week while in India, Kozhikode became the 10th destination. A fifth daily service was initiated to Mumbai and flights to Delhi increased from 11 to 25 per week.

The phased increases in services to Hyderabad, Bengaluru, Kochi and Chennai also reflected the importance of the Indian market.

In Saudi Arabia, Riyadh and Jeddah became daily operations with the addition of a seventh weekly flight.

Amman now has 12 flights, Damascus 11 and Kuwait 26 services per week.

The Dubai-Accra-Abidjan route became a daily operation and a second daily service was introduced to Lagos on 1st February.

The Market Research department provided stakeholders across the group with internal and external customer insights by continuously monitoring ongoing developments of existing products and services.

The focus for the year has been on a global level with large-scale brand and media studies conducted in conjunction with the Corporate Communications division.

Service Delivery

The launch of the new Emirates flagship, the A380, generated global headlines, yet it was the behind-the-scenes investment which made the dozens of awards possible.

Of major importance was the new cabin crew training facility and the commissioning of 13 new simulators covering all aircraft types, including the A380 with a fully operational onboard Lounge and Shower Spa, and the introduction of two flight demonstration kitchens with a complete range of fully-functioning on-board equipment.
The division carried out intensive training, including 22 conversion courses for the A380, more than 400 safety and emergency procedure courses for cabin and flight deck crew using two full-movement simulators, First Class upgrade, Business Class and Purser courses – in fact, there were no less than 33 courses conducted every day during the year.
At the same time, 270 ab-initio courses were held, each with 19 new entrants per week for men and women joining Service Delivery.
During the year, Emirates passed the 10,000 cabin crew milestone. The 10,000th was Miss Mohana Chonayah from Malaysia.

In order to build effective working relationships between the A380 crew, a new Captain/ Purser workshop was set up and the Nujoum experiential programme for all cabin crew and ground teams was introduced.

The launch of a new uniform, initially on the A380, and which will be rolled out to all staff in June 2009, underlined the innovations taking place. This included the opening of the new Crew Operations Terminal, a mini airport, in its own right, at the Emirates Group headquarters, with its own automated baggage system. On-board staff are being issued with new duty free hand-held sales computers, while all pursers now have KIS (Knowledge-driven Information System) laptops which provide them with the who's who on board prior to the flight.

On the catering side, Service Delivery earned plaudits with its Dine-on-Demand service in First Class on all flights over four hours and forty minutes. This included the introduction of

An A380 cabin crew service training simulator at Emirates Training College

The A380 Shower Spa

In touch – on the ground

In touch – in the air

new exotic dishes such as South African ostrich steaks with pepper sauce; Indian pot-pourri of chicken with curry leaves, ginger and turmeric; Chinese codfish with oyster sauce and on the A380 a pasta bar breakfast, with old-fashioned Scottish porridge and on flights to Los Angeles and San Francisco, Californian Pacific Rim favourites.

Together with Airport Services, Service Delivery was involved in the design and introduction of the upgraded food offerings at airport lounges around the world. As part of the overall refocus on the important Indian market, Service Delivery contributed new regionalised menus as well as mandatory online learning for crew and managers.

Airport Services

Airport Services played an important role in the development and introduction of the new Emirates Terminal 3, which opened in phases at Dubai International airport between 14th October and 11th November 2008. The move into the facility, larger than Terminal 5 at London Heathrow, was made without fanfare and immediately improved aircraft on-time performance and pier access.

The other major event for Airport Services was the arrival of Emirates' first A380, which was introduced on the Dubai-New York service. A special feature enabled passengers to board directly from the lounge at John F Kennedy International Airport. A new Emirates Lounge at Brisbane also allows direct access onto our aircraft from the Emirates Lounge. In addition, the division also opened Emirates Lounges at Beijing, Düsseldorf, Johannesburg, Mumbai and Zurich airports, bringing the outstation lounges to 20, with three more planned.

During the year, two airports were moved overnight to new facilities in Bengaluru and Hyderabad and two airports shifted to new terminals in Beijing and Shanghai prior to the Olympic Games. All these moves impacted Emirates' flights and involved Airport Services staff. The division also procured and put into service 7,000 new ULDs (Unit Load Devices) bringing the total Emirates inventory to 32,000 units. The Radio Frequency Identification (RFID) trials are continuing with Dubai International, Hong Kong, London Heathrow and JFK New York, where the airports are working together with Emirates in an experiment to use chip-tagged luggage labels to improve the consistency of baggage handling.

Public, International, Industry and Environment Affairs

The continuous pursuit of the liberalisation of traffic rights resulted in the department conducting public affairs and government engagements involving the Chairman, President and senior management in Australia, United States of America, United Kingdom, Germany, Canada, Japan, Korea, India and other key markets. Major successes were achieved in South America, southern Africa and India.

Public Affairs managed a campaign to help mitigate Emirates' serious concerns over the UK government's Air Passenger Duty. It also launched a new publication to share the airline's view on industry and policy news internationally, and a new feature on the website.

New Air Services Agreements were concluded with Japan (enabling Emirates to operate to Tokyo's Narita Airport in 2010) and with the Comoros, Lithuania, Romania and Luxemburg. New codeshare deals were signed with Jet Airways and Oman Air.

Industry Affairs continues to represent Emirates at the IATA Agency and Services Conferences for both passenger and cargo activities. Emirates also joined Billing and Settlement Plans (BSP) implemented in Argentina, Benin, Bosnia and Herzegovina, Chile, Nigeria and Spain and now participates in BSP with 99 countries. The airline also joined the IATA Cargo Accounts & Settlement System (CASS) in Bangladesh and is now participating in CASS with 43 countries. At the recent IATA/CASS Policy meeting, Emirates was appointed to chair this group.

Industry Affairs pursued the inclusion of airline web sales, within the industry bank guarantees, provided by travel agents. IATA Resolution changes have thus been adopted for implementation.

Environment Affairs launched a major new environment policy in 2008 which aims to make Emirates the world's most eco-efficient airline. As part of this project, the airline began its largest-ever single recycling programme through the collection of thousands of tonnes of paper, cardboard, plastic and aluminium at Emirates Group headquarters and other buildings.

The highlights of the year were two "green flights". In collaboration with other departments, Environmental Affairs organised the world's first and longest trans-polar green demonstration flight from Dubai to San Francisco, while the A380 inaugural flight to Sydney launched the new aviation environmental programme. The department was responsible for introducing a further 10 measures from these flights across the global network.

Facilities/Projects Management

From a twin-tower five-star hotel to more modest staff accommodation, the department had a busy year amidst the property world of Dubai. Now under construction, the glass and aluminium Park Towers Hotel & Residence will be 70 storeys tall with 806 rooms per tower. The design is based on the shape of the trunk of a palm tree.

Equally important for the group is the housing development at Al Majan for staff. Four of the five blocks have been started with a total of 829 units consisting of one, two and three-bedroom apartments built in the New York Art Deco style. Each block will have a gymnasium and swimming pool on the first floor.

Procurement & Logistics

Procurement and Logistics (P&L) is committed to sourcing goods and services globally to provide the best value, highest quality and lowest total cost of ownership. Whilst the

Ali Mubarak Al Soori, Executive Vice President, Chairman's Office, Facilities/Projects Management and Procurement & Logistics

"Green flights" include special washing of aircraft

Emirates Business Class Lounge, Emirates Terminal 3, Dubai International airport

Emirates First Class Lounge, Emirates Terminal 3, Dubai International airport

department aggressively negotiates price, a "win-win" situation is always sought, to enable suppliers to fuel their growth and deliver quality products and services.

In delivering a cost control commitment to the Group, P&L negotiated over 500 high-value contracts during the year from ground handling, inflight catering and hotels to IT, media, print, uniform, ground support equipment and logistics services. P&L received approximately 456,000 requests for numerous items and transacted around 28,000 purchase orders. A formidable AED 23 billion passed through purchasing in 2008/09.

A key focus for the year was the development of innovative and exciting products to support the launch of the A380. In order to meet tight deadlines and a strict requirement for pre-launch confidentiality, a collaborative approach with carefully selected, strategic suppliers took place. This included the development of products for the on-board Shower Spa and onboard Lounge.

Despite the unprecedented levels of price volatility, erratic markets and logistical challenges during the year, the group continued to successfully source jet fuel for the airline around the globe. The fuel-buying team was recognised as the best fuel purchasing team in the Middle East & Africa region and in the top 10 globally in a poll of industry peers organised by Armbrust.
Across the network, the department continued to work with Emirates Airport Services, Emirates SkyCargo and external ground handling partners on long-term, sustainable initiatives to improve the customer experience on the ground. P&L supported the launch of four new stations including Los Angeles and San Francisco.

Working with Flight Operations, P&L completed detailed negotiations with Iran that ensured air traffic control charges were set at a sustainable level for the industry.

In Dubai, the department worked to deliver a range of stunning new dining options in the new Emirates Lounges at Emirates Terminal 3 and for the long-stay Economy Class passengers.

One of the largest deals ever negotiated by P&L with the Corporate Communications team was the consolidation of the global media investment. The deal involved merging the media strategy, planning and buying from nine incumbent media agencies and 15 full service agencies into one global media group. Another landmark deal was a new five-year deal to provide digital copy and printing services to the group. P&L played a significant role in discussions and eventual agreement to change the specification of the inflight magazines, thus making significant weight reductions to help reduce fuel burn. Emirates achieved the target of launching the new cabin crew uniform on time for the arrival of the A380.

In fact, the A380s brought on new challenges for the department. The unprecedented size of the aircraft had a direct impact on the feasibility of conventional ground support equipment to provide safe and efficient aircraft servicing. P&L worked closely with Dnata Technical Services in procuring a range of specialised equipment to meet the needs of the group.

The P&L IT team negotiated a deal to integrate all ground and air communications systems into one system for airport, ground and air dispatchers, thus integrating the different communication devices into one screen. This will reduce manual work, increase efficiency, reduce operational delays, and eliminate human errors. The system will improve and simplify Movement Control (MOCON) and Network Control Centre (NCC) services at Dubai International airport and have a positive impact on incident control at the airport.

Group Safety

Group Safety provides internal safety oversight, advice, investigation and awareness, both in Dubai and throughout our overseas network.

Emirates completed successful re-registration for the biennial IATA Operational Safety Audit.

Group Safety participated in several airline industry safety groups, including the IATA Safety Group; the Flight Safety Foundation, International Advisory Committee; Cranfield University – Accident Investigation Centre, Industry Advisory Board; and the Gulf Flight Safety Committee.

Group Safety sponsored a major investment in aircraft safety technology, with the phased introduction of the Runway Awareness and Advisory System – known as RAAS – which is being progressively introduced across the Emirates fleet.

Group Safety have shared concepts with like-minded safety organisations in other industries and conducted a joint emergency response exercise, with the UK Air Accident Investigation Branch, Rolls Royce, Airbus, Durham Tees Valley Airport and Cranfield University.

Emirates Group Security

In the world of airline security, Emirates continues to be recognised for its expertise and comprehensive training activities.

In October 2008, Group Security organised the second International Civil Aviation Organisation (ICAO) Certified Aviation Security Professional Course in Dubai and during the calendar year conducted over 800 GCAA approved classes including training sessions for cabin crew and pilots. In addition there were some 600 Advanced Restraint Technique (ART) practical sessions for the cabin crew.

The security e-learning programme for outstations was completed by 1,500 outstation staff members. The Centre for Aviation and Security Studies (CASS) signed an MoU with Western Australia Police to collaborate in areas of investigative practice and research in the security function.

Transguard

Transguard's new valuables handling facility has now opened on a 24/7 basis offering the trade a faster turn-around and improved customer service. Dubai Customs outsourced the transport of valuable cargo to Transguard which now manages the ULD transfer from aircraft to the strong room. Transguard's Cash Management Centre has seen a 500 per cent increase in volume since inception. In 2008/09, a daily volume of two million bank notes was processed.

Emirates Group Security graduates

Transguard in action at Dubai's Gold & Diamond Park

Dubai

Dubai Marina

The Metro will be inaugurated in September 2009

Dubai hasn't been immune to the global recession, but it still has plenty of reasons to be cheerful. Tourism revenues were up 15 per cent in 2008 and the city has delivered on several key projects in the last year, and more are nearing completion.

The eagerly awaited Metro opens on 9th September – 09/09/09 – and the AED 15 billion-plus project will provide residents and tourists with fast and reliable connections throughout the emirate. Arriving and departing passengers will find the Metro particularly convenient, with dedicated stops at Emirates Terminal 3 and Dubai International airport.

The first highly-automated, driverless trains are due to start running on the 52-kilometre Red Line from September, starting from Rashidiya, passing the airport, and heading through the heart of the city along Sheikh Zayed Road before finishing at Jebel Ali.

The 22-kilometre Green Line, connecting the more central areas of Bur Dubai and Deira, is due to open 21st March 2010. Passenger capacity will be around 600,000 passengers per day.

There will be a total of 47 stations, 29 on the Red Line (four underground and 25 elevated), and 18 on the Green Line (six underground and 12 elevated).

Nearly 25,000 tonnes of steel have been used in building the stations and among the engineering marvels is the 1,600-metre-long tunnel under Dubai Creek, which connects Union Square Station to BurJuman. Preliminary works are underway with the Al Sufouh Tram Project, which extends 14 kilometres along Al Sufouh Road. Phase I involves construction of a 9.5-kilometre-long track from Dubai Marina to Mall of the Emirates, and ultimately 25 trams will call at 19 stations.

Passengers will soon have the option of travelling on Dubai's waters too, as part of the Roads & Transport Authority's (RTA) integrated transport policy. The first ferries are due to start services on Dubai Creek this summer, and six are scheduled to be operational by October, with four more taking to the water by June 2010.

The services will be rolled out in three phases, initially connecting four central stations – the Gold Souk, Union Square, City Centre and Al Ghubaiba – which will be followed by the Dubai

Creek extensions, and finally linking some of the major upcoming commercial and tourism projects such as Dubai Maritime City, The Palm islands, The World and The Waterfront, as well as neighbouring Sharjah. The target is to carry three million passengers in the first year.

While the city's transport scene is going up a gear, architectural standards continue to reach new heights with the 'topping out' of the Burj Dubai, the world's tallest tower, and the opening of Dubai Mall next door.

Burj Dubai, which became the tallest man-made structure in April last year, is due to launch officially in late 2009. Among its features will be the 175-room Armani Hotel, which will be the last word in pampering with its 40,000-square-metre spa. On completion, the skyscraper will have used 330,000 cubic metres of concrete, 39,000 metric tonnes of steel bars and 142,000 square metres of glass.

The city's new retail heavyweight, Dubai Mall, located in the shadow of Burj Dubai, contains 1,200 outlets including a Fashion Avenue with 70 signature stores. It is as much a tourism attraction as a retail centre, with its shark and fish-filled aquarium, innumerable restaurants and an ice rink.

The surrounding Downtown Burj Dubai district, developed by Emaar Malls Group, has changed dramatically in the last year. Mirroring the Burj Dubai is The Address, a five-star hotel. A pedestrian bridge walkway splits the two, linking Dubai Mall with the ethnic Souk Al Bahar. Standing at 900 feet tall, Dubai Fountain serves as the centrepiece of the 30-acre Burj Dubai lake.

Emaar has also been busy at Dubai Marina Mall, which opened at the turn of the year complete with 160 stores including a 26,000-square-foot Waitrose supermarket.

Another high-profile landmark which has changed considerably in the last 12 months is The Palm Jumeirah, where the Atlantis hotel opened to celebrity-studded fanfare, and 900 homes at the Marina Residences were handed over in April.

A new monorail is operational, carrying passengers daily between Gateway Station at the trunk of The Palm Jumeirah and Atlantis' Aquaventure Station on the crescent.

The Palm's developer, Nakheel, also expects to hand over 2,200 villas and townhouses at Jumeirah Village by the end of the year.

The imperious QE2 sailed for the last time, into Port Rashid in November, and work continues apace on her conversion into a luxury hotel, whereupon she will be permanently moored alongside The Palm Jumeirah from 2010.

Despite the credit crunch, Dubai's hotels recorded 6,996,449 guests and posted revenues of AED 15.25 billion in 2008, up 15 per cent on 2007, according to the Dubai Naturalization and Residency Department (DNRD). The number of inbound and outbound travellers exceeded 6.6 million during the last quarter of 2008.

The UAE was recently ranked first for regional tourism in the World Economic Forum's Travel and Tourism Competitiveness Index.

More attractions are looming on the horizon. Universal Studios Dubailand promises visitors from around the globe an extraordinary opportunity to 'ride the movies'. The park's rides and attractions will feature the latest technology and leading edge special effects, designed to transport visitors into the middle of their favourite blockbuster motion pictures, such as Jurassic Park and Waterworld. Three unique Sesame Street-themed entertainment venues will also be part of the first Universal Studios theme park in the Middle East.

Burj Dubai, the world's tallest building

Market Day at Jumeirah Beach Residence

President Group Services and Dnata

Gary Chapman

High levels of customer service define the Dnata brand

Dnata achieved a 22 per cent increase in revenue, despite the global economic crisis. Costs grew 16 per cent, resulting in a record net profit of AED 507 million (US$138 million).

The financial results are pleasing indeed, but more so the style adopted - by focusing on high-quality and service, without sacrificing safety standards, essential ingredients to the longevity and well-being of every business and its people.

Consequently, Dnata Airport Operations was awarded ISAGO provider, under the IATA Safety Audit for Ground Operations programme. For the third year in a row, Dnata Travel Services scooped the World Travel Awards as the Middle East's Leading Travel Management Company. Hats off to the wonderful teams who continue to make Dnata the envy of others and the preferred choice of our customers and partners.

With a presence in 17 international airports in seven countries, last year Dnata made a significant investment in the UK-listed global corporate travel services company, Hogg Robinson Group.

In Dubai, Dnata Travel Services opened its 50th outlet; in Kabul, we opened Afghanistan's first ever one-stop shop, Najm Travel.

Our Group Services again played an important role in supporting the world's seventh largest international airline as well as the other businesses within the Emirates Group. Some impressive figures include - the Emirates Group Medical Services cared for more than 9,400 patients every month and; the Recruitment team handled related processes for more than 7,000 staff.

Records were created elsewhere too. Emirates Flight Catering went from strength to strength, reaching a milestone of more than 100,000 meals in a single day – the largest quantity of any airline caterer at one location. Despite the staggering volumes, the individual care lavished on every dish enabled the company to boast of 110 airline clients and 99,000 flights served in the year.

Emirates-CAE Flight Training expanded its customer base by 25 per cent and is now the leading flight training facility in the region. We began simulator training operations at our new facility in Bengaluru, India with an A320 and a Boeing 737 simulator.

The close cooperation with Whitbread Plc continues with some 65 Costa outlets in the UAE, the largest number in any country outside the United Kingdom. The first Premier Inn opened in Dubai in April 2008, the second in May 2009 and our third is due to be completed in November 2009.

Our other successful culinary ventures include Deli Express in Dubai offering quality take-away food, and two more Left Bank restaurant/bars, reflecting the popularity of the initial one at the Madinat Jumeirah. At the high-end of the culinary marketplace, MMI opened two chic Le Clos wine cellars, offering rare vintage for sale, at Dubai International airport - just one of the unique initiatives which helped MMI achieve a 20 per cent revenue growth.

Further afield, our partnership with the airport authorities created X'ian Dnata Airport Services. It won plaudits for handling 41,000 flights in its first full year and gained much respect for providing support for relief efforts after the Sichuan earthquake.

Over the last five years, Dnata has grown its revenues by some 10 per cent compound, a comfortable growth rate for us. We expect to maintain solid growth, albeit in single digit figures, for the coming few years.

It's been a good year all round but we do recognise that all our enterprises are facing tougher times in the coming financial year. At Dnata and our associated companies we intend to concentrate on two important elements. Firstly, every dirham is spent wisely; costs are trimmed; and productivity improved for the customer. Secondly, to provide bespoke services that meet customer demands, for a high-class product of international standard.

With 50 outstanding years behind us, and the best team of people in the business, we will remain a formidable force for the next 50 years.

Gary Chapman

There are 65 Costa outlets in the UAE

Dnata handled a record 244,516 aircraft movements at Dubai International airport

Dnata

Ismail Ali Albanna, Executive Vice President, Dnata

Dnata Airport Operations

Coinciding with Dnata's 50th anniversary, Airport Operations handled a record 244,516 aircraft movements and over 37 million passengers at Dubai International airport.

New airline customers for Dnata were Afriqiyah Airways, Bahrain Air, Air Baltic, Jet Airways, Norwegian Air Shuttle, Somon Air, Tag Angola, United Airlines, Uzbekistan Airlines and Watania Airways bringing the total air carriers serving Dubai to 130.

Behind the scenes, Airport Operations played a vital part in the smooth opening of Emirates Terminal 3, having been responsible for operating the state-of-the-art Baggage Handling System, as well as running the new Marhaba lounges. Terminal 2 continues to expand from 22 check-in counters, five boarding gates and one carousel belt in 2003 to 38 check-in counters, six boarding gates with open lounges and three carousel belts with a total strength of 715 employees.

The acquisition of the German-made Proveo Airport Visualiser Ground Support Equipment (GSE) enables real-time tracking, monitoring and control of Dnata's ground support equipment.

There was a significant investment too in Inform's Resource Management System and Real-Time Control for planning, rostering and dynamic resource allocation.

The division received the IATA Safety Audit Ground Operations (ISAGO) accreditation, the first ground handler to achieve this award.

Dnata has significantly expanded its international network beyond Dubai and now has ground handling operations at 17 airports in seven countries.

Whilst each of these companies continue to run as autonomous businesses, Dnata has focused its efforts during the year on maximising the operational, marketing synergies and coordination between them. This has ensured an improvement in profitability and unit cost performance across all its international operations. At the same time, each business has focused on maintaining the highest level of customer service standards.

Dnata Cargo

The significant shift of focus to premium services helped Dnata Cargo succeed with their "more with less" concept as tonnage handled for foreign airlines declined. The division increased revenue by 18 per cent to AED 343 million as it handled some 627,353 tonnes of freight.

The major milestone was the launch of Calogi, a pioneering web-based cargo services portal. Calogi is the most comprehensive development so far for the cargo industry, the biggest and most complete IATA e-freight compliant solution available today.

In all, 116,000 documents were processed through Calogi by the cargo community.

All Freight Gates reported improved performance. The milestones for each are covered here.

FreightGate-1 implemented 100 per cent screening for passenger aircraft lower deck cargo loads through the installation of two high-powered screening machines and introduced hand-held terminals in the cargo build-up areas to increase productivity.

FreightGate-2 concluded a landmark deal with Empost and reported a healthy 14.8 per cent growth in the mail business and a 9.5 per cent increase in courier products.

FreightGate-3 saw the completion of a special storage section for dangerous goods. The parking and landing restrictions, banning certain aircraft, were compensated for by concentration on the provision of premium services.

FreightGate-4 saw 89 per cent occupancy rates achieved for the 19 new agent-bonded warehouses, which catered to the requirements of the agent and freight forwarders, ensuring direct delivery.

FreightGate-5 saw the fully-automated warehouse systems operation maturing with 15 per cent volume growth over the previous year and office occupancy reaching 90 per cent.

FreightGate-6 at the Dubai Flower Centre, which provides special protection for temperature-sensitive products between the aircraft and terminal, experienced growth of 16.25 per cent.

FreightGate-7 at the Jebel Ali Free Zone moved into a new facility increasing capacity from 500 to 2,500 square metres and reported a 15.5 per cent growth.

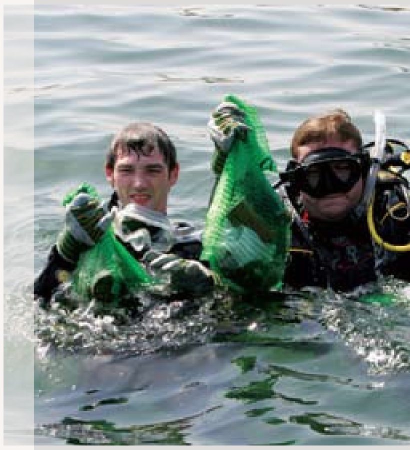
FreightGate-8 sees Dnata Cargo become a warehouse handling service provider at the new Al Maktoum International Airport at Jebel Ali. Preparatory work has commenced to support the trials and the operational opening of the new airport.

Dnata Cargo Partners added Jet Airways and Vas Air to the total number of airlines in its portfolio which now numbers 34.

Dnata Cargo maintained its accreditation to ISO-9001, 14001, OHSAS 18001 and TAPA standards.

A new joint venture was created between SDV France, SDV Africa, Dnata and the Kanoo Group focusing on international freight-forwarding routes specifically serving France and Africa.

Helping the environment - Group staff clean up Dubai Creek



Dnata Airport Operations handled over 100 airlines

Dnata

Dnata Network Air Product supported airlines like Lufthansa and British Airways

Dnata Travel Services

From choosing a new fragrance for its lounges to opening an office in downtown Kabul, Dnata Travel Services in its 50th year continues to develop and improve an extraordinary range of products.

The Holiday Lounge by Dnata, in partnership with the Lime Spa now has its own signature fragrance and the sweet smell of success swept through the whole company. Specifically, World Travel Awards named Dnata the leading regional travel management company.

Dnata Holidays, launched dnataholidays.com, a transactional website, which will provide user-friendly and comprehensive access to its products. Dnata Holidays is now on the way to further develop the website to serve GCC countries. The number of destinations on offer was increased from 28 to 33.

In the UAE and abroad, Dnata continues to spread its wings. In Dubai, a new Holiday Lounge by Dnata was opened at Jumeirah Beach Residence's, The Walk, with plans for more, while overseas a 49 per cent share was acquired in Mindpearl Group, which runs contact centre operations in Barcelona, Brisbane and Cape Town.

Dnata also invested in the Hogg Robinson Group acquiring 23 per cent of the stock. Hogg Robinson Group UAE (HRG UAE) increased sales by 14 per cent, launching new outlets in Dubai Healthcare City, Dubai Media City and at the Raffles Hotel.

HRG UAE introduced two new products:
The Dnata Online Travel Management Solution, for corporations to monitor and control their travel policy and spends; the SpendVision and KDS solutions, to assist corporate clients to effectively manage travel expenses.

Government Travel Services (GTS) expanded its reach by opening five new implants. In partnership with the Dubai Naturalization and Residency Department, GTS opened a fully-fledged Visa Services Office at the Dnata Travel Centre and at the Emirates Group Technology Centre offering inbound visa services to the retail and corporate markets.

Dnata Travel expanded its retail presence to over 50 outlets with new offices opening in Dubai Mall, Dubai Outlet Mall, Palm Jumeirah, Emirates Group Headquarters, Dubai Immigration, Sonapur, Jumeirah Beach Residence, Hatta and Ras Al Khaimah. New branches are planned to open at Dubai Investments Park, Al Ghusais and Mirdif.

The new hub in the Dubai Outlet Mall was the first to showcase Dnata Travel's new look which is based on a sleek, modern and clean design, soon to be extended to all future outlets.

It was an exceptional year for Dnata Offshore and Marine Services with a 39 per cent growth in sales and new offices opened in Kuwait, Saudi Arabia, Qatar and Bahrain. The company also launched the first 24-hour marine and offshore contact centre in the region and tied up with International Airline Services (IAS) to become their sales and marketing arm.

Dnata Network Air Product supported the launch of Jet Airways which now operates double daily flights to Delhi and Mumbai; helped United Airlines to successfully inaugurate new services from Dubai to Washington and relaunched Scandinavian Airline's operations from Dubai to Copenhagen.

Dnata Network Air Product also supported capacity increases to the Gulf for airlines such as Lufthansa, KLM, British Airways, Middle East Airlines, Royal Jordanian and Singapore Airlines. It won the GSA contract to represent Virgin Atlantic in Kuwait.

Dnata e-commerce continued to expand its reach across the internet with a full range of online services available on dnata.com and dnatatravel.com. Its travel management solution has 21 active clients with 10,000 users in UAE, Oman, Saudi Arabia and Kuwait.

Dnata World of Events managed the e-world Technopolis Association's 5th Techno-Mart in Dubai; was responsible for the management of the 31st ISO General Assembly, which attracted delegates from more than 130 countries; and also organised the Business Travel Show, in partnership with Centaur Exhibitions, UK.

Dnata Travel Services continued to develop its portfolio of luxury products comprising luxury properties across Sri Lanka, Thailand, the Maldives, Greece, Italy and Switzerland. Meanwhile, Luxury Air Travel by Dnata signed new representation agreements with Seawings, Chapman Freeborn, Royal Jet and Air Charter International.

MMI Travel continued its sporting connections by being the Official Travel Agent for the recent Rugby World Cup Sevens in Dubai and for the third consecutive year, renewed its association with Cricket Logistics of the International Cricket Council, as Official Travel Agent in the Middle East for the ICC World Twenty-20, England 2009.

With the rebranding of Gulf Ventures, the company launched a new B2B website and expanded its fleet of new Land Cruisers and luxury vehicles for passenger transfers. Gulf Ventures now offers two permanent desert camps, which are extremely well-equipped and capable of handling up to 1,000 guests.

Dnata Travel in Saudi Arabia was recognised by the Supreme Commission for Tourism and Antiquities for the training and employment of Saudi nationals in the Eastern Province;

Dnata Offshore and Marine Services introduced a 24-hour contact centre

Grand Hotel du Lac, one of the luxury hotel offerings from Dnata Travel Services

Emirates Leisure Retail opened Deli Express in Mall of the Emirates, Dubai

CIAS serves over 20 airlines at Changi International Airport, Singapore

Dnata Travel Kuwait was formally launched in October 2008; Dnata Travel Qatar was appointed HRG partner and expanded its footprint through its Al Tawfeeq Travels joint venture and Dnata Travel opened an outlet in the new Bahrain City Centre. Dnata Afghanistan became the first internationally-recognised one-stop travel shop in Kabul through its Najm Travel joint venture and Dnata Travel Abu Dhabi registered a phenomenal growth in its customer base of more than 200 per cent and won awards from KLM Dutch Airlines and Qatar Airways.

The co-branded NBD-Dnata credit card also won the Best Marketing Campaign from MasterCard Worldwide.

International Airport Handling

Changi International Airport Services (CIAS) provides ground handling and inflight catering services to over 20 airlines at Changi International Airport in Singapore. Despite difficult market conditions, CIAS was successful in winning several new airline customers including Jetstar, Sriwijaya Airlines, Shenzhen Air and Orient Thai, whilst renewing contracts with several key customers reflecting the continued focus on achieving superior service levels.

Cargo volumes declined by 12 per cent to 310,000 tonnes, mirroring the worldwide downturn in freight volumes in the second half of the year. Despite this, the business still handled 18,400 flights, representing an eight per cent increase on the previous year.

CIAS also holds a 20 per cent share in Guangzhou Baiyun International Airport Handling Services Company (GAHCO) which provides handling services at Guangzhou Baiyun International Airport in China. GAHCO's business volumes continued to grow significantly during the year.

In the first full year of operation of the joint venture X'ian Dnata Airport Services (XDAS), at X'ian Xianyang International Airport in China, 41,000 flights were handled.

XDAS also provided support for the relief effort after the earthquake in the neighbouring Sichuan province in May 2008 and played a role in supporting traffic flows for the Beijing Olympics.

Dnata Switzerland achieved a five per cent growth in flight volumes, benefitting from the Euro 2008 football championships hosted in Switzerland and Austria. The company renewed contracts with several key customers during the year and was awarded new contracts with five airlines, First Choice, Dniproavia, Uzbekistan Airways, Jet4You and Jet Time.

Dnata Inc (Philippines) which provides ground handling at Manila's Ninoy Aquino International Airport enjoyed significant growth and achieved its strongest-ever profit performance. It handled 4,600 flights, representing a seven per cent increase on the previous year and won a contract for one new customer, Hawaiian Airlines. Dnata Inc invested heavily to ensure it achieved a significant improvement in service performance on behalf of its customer airlines.

Gerry's Dnata, the ground handling joint venture in Pakistan, handled 4,900 flights during the year. Although this represented a reduction as a result of Air Blue self-handling its flights in Pakistan, the impact on profitability was minimal. Adjusting for this, Gerry's Dnata has seen another year of continued growth, with success in winning new customers such as Sama Airlines.

Toll Dnata Airport Services (TDAS), the ground handling joint venture in Australia, enjoyed a dramatic expansion, handling 15,500 flights at six airports, which represented a significant volume increase on the previous year.

TDAS was proud to be the first handling agent in the world to handle the arrival of a commercial flight by the new Airbus A380 aircraft in April 2008, operated by Singapore Airlines. It now handles A380s on a daily basis for both Singapore Airlines and Emirates at Sydney. TDAS was appointed ground handling agent for V Australia, the new long-haul airline in Australia and Air Asia X.

Emirates Leisure, Hotels & Catering

Emirates Leisure Retail (ELR) expanded significantly and has established itself as one of the most respected leisure retailers in the UAE. The number of Costa outlets in the UAE has doubled in the last two years and now numbers 65. The UAE remains the biggest single market for the Costa brand outside the UK.

Following the extraordinary success of the Left Bank restaurants in the Madinat Jumeirah and in Muscat, ELR has opened two further Left Bank outlets, at Souq Al Bahar in Dubai and at Souq Qaryat Al Beri in Abu Dhabi. It also opened a third Noodle House restaurant at Souq Qaryat Al Beri.

ELR has diversified its portfolio with the introduction of three new brands in the UAE during the year. It launched the Hey Pesto and Deli Express brands in Dubai and the Good-2-Go healthy-eating quick-service restaurant at Dubai International airport.

ELR also established a new subsidiary in Australia for the Hudsons chain of coffee shops in March 2009. Hudsons is one of Australia's strongest coffee brands with over 51 outlets across Australia.

Premier Inn Hotels is a joint venture between Emirates and Whitbread Plc designed to bring value-for-money hotel accommodation to the Dubai market.

Left Bank at Souk Al Bahar in Dubai

Toll Dnata Airport Services (TDAS) handled the arrival of the world's first commercial A380 flight for Singapore Airlines at Sydney International Airport

Le Clos wine cellar, Emirates Terminal 3, Dubai International airport

Le Méridien Al Aqah Beach Resort & Spa, Fujairah

The first Premier Inn outside the UK was opened in April 2008 at Dubai Investments Park offering excellent customer service at reasonable room rates. The Premier Inn has been warmly received by the market and has exceeded financial projections. The second property has opened in Dubai Silicon Oasis and the property close to Dubai International airport is scheduled to open in 2009. Sites for future hotels in Ras Al Khaimah, Umm Al Quwain and Fujairah have been secured and a joint venture agreement signed with a local partner to expand the Premier Inn brand into Oman.

Le Méridien Al Aqah Beach Resort & Spa, Fujairah, continued to perform successfully, despite the increased competition from neighbouring hotels, which have actually helped to increase awareness of Fujairah as a destination.

The hotel has invested heavily in new products including a new beachfront area with a bar, massage area, showers and other facilities, as well as a new gymnasium. Equally, all staff have been trained in service culture.

These investments have been rewarded with a number of accolades. The hotel was voted Best Luxury Hotel by the prestigious German tour operator L'Tur and achieved a number one ranking on Le Méridien's worldwide guest satisfaction index in November 2008. The hotel has also embraced environmental initiatives which have reduced water consumption by 15 per cent and gas and electricity by seven per cent.

Emirates' joint venture Alpha Flight Services, which provides inflight catering at nine airports in Australia, saw a dramatic expansion providing 6.6 million meals to airline customers, a 37 per cent increase on the previous year. Alpha Flight Services was also awarded the catering contract for V Australia, the newest international airline in Australia.

EmQuest

EmQuest is a travel distribution company that manages a large network of brands, content, and service offerings that are designed to meet the unique and specific needs of the travel industry, especially those based in the Middle East region.

Its core business is providing electronic global and regional distribution services for the travel industry through its computerised reservation systems, leading-edge products and internet-based solutions.

The contract to distribute Galileo GDS across the Middle East ended in 2008. From 1st January, EmQuest began providing Sabre solutions in the UAE, and launched distribution services in five new African markets including South Africa, Kenya, Tanzania, Uganda and Zambia.

The new arrangement with the Sabre Travel Network opens many opportunities for EmQuest for the market expansion of new products.

The challenge of the migration from Galileo to Sabre was managed successfully by reinforcing training and seconding additional resources from Sabre support centres in Dallas and Montevideo as floor walkers to ensure onsite performance.

Going forward, EmQuest will develop a platform that can connect travel agents, tour operators, car rental companies, hotels and airlines (including low-cost carriers) with millions of travellers around the world – easily, effortlessly, and efficiently.

MMI

MMI achieved a 20 per cent revenue growth in the year and has strengthened its position as the leading distributor of licenced beverages in the UAE, representing seven out of the world's ten leading principals in its chosen beverage categories.

Its retail business has also grown strongly, recording a 28 per cent revenue increase.

The company was particularly proud to open Le Clos the fine wine cellar at the new Emirates Terminal 3 at Dubai International airport, probably the most unique shopping experience in its category in any airport in the world today. There are two outlets in Terminal 3 – one located on the concourse level, open to all passengers and the other situated in the Emirates First Class Lounge, available for the exclusive use of Emirates First Class passengers.

MMI has also enjoyed strong growth and success in its investment activities in Oman and Abu Dhabi. Its joint venture Sirocco has also experienced a solid increase, driven by product innovations and introduction of new products into the market. MMI has also established a joint venture in East Africa.

Premier Inn at Dubai Investments Park

Cabin crew study at Emirates Aviation College

Emirates-CAE Flight Training

Emirates-CAE Flight Training (ECFT) has firmly established itself as the leading flight training facility in the region for both commercial and business aviation operators.

Approved by both the European Joint Airworthiness Authority (JAA) and the American Federal Aviation Authority (FAA), the facility offers training to commercial airlines, business jet operators and helicopter operators in the Middle East, Europe, Africa and Asia. The 14-bay centre currently houses 10 full-flight simulators (FFS) with a further two devices on order.

During the year, sales grew by three per cent and ECFT expanded its customer base by 25 per cent. It also received international accreditation for its Gulfstream 550/450 business jet training programmes. The Gulfstream G550 FFS has been successfully qualified to Level D, the highest accreditation for an FFS, by the JAA and the FAA in addition to the UAE's General Civil Aviation Authority (GCAA).

During the year, ECFT commenced a joint venture – India Flight Training Centre (IFTC), in Bengaluru, India. This currently houses a Boeing 737 and an A320 flight simulator, with the capability to expand to a six-bay FFS centre.

Emirates Aviation College

The total intake was 1,175 for vocational and academic programmes. Some 190 students enrolled in two MBA programmes for aviation management and logistics and supply chain management. The college assisted Emirates with the mandatory ICAO Aviation English tests and also helped other airlines and traffic controllers.

For the second consecutive year, the college was named the Best Aviation Training Academy in the Middle East by ITP Business Publishing.

Emirates Flight Catering

The company has continued to meet the challenges of the tremendous growth of aircraft and passenger numbers at Dubai International airport by serving 99,000 flights during the year.

Quality-wise it achieved new certificates for ISO 9001-2000 valid from 2008 to 2011.

Quantity-wise the company delivered 29 million meals during the year, averaging a daily 82,000, including a record 101,504 on 19th December – the highest number ever produced by a single airline caterer in one day.

Consistent efforts have continued to maintain hygiene standards, with security enhanced through the activation of the Maxxess Assess Control System which monitors and controls staff movements through 68 doors in the facility.

With a staff force of 6,200 representing 47 nationalities, Emirates Flight Catering played a major role in the opening of Emirates Terminal 3, recruiting and training 670 food and beverage staff to work in the new Emirates First and Business Class lounges. A full range of international cuisine is available in both lounges round the clock, including live cooking.

The arrival of Emirates' first A380 resulted in the company acquiring 17 custom-built high loaders specifically designed to cater for the A380, joining a total fleet which will comprise 155 high loaders by the second quarter of 2009.

In 2008, over 70,000 hours of training were provided to more than 21,000 staff/students through 960 training programmes.

Food Point provided 14 million meals in 2008 and is on course to deliver 16 million in 2009.

Last year, Food Point launched the new "ready-meal" concept with a major Dubai supermarket and in 2009, it will target international casual dining restaurant chains.

Linencraft laundered more than 15 million kilogrammes of airline linen and institutional uniforms. The facility is being extended to a capacity of 140 tonnes per day.

Fuel Risk Management

The strategy is to attempt to minimise the impact of rising fuel prices on the business, whilst also being in a position to benefit from falling prices.

Oil price movements in 2008 caught out many energy consumers off-guard, including Emirates. WTI crude prices increased to record levels of US$147 per barrel, and whilst the company never bought into the arguments that these prices were sustainable, one certainly did not anticipate the historic and rapid fall to below US$40 per barrel in the space of a few months.

Like many other airlines involved in fuel risk management, this substantial fall in prices in such a short time frame, coupled with the increased volatility, also impacted Emirates. Whilst a restructure programme was activated immediately, it has still resulted in an increase in fuel costs.

Emirates Flight Catering served 99,000 flights during the year

Abdulaziz Al Ali, Executive Vice President, Human Resources

Human Resources

Although the Group recruited a record number of 7,000 new staff, emphasis was also on the welfare and career development of the existing 30,000 plus personnel. The proof of the attractiveness of the group as an employer (25,000 applications per month) was underlined by the introduction of the Emirates Staff Discount Card, the career development and job-rotation programme and the professional assistance offered to employees and families.

It was also a busy year for the recruitment of talent for the new facilities at Emirates Terminal 3. The airport management team did an exceptional job in hiring significant numbers of airport staff in time for the opening of the terminal. A second batch of candidates for the Emirates Engineering Apprentice Scheme commenced as part of the strategy to supply a long-term pipeline of technical skills as the airline doubles and then triples the current fleet.

Group Learning and Development launched the Emirates Management Certificate and Diploma for Grade 8 and 9 managers, while 50 Group Executives completed the High Potential Programme and 39,000 staff from the group and other companies attended the training and development courses - both in the classroom and online.

A Learning Lounge was created for check-in and boarding staff incorporating experiential learning in a simulated operational scenario.

Performance Development

Department by department, project by project, Performance Development has relentlessly explored with business managers the ways and means of sustaining growth and creating profitability as the group grows bigger.

Thanks to the Project Support Office, a network of 65 certified Project Management Professionals (PMPs) now work across the group on varied projects and these represent 20 per cent of all registered PMPs within the UAE.

An investment in the customer experience team has resulted in a number of significant projects:

Creation of the Customer Knowledge Warehouse enables business units to obtain real-time customer information from a central source. The Customer Scoring Model has driven a stronger customer focus to ensure consistency and delivery to key segments. In addition, the Customer Journey Viewer, KIS tablet, and similar systems drive customer and business knowledge to the service front line to provide more tailored and enhanced customer experiences.

The Strategic Research and Innovation Group (SRIG) specialises in strategic planning methods. The Business Performance Management (BPM) programme allows departments to develop a three- to five-year strategic plan that is now rolling out across the group. Aligned with this, the Corporate Key Performance Indicators (CKPI) programme is providing an online dashboard of performance for all levels of management to access.

More than 3,000 Najms (for new staff ideas and performance) were awarded for generating validated savings of AED 22 million and being recognised internationally by Ideas UK and Ideas Arabia.

The Process and Organisation teams check the operations and structure of businesses across the Emirates Group. The Supply Chain Management team (SCM) for example, is currently collaborating with P&L on spending across the company while LEAN techniques have been applied for the removal of activities or tasks that do not add value to the customer or end-user in several departments.

The department was involved in the programme to enhance the on-time performance of Emirates aircraft and after successful work on potable water, is looking at other ways to reduce fuel consumption.

The team has continued to upskill and build an Operations Research capability. This has been applied to complex data analytics in crew rostering and computer simulation to solve transportation and process problems.

Finally, a flight diversion analysis was submitted to International Civil Aviation Organisation (ICAO) to request the review of proposed regulations affecting the long-range operation of four-engine aircraft. The report was compelling enough for the organisation to reconsider and overturn the proposal even though the regulation had been published and distributed.

Central Services

The mailing section installed an advanced and innovative machine to sort high volumes of mail, the addresses being read automatically in order to allocate the letters to the appropriate department.

To reduce the carbon footprint of group staff as they move between Dubai offices for meetings, Central Services launched an inner city bus shuttle.

Every day the department transports 2,200 flight deck crew and around 10,000 cabin crew from their homes to the new crew centre located

Central Services

Najm Chairman's Awards

Emirates Chauffeur-Drive service handled 650,000 trips

Families are cared for at Emirates' Clinics

at headquarters. The pilots and cabin crew are then transferred to their respective aircraft - all co-ordinated by Central Services using hand-held terminals to provide real-time control.

The section manages the Emirates Chauffeur-Drive service and handled 650,000 trips for premium passengers during the year.

The in-house fulfilment centre was responsible for dispatching 1.25 million Skywards membership books and 700,000 statements.

Medical Services

Group Medical cared for on average 9,400 patient care episodes every month and contributed 3,500 hours of support to Flight Operations and Service Delivery. The Medical Services Department opened a new clinic at Emirates Group Headquarters providing a more convenient location and modern environment for staff in the building. The Dental Services Department was expanded during 2008 with an increase in space and staff numbers.

Group Legal

From Europe to Africa to Australia, Group Legal was behind the scenes of many headline-grabbing milestones for Emirates and Dnata.

The department worked with P&L to finalise an agreement with Rolls Royce for the provision of spare engines and maintenance to support the introduction of Emirates' A350-XWB fleet starting in 2014. During the year, Group Legal was involved in the financing and delivery of a number of aircraft including four A380-800s; 10 Boeing 777-300ERs; six Boeing 777-200LRs; and one Boeing 777-200F. Simultaneously and in conjunction with Emirates SkyCargo, the department helped to complete the sale of three Emirates A310 freighters to Kuzu Airlines Cargo.

On the acquisition front, Group Legal worked with Dnata Travel Sevices to establish a joint venture in Afghanistan; support Flight Operations and Business Development in the purchase of a 50 per cent share holding in CAE-Flight Training (India) Private Limited; help MMI to establish a joint venture in Zanzibar, Tanzania; oversee Dnata Travel's purchase of a 23 per cent share holding in Hogg Robinson Group (HRG) and 90 per cent of the shares of Al Hidaya Tourism and Cleo Patra International Travel, Bahrain. Group Legal also worked with Dnata Travel Services in the purchase of part ownership of call centres in Barcelona, Brisbane and Cape Town.

The department continued to implement the brand protection policy to defend the group's trademarks as well as extend protection to all the group names and logos across the globe.

Group Finance

Global financial risk systems are central to Emirates' financial health. Group Finance made significant enhancements in this area against a backdrop of increasing business risks and difficult trading conditions for the aviation industry.

Revised credit risk management policies and procedures were implemented network-wide to proactively manage the financial risk in our distribution channels.

The capabilities of supplier e-invoicing, which allows convenient uploading and tracking of invoices, were increased ten-fold, directly impacting effectiveness and lowering unit costs per transaction.

Finance upgraded financial security standards by rolling out additional fraud prevention measures for online and direct credit card related sales transactions.

Corporate Treasury

The group's policy of targeting an average 50 per cent hedge for its major currencies remained in place during 2008/09. The financial year saw considerable volatility in the markets with a significant strengthening of the US dollar during the second half. The group hedging programme offset some of the adverse impact this had on surplus cash flows in the major markets.

During the year, the Federal Reserve aggressively cut interest rates in response to the continuing sub-prime crisis, providing a further opportunity to manage the average cost of financing over a longer term. Emirates' balanced portfolio approach to interest rate hedging has positioned the company well to benefit from moves in either direction. As at 31st March the portfolio, after taking account of operating leases and netting out cash balances, was skewed in favour of fixed interest rates, reflecting a strategic positioning to take advantage of the prevailing low interest rate environment.

The year saw the acquisition of 21 aircraft, including the first four A380s delivered by Airbus and 17 Boeing 777s. Three A310 freighters left the operating fleet during the year at a deal valued at around US$50 million.

In these challenging times, when liquidity has become scarce, Corporate Treasury successfully managed to raise nearly US$2.6 billion of aircraft financing, using a diversified mix of financing strategies. Six different structures were used during the year, including US Ex-im bank supported structures; pure operating leases; Islamic structures; and

Nigel Hopkins, Executive Vice President, Service Departments

a financing structured through the Dubai International Financial Centre (DIFC). This support from financial institutions reiterated their confidence in the Emirates business model.

Emirates continues to explore new sources of financing for the 161 new aircraft being delivered over the coming years. Corporate Treasury already has firm financing mandates in place for half of the planned 2009/10 deliveries.

Group cash balances remain strong at AED 8.7 billion after paying government dividends and considerable investment in assets. Corporate Treasury actively managed the group cash position, ensuring yield was maximised without compromising credit risk.

Information Technology

The year began with a 20-year legacy coming to a successful end at Emirates Engineering. The department saw a smooth transition from EMPACS, the mainframe legacy system to Ultramain, a system at the very heart of Emirates' operations. Ultramain is used to manage all maintenance for the fleet and all aircraft components. Even a partial failure in this highly complex undertaking would have been catastrophic to operations, but the joint IT and Engineering partnership implemented this large project within cost and without any setbacks. Next on the priority list was supporting the state-of-the-art crew departure and arrival facility which is, in fact, a full fledged terminal for Emirates' crew. This involved a multifaceted array of IT systems working in unison to ensure crew are able to swiftly conduct their departure and arrival activities and be fully briefed before their flights. The complexity of the IT programme was elevated due to liaison with external agencies such as Dubai Immigration to deliver complex interfaces with border control systems. Again, the teams ensured that the entire suite of systems and infrastructure was delivered on time for this major facility.

Two major milestones for IT were the maiden A380 flight and the opening of Emirates Terminal 3. Behind the introduction of the A380 was a composite set of IT systems on the ground; timely implementation of a set of Airbus provided-applications; a whole new infrastructure; and changes to myriad internal systems to support the new fleet.

Another mission-critical IT implementation was the support of the dedicated Emirates Terminal 3 at Dubai International airport. One of the biggest undertakings for IT, the opening went off exceptionally well with a whole host of systems, interfaces and infrastructure humming along from day one.

Emirates has always believed in being at the forefront of bringing next-generation technologies to its customers. To this end, Emirates Group IT and Microsoft launched a unique technology and entertainment corner called e-zone, located in the Emirates Business Class Lounge at Terminal 3. e-zone features exciting and exclusive technologies developed in association with Microsoft Gulf at the joint Dubai Innovation Lab. This includes gaming from Xbox 360 to the latest Microsoft Surface™ computers (below) which will begin selling in some European and Middle Eastern countries. The response from Business Class passengers has been exceptionally positive throughout the trial phase.

Mobile check-in was implemented at the airport and acted as an important aid in managing the summer rush and improving customer service. Airport staff were able to assist families with children, standing in queues, by checking them in swiftly using handheld devices.

A set of baggage functions were implemented on handheld devices to improve operational efficiency of baggage operations at the airport. Airport users are now able to scan any Emirates bag tag using a handheld device and obtain the related baggage information from the associated systems.

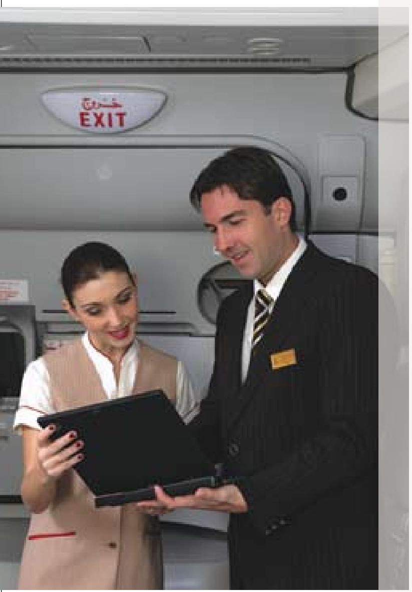
October saw the introduction of the long-awaited Origin and Destination-based Passenger demand forecast system for Emirates Commercial Operations. The system's ability to forecast demand at a more refined level is helping Yield Management reduce forecasting errors and drive an increase in revenue on high-demand routes. Better forecasts will also lead to creation of a more effective revenue plan and subsequent monitoring of progress based on updated forecasts.

Intelligent routing was implemented in the call centres to facilitate the flow of calls from New York/Canada, Australia/New Zealand into Mumbai. This has helped in optimising resources across these call centres as well as improving our service to calling customers, who are now even more likely to be supported by an agent skilled in the service they are requesting.

Baggage system at Emirates Teminal 3, Dubai International airport

Children enjoy Surface computers in the e-zone at the Business Class Lounge, Emirates Terminal 3, Dubai International airport

Mercator provided technical support for the AC Milan - Hamburg SV football match



In September 2008, a new Route Planning System was implemented for our Commercial Planning business unit. This system allows route planners to analyse markets and competitor fares, derive market shares and analyse resulting revenue potential on new and existing routes, using data collated from multiple sources.

An integrated ticket integrity solution was delivered this year, which has started giving the business proactive alerts into ticket rule violations and helped protect against revenue leaks.

A new and enhanced codeshare performance monitoring system was introduced for Planning. The new system assists the International Affairs business unit in analysing and monitoring the codeshare performance of Emirates-operated and marketed flights.

A voice response system was integrated into Emirates SkyCargo's SkyChain application, thereby allowing an automated voice response to customer queries relating to shipment status. This allows over 40 per cent of the calls at the cargo sales office, regarding shipment tracking, to be auto handled, thereby leaving the agents to provide personal care and attention to the more complex customer calls.

A management information system was deployed to meet the multiple analytical needs of Emirates SkyCargo senior management; view performance metrics; and facilitate decision-making.

A major upgrade was carried out for the Enterprise Resource Planning system, used widely across most of the group's business units, adding functionality and including a move to a more cost-effective and scalable infrastructure based on the Open Source Linux Operating System.

A new financial consolidation system now automates a periodic financial aggregate and reporting process across all the group entities which previously required a highly resource-intensive, person-dependent process.
In addition IT also delivered the following:

- A new and enhanced version of EasyMARS (the easy to use front-end for Emirates' reservations system) with full ticketing functionality.
- A new version of the sales force automation tool One-Network for Commercial.
- A new email spam solution across the group.
- 2D barcodes fully implemented at Dubai and being rolled out to outstations

- An enhanced version of flightcrew.emirates.com for the Flight Crew community
- Standard system implemented for enabling Timeless Spa operations at Emirates Terminal 3
- The Dnata front office system, was enabled to sell Marhaba services
- New online B2B and B2C channels implemented for Arabian Adventures.

Mercator

Mercator had a successful year and saw the diversification not only of products but of customers as well. The business completed the implementation of the IT infrastructure and solutions needed for the Premier Inn property at Dubai Investments Park, with projects for two other Premier Inn properties in the pipeline. Mercator's revenue accounting product, RAPID, was implemented for Syrian Arab Airline, Philippine Airlines, Garuda, Jet Lite and Serbia's JAT Airways.

Mercator further increased RAPID's market presence in Africa by winning contracts at Air Algerie, Tunis Air, Sudan Airways, Ethiopian Airlines and Libyan Arab Airlines. SriLankan and Etihad Airways upgraded to the latest release of RAPID, while West Jet (the second largest Canadian carrier) went live with Mercator's business process outsourcing for interline accounting. Finally, MASkargo and Gulf Air upgraded their MIS capability with Mercator's revenue accounting intelligence tool RADAR.

Mercator continued to host a number of airlines and is well-positioned to provide integrated solutions including new user interfaces, revenue integrity, Global Distribution Systems bypass and e-commerce initiatives with its Passenger Solution. The four customers for this system are SriLankan, Yemenia, Air Algerie and Kuwait Airways.

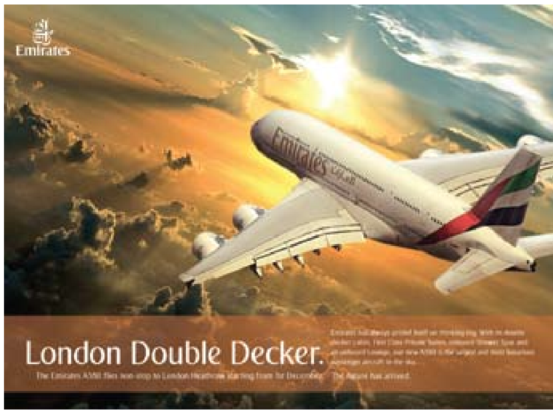
Customer Relationship Management expanded its user base, implementing CRIS for Etisalat, the largest telecommunications provider in the UAE.

Mercator has had great success with its new generation cargo solution, SkyChain. Highlights included Swiss WorldCargo going live with new cargo technology, following in the footsteps of Emirates SkyCargo and Midex, where SkyChain redefined their end-to-end cargo operations. Virgin Atlantic and SriLankan also opted for SkyChain after a rigorous selection process in 2008.

One of the year's highlights for Mercator was providing equipment to the Emirates Airline Dubai Rugby 7s as sponsor of the Media Centre. Mercator repeated this support at the AC Milan - Hamburg SV football match held in Dubai.

Mercator provided IT infrastructure and solutions for Premier Inn

Emirates Terminal 3, Dubai International airport



Hilary Swank with Emirates cabin crew at the Los Angeles launch

Corporate Communications

Although awards and prizes have never been fundamental to the airline's Corporate Communications strategy, they often help to measure the progress of the company's awareness on the world stage - and we have won a fair share this year.

During the year, the Emirates brand was named as the most valuable in the Gulf region with a total estimated worth of AED 26 billion (US$7 billion).

On the internet front, Campaign magazine voted Emirates the third overall in the Top Ten digital banners of 2008. The "Keep Discovering" advertisements won a number of other awards too, including a Silver Lion at Cannes.

Global recognition of the brand is now at an all-time high with the airline ranking first, second or third in major markets such as the UAE, UK, Germany and France.

From one-of-a-kind spectacular roadshows in China, to Oscar-rivalling inaugural launches in California, Corporate Communications continued to innovate in its promotion of new routes to the travel trade, media and public.

The division's support of Dnata, celebrating its golden jubilee in 2009, included award-winning advertising for Marhaba, Mercator and Dnata Cargo. Media relations campaigns covered news items such as the winning of the "Best Cargo Handler" and "Best Passenger Handler", plus the investment in call centres and corporate travel companies.

Perhaps the highlight for Dnata's Media Relations team was staging the press conference in Kabul, attended by 50 journalists and 15 TV crews attending. On the Corporate Travel side, the official launch of Gulf Ventures' camel polo in 2009 was the successful start of the incentive tours programme.

Advertising

A global campaign for the launch of the A380 heralded the introduction of the superjumbo into service from Dubai to London, New York, Sydney and Auckland and introduced the world's first Shower Spas and onboard Lounge. Just months later, the new Emirates Terminal

3 was heavily advertised, This included a local tactical campaign, as the departments moved in phases into this stunning new facility. Captivating campaigns for the new destinations of Houston, Los Angeles and San Francisco reaffirmed the strength of the global network and Emirates' ability to continue being the only airline to fly non-stop to six continents.

Network wide support of Emirates' award-winning products, services and pre-eminent sponsorships continued with a new repertoire of multimedia campaigns. As Emirates' advertising beamed across the globe, its halo radiated to group brands, particularly Emirates SkyCargo's grand opening of the new, impressive Cargo Mega Terminal and Emirates Hotels & Resorts' launch of The Observatory.

The division's direct marketing campaigns included agent mailings such as mini canvases, brushes and paints for Nice and the Provence countryside which inspired Van Gogh, to clapperboards to reinforce Los Angeles' Hollywood connection.

Efforts to increase contributions to the Emirates Airline Foundation were boosted with the launch of a new TV commercial onboard, a finalist at the prestigious Lynx awards.

Building on the success of our virtual agency network, EmPower, the portal underwent further refinement, advancing global traction to its use and ensuring that the network of over 100 agencies are fused in real time to communications development in any of our 101 destinations.

emirates.com sites aggregate over 250,000 unique visitors per day, making it one of the most popular airline websites in the world. There are now 69 local websites in 13 different languages across the network.

Creative online advertising endeavours were rewarded with Gold at both the World Luxury Awards and the Cannes International Advertising Festival.

A number of innovative outdoor advertising projects generated interest from the public and media. As well as placing the world's largest model aircraft on the roundabout at Heathrow to promote the new A380, Advertising used a full-sized aircraft landing gear in parking lots in Germany and Italy to highlight the convenience of Emirates' chauffeur-drive product.

To communicate the schedule to multi-points in India, an original Ambassador Indian taxi was positioned in Frankfurt and Düsseldorf airports, again creating a buzz. In Singapore, advertising promoted the flights to Europe by linking two outdoor messages on separate buildings with a 'bridge' that replicated the Tower Bridge in London.

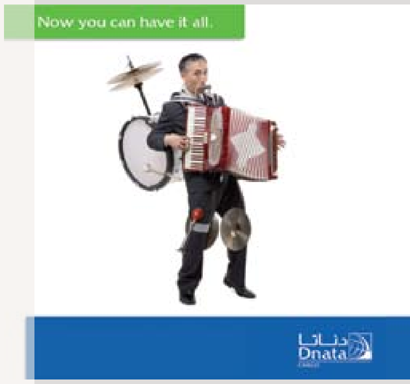
Events and Promotions

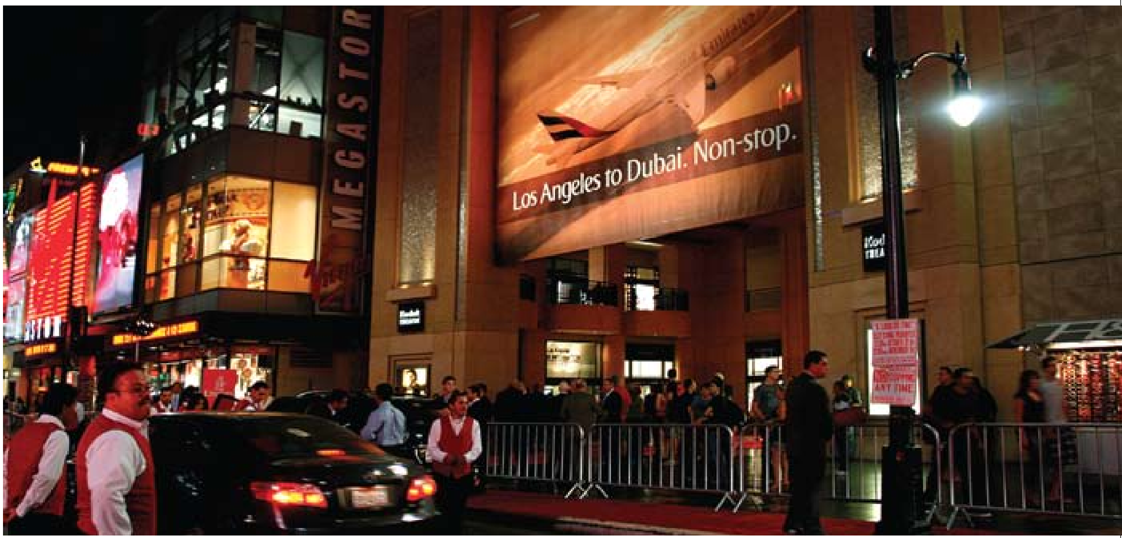
The renowned Emirates roadshows travelled to Kozhikode (Calicut), Guangzhou, Los Angeles and San Francisco in 2008 to launch new destinations. Key cities in the state of California - Phoenix, San Jose, Orange County, San Francisco and Los Angeles were targeted, in order to promote the new routes. The events were attended by the travel trade, community and other officials to help create the "wow factor" prior to the inaugurals, all of which were celebrated later featuring stars such as Hilary Swank, Ricky Martin and Sheryl Crow.

A new cultural venture for the company was becoming the title sponsor of the Emirates Airline International Festival of Literature, the first of its kind in the Middle East. It was held at the end of February and brought to Dubai 65 of the world's leading authors.

The merchandise shops were rebranded to Emirates Official Stores and the opening of a flagship outlet at the new Emirates Group

Emirates Stadium, UK - the home of Arsenal





Branded Indian Ambassador car at German airports

Headquarters brought the number of shops within Dubai to six. Expansion plans for 2009/10 include two new shops at Emirates Terminal 3 and an online distribution channel through emirates.com.

Sponsorships

During the year, our investment in sponsorship played a major role in building the brand around the world. New activities included the sponsorship of Olympiacos CFP, an Athens-based football club – one of the best teams in Greece, as well as AC Milan's winter tour to Dubai. Emirates sponsors five major soccer clubs - Arsenal, Paris St Germain, Hamburg, AC Milan and now Olympiacos CFP, and has the naming rights to the Emirates Stadium in the UK where Arsenal play.

Emirates Team New Zealand sailed to victory in the Louis Vuitton Pacific Series in New Zealand while Emirates became Official Airline to two new world-class golf tournaments.

Media Relations

Media Relations continues to keep Emirates and Dnata in the world's media headlines. During the year, over 40,600 media articles, worth US$187.7 million in equivalent advertising value, were generated across the globe and media analysis shows that the coverage was overwhelmingly positive.

The delivery of Emirates' first A380 aircraft in July 2008 generated tremendous international media attention and coverage, even though Emirates was not the first airline to receive the aircraft. The handover ceremony in Hamburg was attended by 800 journalists and dignitaries, where Media Relations facilitated interviews with Emirates' senior executives and organised for key aviation writers to tour the A380 in situ, or experience the onboard product and service for themselves on the delivery flight to Dubai.

During the six-month campaign, Media Relations handled more than 1,000 media requests for information and images. Over 300 of the world's most influential aviation and lifestyle writers, facilitated by Media Relations, flew on Emirates' A380, and wrote positive reviews lauding it as next generation in aviation technology and travel comforts.

With the opening of the new Emirates Terminal 3 at Dubai International airport in November, Media Relations distributed regular advisories to inform travellers, and a series of news features to highlight various aspects of the new terminal. The team also organised media tours, and filming and photographic opportunities for over 150 journalists in just the first six months of the terminal's opening.

Other highlights of the year included the launch of Emirates' new US West Coast destinations Los Angeles and San Francisco; the launch of the Emirates Airline Foundation's Friendship Boat, a floating hospital in Bangladesh, which was attended by officials of the Bangladesh government and over 40 journalists despite the boat's remote location; and assisting EmQuest in communicating its switch-over from Galileo to Sabre.

Media Relations also supported the newly established Luxury Hotels by Dnata division with a PR strategy and provided media support for its portfolio of client hotels; organised a media launch for Dnata's new Marhaba Lounge at Emirates Terminal 3; and supported the opening of Dnata Travel Services' new offices in the UAE and around the region.

The Internal Awareness team successfully launched the new interactive groupworld – the staff intranet which boasts many new features. The unit also oversaw extensive internal campaigns for the opening of Emirates Terminal 3 and the arrival of the first A380, bringing together all channels of communication – the staff newsletter, Safar; corporate broadcasts, screensavers and print collateral.

A new initiative was the hosting of the Najm Chairman's Awards in the headquarters' atrium which enabled high staff participation at the event.

Passenger Communications and Visual Services

The department oversaw the upgrade of the entire Boeing 777 fleet with the ice (information, communications and entertainment) system, which was completed in April 2009. The department created and is responsible for the multible award-winning, ice system, which is now on over 70 per cent of the fleet and about 80 per cent of the seats.

This year saw Emirates winning the Skytrax Award for the Best Inflight Entertainment for the fifth year in a row, and Best Overall at the World Airline Entertainment Association Awards.

March 2008 saw Emirates make history by becoming the first airline in the world to allow passengers to use their own mobile phones inflight to make calls or communicate using SMS. By April, the AeroMobile system which allows the safe use of mobile phones onboard, was installed on 35 aircraft with three more aircraft being fitted out each month. Passenger feedback has been very positive. An upgrade is planned to allow passengers to receive email or data on BlackBerry-type devices.

Inflight advertising revenues grew by about 41.5 per cent in 2008/09, reflecting a buoyant local market, though the coming year is expected to be tough.

The Visual Services team produced live events and visual media, meeting diverse corporate and promotional requirements for many group departments. Highlights include roadshows in Kozhikode, southern India, China's Guangzhou and five cities across the West Coast in the US. The year ended with a spectacular gala event in California.

New initiatives included the production of the Nujoum experience for Service Delivery and the Najm Chairman's Award event.

The Emirates Official Store at Emirates Group Headquarters

The delivery of the first A380 in Hamburg

Internal Audit

Internal Audit made significant contributions to the strengthening of internal controls as well as revenue improvement, cost savings, and reduction of exposure to fraud, through a combination of its CONTACT (continuous testing and analysis of critical transactions) initiative, state-of-the-art data mining technology, and an in-depth knowledge of business systems and processes.

A strong platform was set for Control Self-Assessment in auditing outstations. Internal Audit's comprehensive inventory of control activities and processes has not only reduced audit turnaround times, but has also provided front line managers and central monitoring departments with a control framework that covers the complete range of outstations' business practices.

As recommended by the Institute of Internal Auditors Incorporated, Internal Audit completed an internal quality assessment in 2008/09.

A client survey, conducted as part of this exercise, confirmed the value Internal Audit adds within the organisation and also led to improvements in the department's processes.

During the next two years, Internal Audit will conduct a series of assignments that will enable an integrated view of the management of key risks across business units. The department will build on the risk-focused auditing methodology that has enabled it always to keep pace with the growth and diversity of the Emirates Group.

Financial Report 2008-2009

The Emirates Group

Contents

Operating statistics - Emirates

	2008-09	2007-08	2006-07	2005-06	2004-05
Consolidated financial statements					
Total revenue (AED'000)	44,188,956	40,196,632	29,839,618	23,050,927	18,130,998
Total expenditure (AED'000)	43,143,402	35,121,665	26,675,891	20,489,601	15,628,282
Operating profit (AED'000)	2,573,320	4,450,966	3,338,873	2,652,291	2,618,789
Net profit (AED'000)	981,676	5,020,424	3,096,416	2,474,999	2,407,385
Airline operating statistics					
Performance indicators					
Yield (Fils per RTKM)	256	236	216	203	192
Unit cost (Fils per ATKM)	164	151	129	122	111
Breakeven load factor (%)	63.9	64.1	59.9	60.2	58.0
Fleet					
Number of aircraft	127	109	96	85	69
Average age (months)	64	67	63	61	55
Production					
Destination cities	99	99	89	83	76
Overall capacity (ATKM million)	24,397	22,078	19,414	15,803	13,292
Available seat kilometres (ASKM'000)	134,179,670	118,290,198	102,337,180	82,008,681	68,930,198
Aircraft departures (number)	109,477	101,709	92,158	79,937	72,057
Traffic					
Passengers carried (number)	22,730,895	21,229,225	17,544,140	14,497,536	12,528,761
Passenger seat kilometres (RPKM'000)	101,762,468	94,345,721	77,946,590	62,260,070	51,398,393
Average distance flown per pax (Kms)	4,477	4,444	4,443	4,295	4,102
Passenger seat factor (%)	75.8	79.8	76.2	75.9	74.6
Cargo carried (Kg '000)	1,408,300	1,282,134	1,155,894	1,018,570	838,400
Overall load carried (RTKM million)	15,879	14,739	12,643	10,394	8,649
Overall load factor (%)	65.1	66.8	65.1	65.8	65.1
Employee					
Average employee strength (number)	28,037	23,650	20,273	17,296	15,858
Capacity per employee (ATKM)	870,172	933,531	957,628	913,687	838,202
Load carried per employee (RTKM)	566,359	623,214	623,637	600,921	545,392
Revenue per employee (AED)	1,531,114	1,625,424	1,431,038	1,284,790	1,104,247
Value added per employee (AED)	319,522	530,498	443,515	398,638	382,649

2007-08 figures have been re-classified to conform with the current year's presentation. Figures for financial years prior to 2007-08 have not been amended.

Operating statistics - Dnata

	2008-09	2007-08	2006-07	2005-06	2004-05
Consolidated financial statements					
Total revenue (AED'000)	3,250,163	2,668,458	2,073,652	1,779,827	1,414,031
Total expenditure (AED'000)	2,742,901	2,363,541	1,713,752	1,455,439	1,153,624
Operating profit (AED'000)	466,762	245,246	295,926	290,342	240,950
Net profit (AED'000)	507,311	304,917	359,900	324,388	260,407
Average employee strength (number)*	9,854	8,973	8,391	8,412	8,196
Revenue per employee (AED)*	260,232	241,493	210,209	176,059	154,584
Value added per employee (AED)*	171,780	184,397	162,414	139,801	122,141
Airport performance indicators					
Aircraft handled (number)	122,258	119,510	109,648	101,607	93,004
Passengers handled (number)	37,629,243	35,586,722	30,059,330	25,648,704	22,389,218
Cargo handled (Kg'000)	627,353	632,549	535,132	503,382	457,869
Employee					
Average employee strength (number)					
Airport operations	6,113	5,611	5,445	5,627	5,563
Cargo	1,069	1,036	948	912	894
Aircraft handled per employee (number)	20	21	20	18	17
Passengers handled per employee (number)	6,156	6,342	5,521	4,558	4,025
Cargo handled per employee (Kgs)	586,860	610,569	564,485	551,954	512,158

*These figures exclude subsidiaries

2007-08 figures have been re-classified to conform with the current year's presentation.

Financial statistics

		2008-09	2007-08	% Change
Group				
Total revenue*	AED (million)	46,258.8	41,916.4	10.4
Total expenditure*	AED (million)	44,706.0	36,536.5	22.4
Operating profit	AED (million)	3,040.1	4,696.2	(35.3)
Net profit	AED (million)	1,489.0	5,325.3	(72.0)
Operating margin*	%	6.7	11.6	(4.9) pts
Net margin*	%	3.3	13.2	(9.9) pts
Group cash funds	AED (million)	8,718.1	14,002.9	(37.7)
Shareholder's funds	AED (million)	18,962.5	18,866.6	0.5
Return on shareholder's funds	%	7.9	31.6	(23.7) pts
Value added	AED (million)	11,696.4	14,789.8	(20.9)
Emirates				
Total revenue	AED (million)	44,189.0	40,196.6	9.9
Total expenditure	AED (million)	43,143.4	35,121.7	22.8
Operating profit	AED (million)	2,573.3	4,451.0	(42.2)
Net profit	AED (million)	981.7	5,020.4	(80.4)
Operating margin	%	5.9	11.5	(5.6) pts
Net margin	%	2.2	12.9	(10.7) pts
Value added	AED (million)	9,566.8	13,012.9	(26.5)
Dnata				
Total revenue	AED (million)	3,250.2	2,668.5	21.8
Total expenditure	AED (million)	2,742.9	2,363.5	16.1
Operating profit	AED (million)	466.8	245.2	90.3
Net profit	AED (million)	507.3	304.9	66.4
Operating margin	%	14.7	9.5	5.2 pts
Net margin	%	16.0	11.8	4.2 pts
Value added	AED (million)	2,132.4	1,778.3	19.9

2007-08 figures have been re-classified to conform with the current year's presentation.

*After eliminating inter company transactions of AED 1,180.3 million in 2008-09 (2007-08: AED 948.7 million), comprising operating income / expense of AED 1,177.5 million (2007-08: AED 947.3 million) and interest income / expense of AED 2.8 million (2007-08: AED 1.4 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.

Profitability

Group net profit for 2008-09 was AED 1,489 million (2007-08: AED 5,325 million) reflecting higher costs, notably fuel.

Group operating profit, at AED 3,040 million, was down AED 1,656 million compared to the previous year as a result of lower than expected revenue growth and lower other operating income. Consequently, the operating margin fell to 6.7% or 4.9 percentage points below last year.

Return on shareholder's funds was lower at 7.9% in a difficult year.

Revenue

Total Group revenue in 2008-09 was AED 46,259 million, an increase of AED 4,342 million (10.4%) over the previous year. Group revenue consisted of operating revenue of AED 44,656 million and other income of AED 1,603 million (2007-08: AED 38,047 million and other income of AED 3,869 million).

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

Emirates operating revenue increased by AED 6,234 million (17.1%) to AED 42,674 million reflecting higher traffic (up by 7.7%) together with improved yields (up by 8.4%).

Passenger revenues at AED 32,968 million were 17.2% higher than last year, while cargo and related revenue grew by 13.9% to AED 7,348 million. Passenger and cargo revenue (including excess baggage, courier and mail) constituted 95.3% of Emirates' total operating revenue.

Dnata's operating revenue increased significantly by 23.7% over last year to AED 3,159 million mainly from strong growth in airport operations and cargo activities.

Expenditure

Group operating costs at AED 42,658 million (2007-08: AED 35,752 million) were AED 6,906 million or 19.3% up over last year.

Total Group expenditure and other costs were AED 44,706 million, a rise of AED 8,170 million or 22.4% over last year.

The increase in Emirates' costs came mainly from higher fuel and oil costs (up AED 3,438 million or 31.2%), corporate overheads excluding foreign exchange translation losses (up AED 690 million or 34.9%), depreciation (up AED 497 million or 30.1%), handling costs (up AED 395 million or 18.5%), employee expenditure (up AED 386 million or 7.1%) and aircraft operating lease costs (up AED 218 million or 6.1%). Fuel cost per available tonne-kilometre increased by 18.8% and now comprises a significant 36.2% of the airlines operating costs excluding subsidiaries.

Cash position

Group cash generated from operating activities was AED 5,496 million. Emirates contributed AED 5,016 million of cash generation from operating activities while Dnata generated AED 480 million.

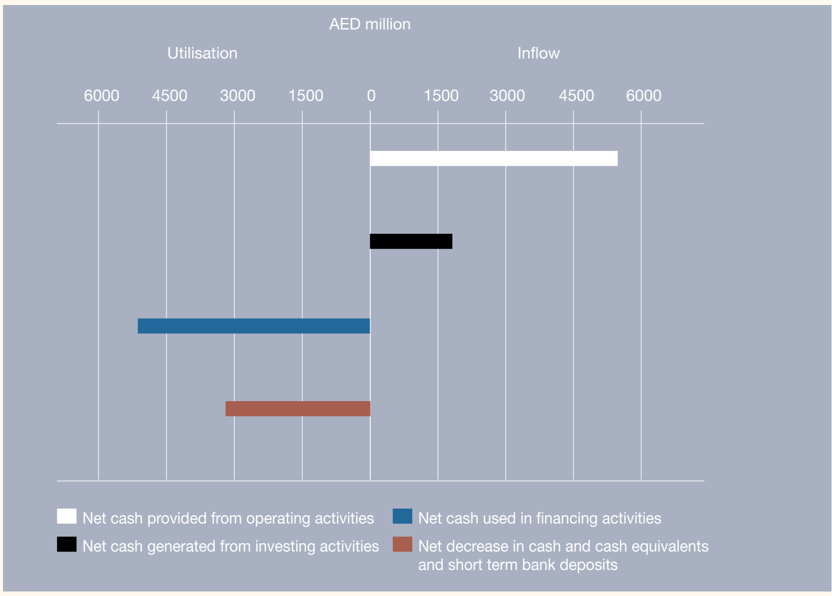
Group operating cash margin stood at 12.0%. Emirates' operating cash margin at 11.5% was down 7.4 percentage points reflecting the increase in costs mainly fuel, as well as the impact of the strengthening of the US Dollar.

Emirates' cash generated from operating activities covered 40.0% (2007-08: 53.5%) of current liabilities (trade and other payables and income tax liabilities) at 31 March 2009 while Dnata's cash generated from operating activities covered 74.8% (2007-08: 62.2%) of current liabilities at 31 March 2009.

Capital expenditure

Group capital expenditure for 2008-09 was AED 10,376 million, 12.0% higher than the previous year's level of AED 9,263 million. Aircraft, engines and parts comprised 81% of the total capital spend, including disbursements for aircraft deliveries during the year and progress payments for future deliveries.

Cash flow



Financial position

Group

At 31 March 2009, the Group's cash funds (including held-to-maturity cash investments of AED 200 million) were AED 8,718 million (USD 2,376 million). The Group invested surplus funds in a mix of high credit quality bank deposits and liquidity funds. The overall interest income earned yielded an effective rate of 4.8% (2008: 5.2%), reflecting market rates.

Group shareholder's funds at 31 March 2009 was AED 18,963 million (USD 5,167 million), up by 1% compared to AED 18,867 million (USD 5,141 million) at 31 March 2008.

Emirates

At 31 March 2009, Emirates cash position (including held-to-maturity cash investments of AED 200 million) was AED 7,368 million (USD 2,008 million) compared to AED 12,619 million (USD 3,438 million) in 2007-08. Cash was recorded after funding capital outflows of AED 5,573 million (USD 1,518 million) comprising pre-delivery payments, spare engines, rotables, buildings and other capital items and also after paying dividends to the shareholder of AED 2,913 million (USD 794 million) during the year. Emirates cash balance more than adequately covers its traditional benchmark of maintaining cash balances for at least six months debt obligations and lease rentals.

During the financial year, Emirates took delivery of 21 aircraft, 17 from Boeing and 4 from Airbus. Despite the challenging environment nearly USD 2.6 billion was raised during the financial year to finance these aircraft deliveries, using six different types of financing structures and 12 funding sources. This clearly establishes the firm support that Emirates has from global financial institutions.

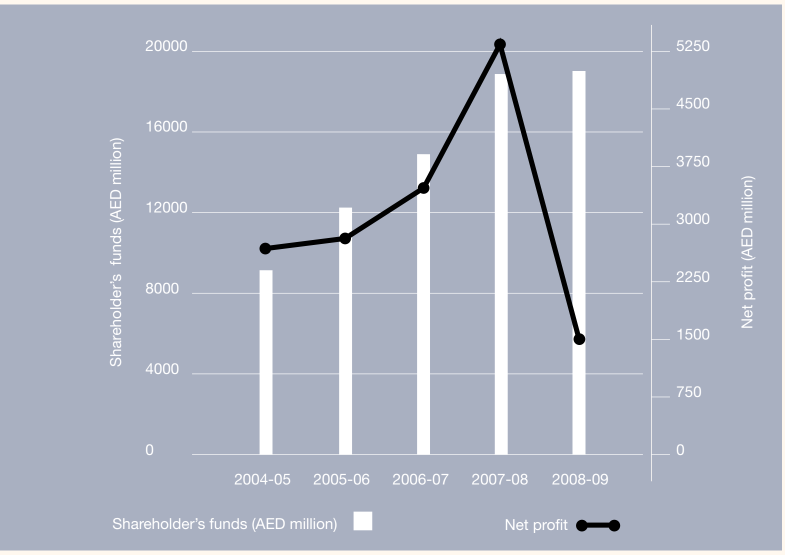
Airbus deliveries consisted of the first 4 twin deck A380 aircraft out of a total order book of 58 units. These were funded as finance leases and included one unit financed through the Dubai International Financial Centre (DIFC). Boeing aircraft comprised ten B777-300ER, six B777-200LR and one B777-200LR freighter. Six Boeing aircraft were funded using US Ex-Im Bank support, five as pure operating leases, three through sale and lease back transactions and two as Islamic leases syndicated by global financial institutions. The freighter aircraft was financed as a pure operating lease from Dubai Aviation Enterprises (DAE).

Emirates cash profit from operations (or EBITDAR) for the year ended 31 March 2009 was 16.4% of operating revenue or AED 6,986 million. EBITDAR for the year equated to more than 15 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, whilst still taking advantage of market movements, of hedging around half of its interest rate and currency risk exposures, using prudent hedging solutions including interest swaps and options. Emirates borrowings and lease liabilities (net of cash) after including operating leases, at 31 March 2009, comprised 61% on a fixed interest rate basis with the balance 39% 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 109 million (2007-08: AED 57 million). At 31 March 2009, Emirates borrowings and lease liabilities carried a weighted average interest rate of circa 3.52% (2007-08: 5.21%).

Emirates proactively managed its currency exposure by using prudent hedging solutions including currency swaps, options and natural hedges through outflows denominated in Pound sterling, Euro, Japanese yen and Australian dollar. For the year ended 31 March 2009, net annual Australian dollars receipts were fully hedged, while hedging coverage for Pound sterling, Euro, New Zealand dollar and Japanese yen were 56%, 29%, 76% and 38% respectively.

Shareholder's funds



Emirates shareholder's funds at 31 March 2009 was AED 16,410 million (USD 4,471 million), compared to AED 16,687 million (USD 4,547 million) in the previous year. For the financial year ending 31 March 2009, Emirates long term borrowings and lease liabilities was AED 15,140 million (USD 4,125 million). Emirates long term borrowings and lease liabilities (net of cash) / shareholders' funds ratio was 49% (2007-08: 1%). After including operating leases, the same ratio was 138.5% (2007-08: 82.0%).

Dnata

At 31 March 2009, Dnata cash balance was AED 1,350 million (USD 368 million). This balance was recorded after funding capital outflows of AED 172 million during the year.

Dnata shareholder's funds at 31 March 2009 was AED 2,553 million (USD 696 million), up by 17.1 % compared to AED 2,180 million (USD 594 million) in the previous year. Dnata long term debt was AED 412 million (USD 112 million) at 31 March 2009, a net decrease of AED 116 million over 31 March 2008.

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.

	2008-09 AED'000	2007-08 AED'000	2006-07 AED'000	2005-06 AED'000	2004-05 AED'000
Group operating revenue	44,655,617	38,776,136	29,827,768	23,418,465	18,496,306
Less : Purchase of goods and services	34,562,414	27,126,621	20,221,627	15,666,133	11,608,858
	10,093,203	**11,649,515**	**9,606,141**	**7,752,332**	**6,887,448**
Add : Other operating income	1,042,329	2,401,090	559,919	382,261	324,509
Interest income	473,117	665,805	660,227	378,942	191,270
Share of results in associated companies and joint ventures	87,753	73,342	83,644	59,555	54,469
Total value added by the Group	**11,696,402**	**14,789,752**	**10,909,931**	**8,573,090**	**7,457,696**
Distribution of value added:					
To employees - salaries and other employee costs	7,207,864	6,702,158	5,017,307	4,049,662	3,400,725
To overseas governments -					
Corporation and other taxes	(75,905)	36,974	163,361	89,418	58,685
To suppliers of capital -					
Dividends	2,061,435	1,035,056	431,035	454,479	406,670
Interest	551,680	747,706	691,682	405,998	283,670
Retained for re-investment and future growth -					
Depreciation and amortisation	2,459,947	1,923,030	1,513,954	1,142,298	951,493
Retained profits	(508,619)	4,344,828	3,092,592	2,431,235	2,356,453
Total distribution of value added	**11,696,402**	**14,789,752**	**10,909,931**	**8,573,090**	**7,457,696**

2007-08 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 2008-09, the total 'value added' of the Group was AED 11,696 million (2007-08: AED 14,790 million). The decline was on account of the cost of purchase of goods and services increasing by AED 7,436 million compared with a growth in operating revenue of AED 5,879 million and lower other operating income of AED 1,359 million.

Employees received AED 7,208 million (61.6% of the total value added) in the form of salaries and other related costs whilst net distributions on account of taxation, interest and dividends were AED 2,537 million (21.7%).

The amount retained in the business for future growth was AED 1,951 million (16.7%).

Revenue

	2008-09 AED million	%	2007-08 AED million	%
Passenger	32,968	77.3	28,118	77.2
Cargo	6,874	16.1	6,012	16.5
Courier	349	0.8	299	0.8
Excess baggage	349	0.8	256	0.7
Mail	126	0.3	138	0.4
Transport revenue	**40,666**	**95.3**	**34,823**	**95.6**
Sale of goods	1,562	3.7	1,232	3.4
Destination and leisure (see below)	194	0.5	196	0.5
Other	252	0.5	190	0.5
Total operating revenue	**42,674**	**100.0**	**36,441**	**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 2008-09 was AED 1,370 million (2007-08: AED 1,392 million).

Segment revenue

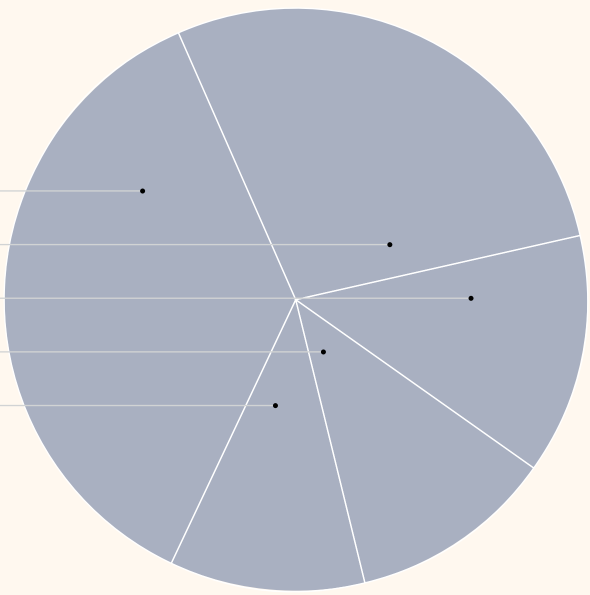
36.5% Europe and Americas

28.1% Far East and Australasia

13.3% Middle East

11.3% Africa

10.8% West Asia and Indian Ocean

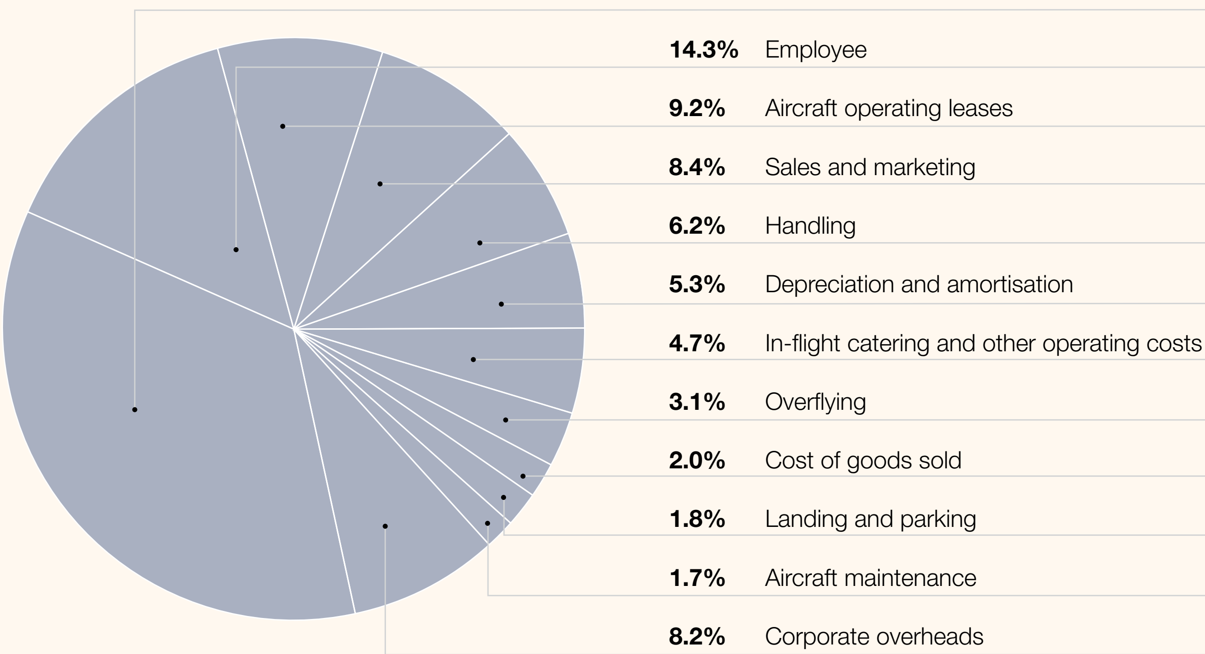


Expenditure

	2008-09 AED million	%	2007-08 AED million	%
Fuel and oil	14,443	35.1	11,005	32.0
Employee (see (a) below)	5,861	14.3	5,475	15.9
Aircraft operating leases	3,797	9.2	3,579	10.4
Sales and marketing	3,455	8.4	3,546	10.3
Handling	2,533	6.2	2,138	6.2
Depreciation	2,150	5.2	1,652	4.8
In-flight catering and other operating costs	1,923	4.7	1,763	5.1
Overflying	1,281	3.1	1,157	3.4
Cost of goods sold	822	2.0	701	2.0
Landing and parking	735	1.8	683	2.0
Aircraft maintenance	682	1.7	631	1.9
Amortisation	61	0.1	48	0.2
Corporate overheads	3,380	8.2	1,981	5.8
Total operating costs (see (b) below)	**41,122**	**100.0**	**34,359**	**100.0**

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

Expenditure



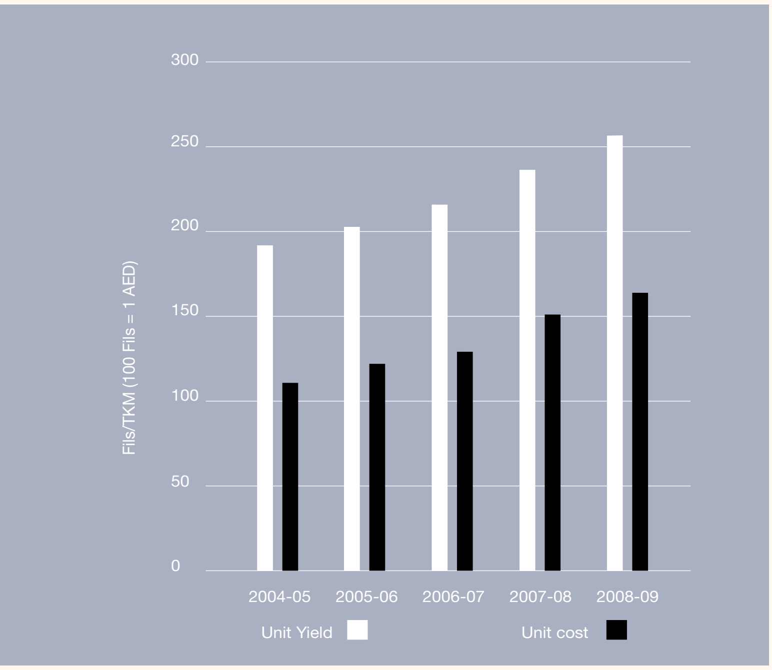
Yield, unit cost and breakeven load factor

Overall yield increased across all products by 19.8 fils (8.4%) to 256.1 fils per revenue tonne-kilometre.

Passenger yield and freight yield improved by 8.7% and 6.3% respectively from increases in fares and rates.

Unit cost increased by 12.4 fils (8.2%) to 163.7 fils per available tonne-kilometre. The increase is due to higher fuel costs by 9.4 fils, other operating expenses by 4.2 fils offset by lower staff costs of 1.2 fils. Consequently, the breakeven load factor improved marginally to 63.9% (2008: 64.1%)

Yield and unit cost



Capacity, traffic, load factor and utilisation

Capacity increased by 10.5% to 24,397 million tonne-kilometres while traffic increased slower than the capacity increase, by 7.7% to 15,879 million tonne-kilometres. This resulted in overall load factor decreasing by 1.7 percentage points to 65.1% (2007-08: 66.8%). Aircraft departures increased by 7.6% to 109,477.

The increase in traffic came principally from:

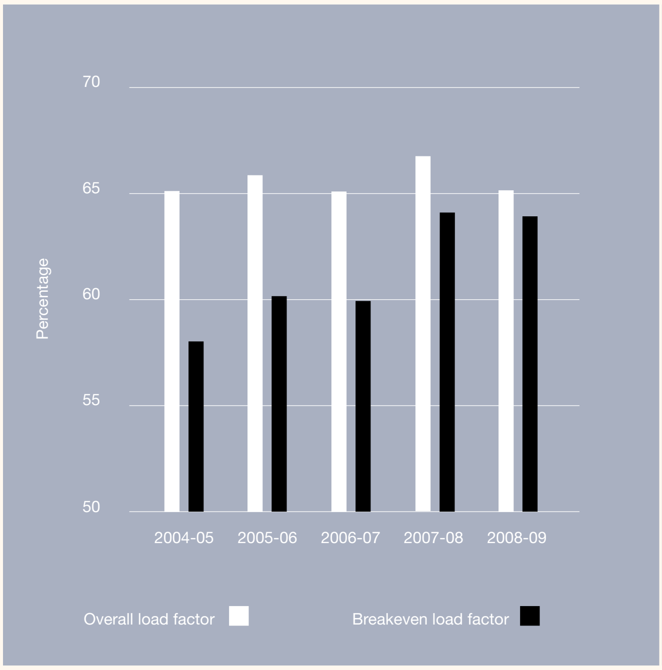
- introduction of new passenger services to Guangzhou, Calicut, Los Angeles and San Francisco.
- increased frequencies to several existing destinations, mainly Kuala Lumpur, Milan, Lagos, Delhi, Bangalore, Hyderabad, Moscow and Mumbai.
- increased capacity to several existing destinations with bigger aircraft, mainly Zurich, Frankfurt, New York, London, Beirut, Birmingham, Vienna and Athens.

The passenger seat factor at 75.8% was four percentage points lower than previous year given a 13.4% increase in available seat kilometres. Passengers carried in 2008-09 reached 22.7 million, representing an increase of 7.1% over last year.

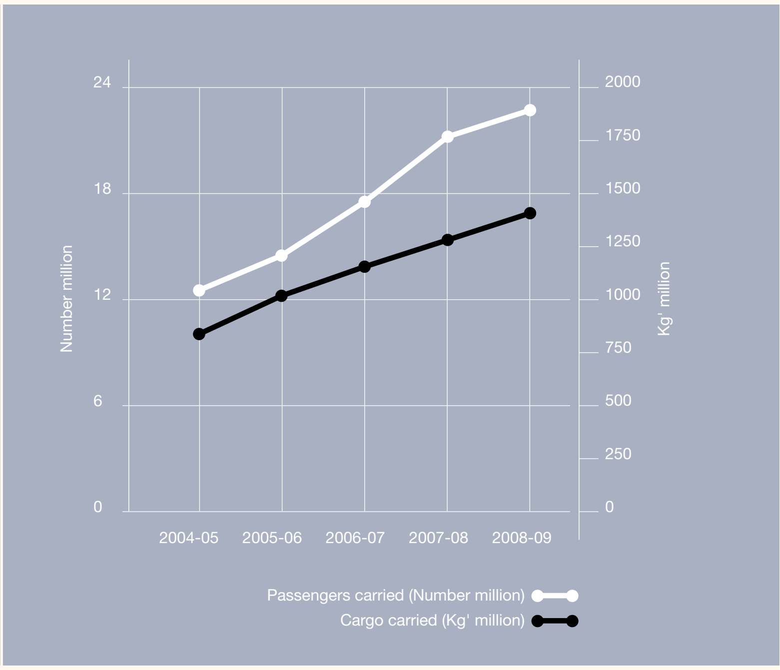
Cargo carried in 2008-09 improved by 9.8% to 1,408,300 tonnes (2007-08: 1,282,134 tonnes).

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 5,635 (18.7%) to 35,812. The average number of employees in the airline grew by 4,387 (18.5%) to 28,037 as a result of the growth in capacity.

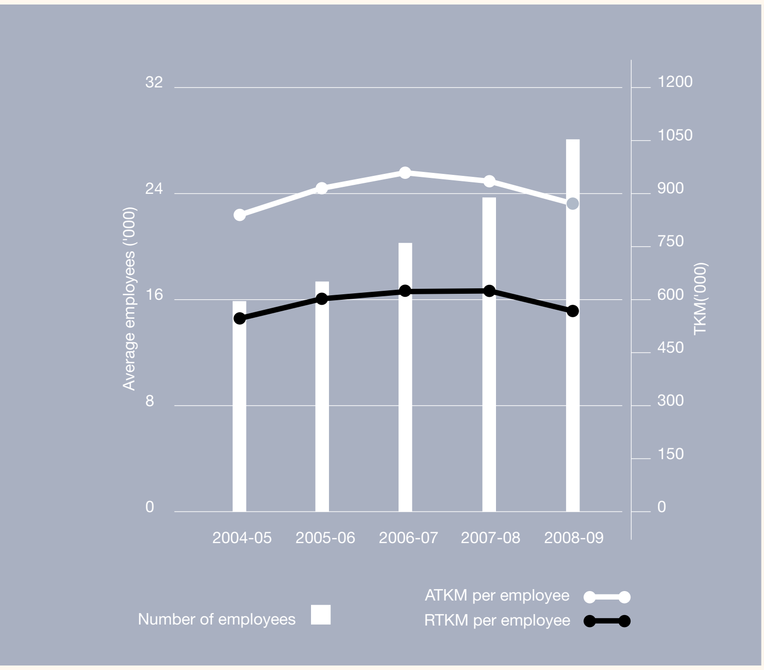
A breakdown of the average number of employees by category is shown below:

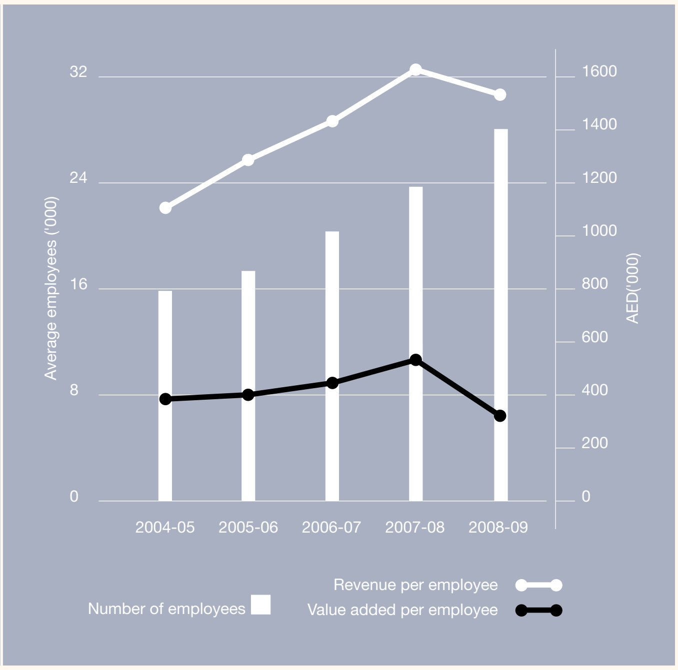
	2008-09	2007-08
UAE		
Cabin crew	10,324	8,554
Flight deck crew	2,141	1,810
Engineering	1,849	1,633
Other	9,379	7,784
	23,693	**19,781**
Overseas stations	4,344	3,869
Total Emirates	**28,037**	**23,650**
Subsidiary companies	**7,775**	**6,527**
Average employee strength	**35,812**	**30,177**

Employee productivity for the airline, measured in terms of revenue per employee was AED 1,531,114 compared with AED 1,625,424 in 2007-08.

Value added, which is a measure of wealth created by the airline was AED 8,958 million (2007-08: AED 12,546 million). This is equivalent to AED 319,522 per employee (2007-08: AED 530,498).

Capacity per airline employee was ATKM 870,172 compared with ATKM 933,531 in 2007-08. Load carried per airline employee was RTKM 566,359 (2007-08: 623,214).





Fleet information

At 31 Mach 2009:

Aircraft	In operation	On firm order	On option
B777-200	9	-	-
B777-300	12	-	-
B777-300ER	42	29	20
A330-200	29	-	-
A340-300	8	-	-
A340-500	10	-	-
A350-900/1000XWB	-	70	50
A380-800	4	54	-
B777-200LR	10	-	-
B777-200LRF	1		-
B747-400ERF	2	-	-
Total	**127**	**153**	**70**

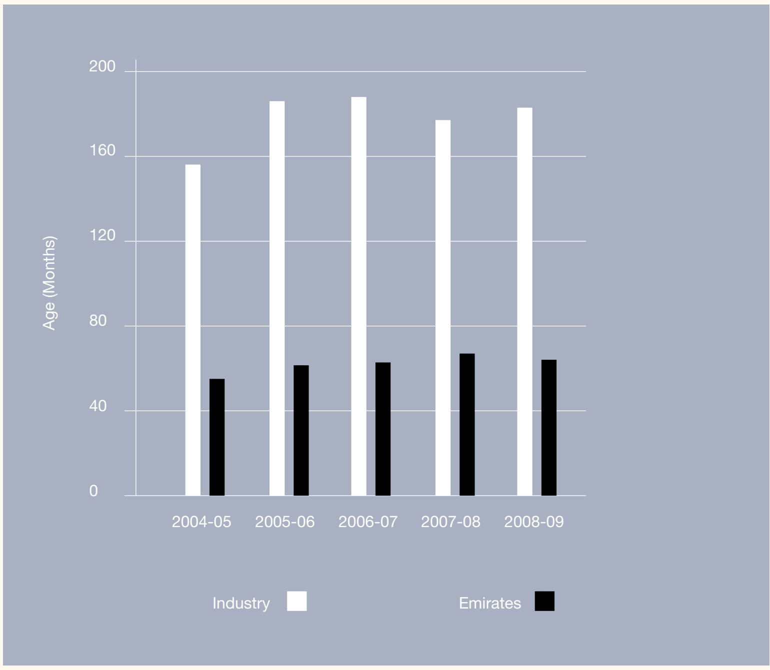
Emirates also had five B747 freighters on wet lease for its cargo operations at 31 March 2009.

In addition to above, Emirates has contracted for three B777-200LRF and five B747-800F for delivery from Dubai Aerospace Enterprise (DAE) on operating lease.

During the year three A310 freighter aircraft were disposed off.

Emirates operates one of the youngest fleet in the industry with an average age of 64 months compared with an industry average of 183 months.

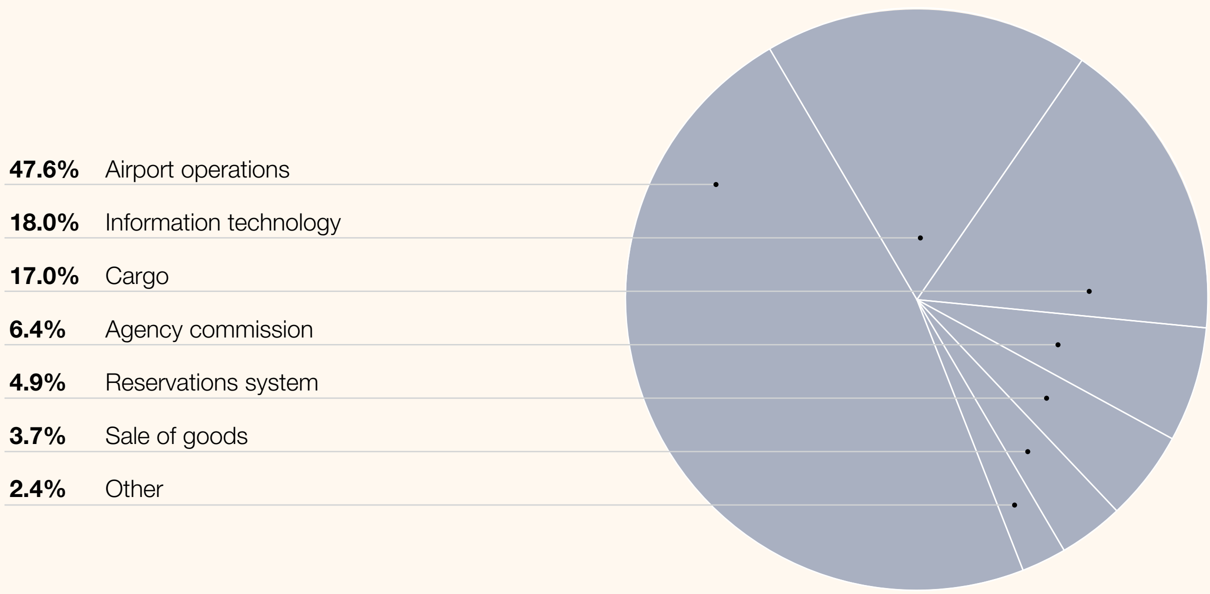
Average fleet age: Emirates and industry



Revenue

	2008-09 AED million	%	2007-08 AED million	%
Airport operations	1,505	47.6	1,126	44.1
Information technology	568	18.0	484	18.9
Cargo	536	17.0	410	16.0
Agency commission	202	6.4	183	7.2
Reservations system	155	4.9	167	6.5
Sale of goods	117	3.7	119	4.7
Other	76	2.4	65	2.6
Total operating revenue	**3,159**	**100.0**	**2,554**	**100.0**

Revenue

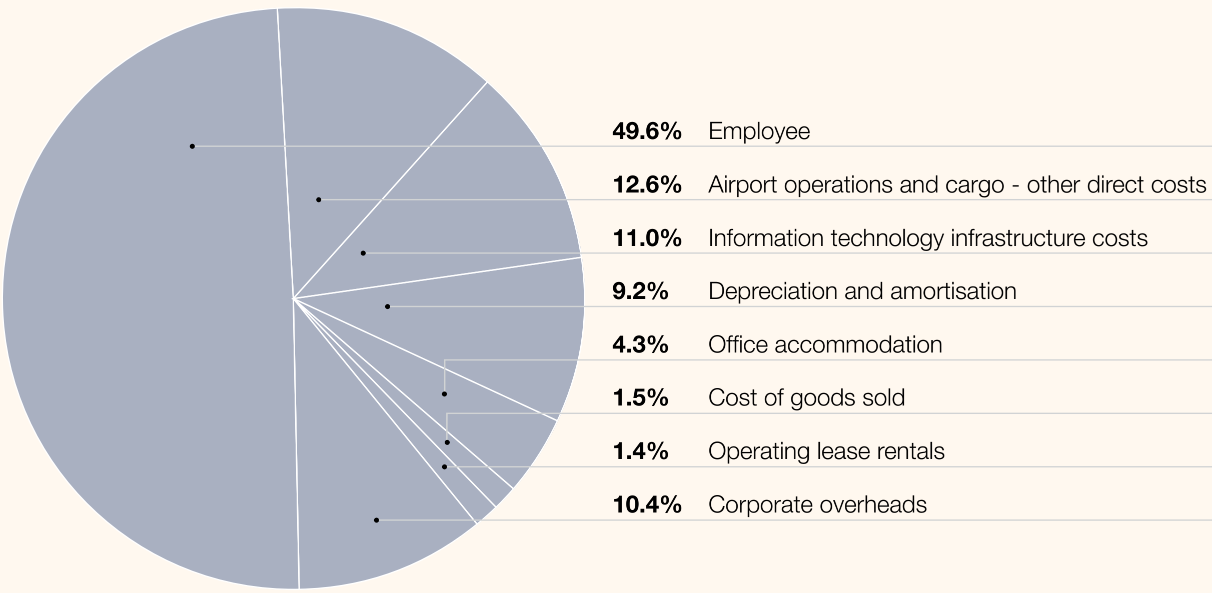


Expenditure

	2008-09 AED million	%	2007-08 AED million	%
Employee	1,347	49.6	1,227	52.5
Airport operations and cargo - other direct costs	344	12.6	234	10.0
Information technology infrastructure costs	297	11.0	248	10.6
Depreciation and amortisation	249	9.2	223	9.5
Office accommodation	116	4.3	79	3.4
Cost of goods sold	40	1.5	40	1.7
Operating lease rentals	39	1.4	24	1.0
Corporate overheads	281	10.4	264	11.3
Total operating costs	**2,714**	**100.0**	**2,340**	**100.0**

2007-08 figures have been re-classified to conform with the current year's presentation.

Expenditure

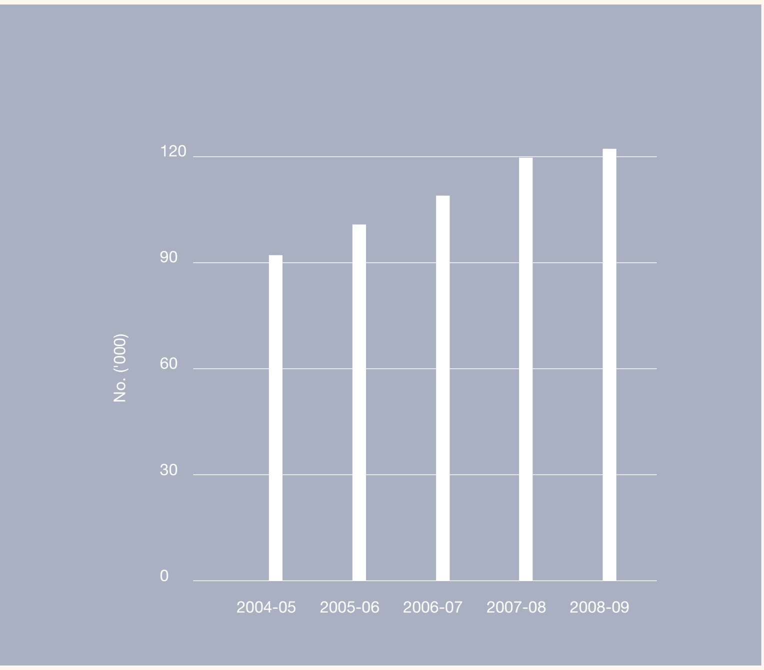


Aircraft, passengers and cargo handled

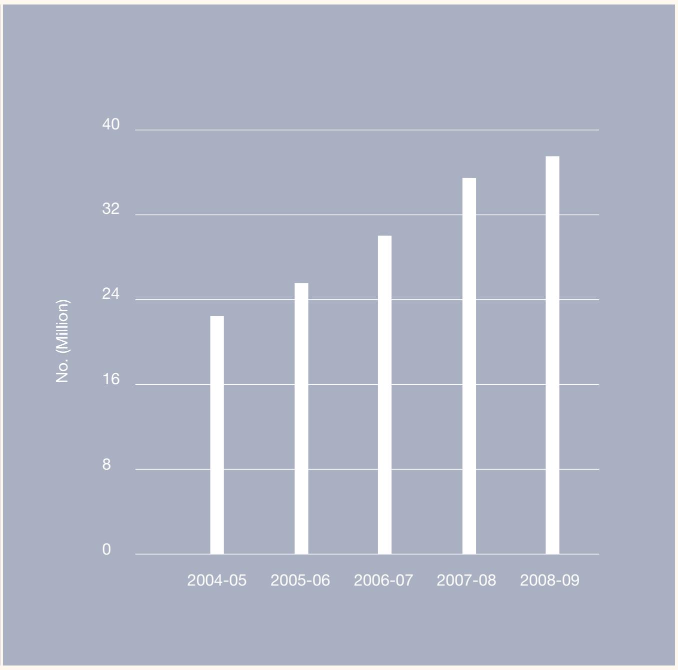
Dubai International Airport maintained its impressive growth in traffic volumes:

- the number of aircraft handled during the year increased by 2% to 122,258 as compared with 119,510 during 2007-08.
- Dnata handled 130 (2007-08:122) scheduled international airlines operating to Dubai International Airport.
- the number of passengers handled were 37.6 million, an increase of 6% or 2 million over the previous year.
- the volume of cargo handled was 627,353 tonnes (2007-08: 632,549 tonnes).

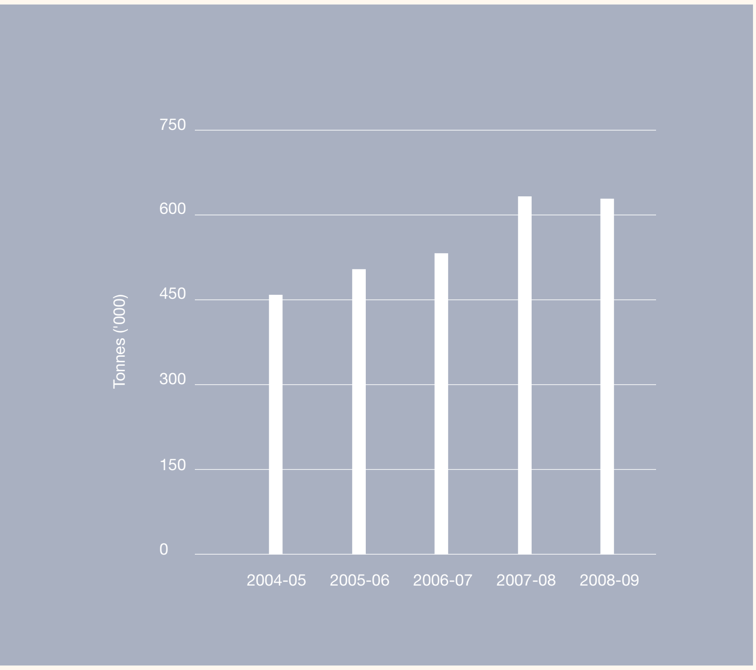
Aircraft handled



Passengers handled



Cargo handled



Employee strength and productivity

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

	2008-09	2007-08
Airport operations	6,113	5,611
Cargo handling	1,069	1,036
Dnata agencies	943	818
Other	1,729	1,508
Total Dnata	**9,854**	**8,973**
Subsidiary companies	**2,580**	**2,667**
Average employee strength	**12,434**	**11,640**

During the year under review, the average workforce increased by 794 (6.8%) to 12,434.

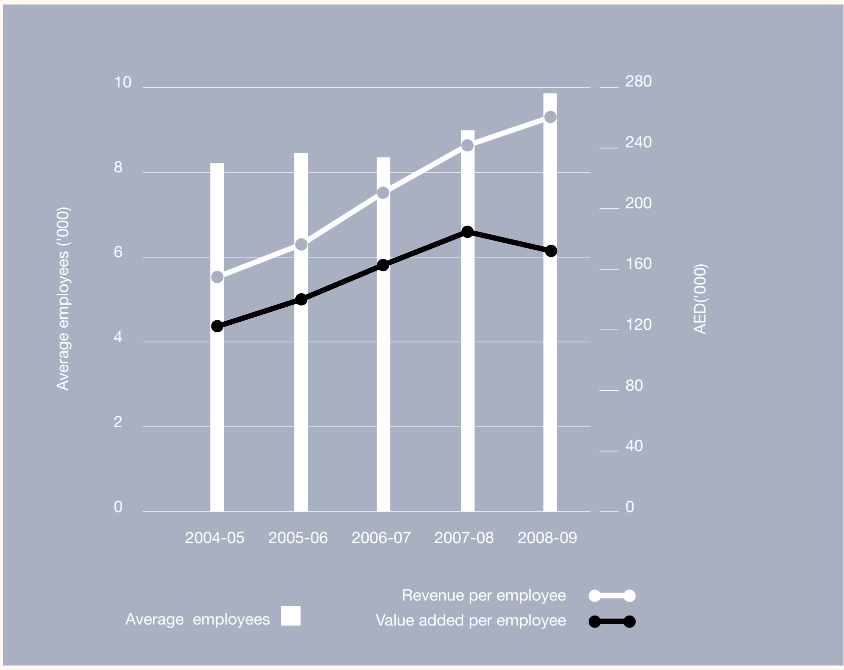
Revenue per employee for Dnata increased by 7.8% to AED 260,232 from AED 241,493 in 2007-08.

Value added, which is a measure of wealth created by Dnata during the year, was up by 2.3% to AED 1,693 million (2007-08: AED 1,655 million). This is equivalent to AED 171,780 per employee (2007-08: AED 184,397).

Aircraft handled per airport employee was 20 (2007-08: 21) while passengers handled per airport employee was 6,156 (2007-08: 6,342).

Cargo handled per cargo handling employee was 586,860 kgs compared with 610,569 kgs in 2007-08.

Employee strength and productivity



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

6. Shareholder's funds - Equity attributable to the Owner

7. Net Profit - Profit attributable to the Owner

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 attributable to the Owner expressed as a percentage of sum of the operating revenue and other operating income

8. Return on shareholder’s funds - Profit attributable to the Owner 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

Independent auditor's report to the Owner of Emirates

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 2009 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Emirates as of 31 March 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
11 May 2009

Consolidated income statement for the year ended 31 March 2009

	Note	2009 AED'000	2008 AED'000
Revenue	4	42,674,267	36,440,522
Other operating income	5	1,020,618	2,369,307
Operating costs	6	(41,121,565)	(34,358,863)
Operating profit		**2,573,320**	**4,450,966**
Other gains and losses	7	(1,572,361)	729,205
Finance income	8	431,271	597,081
Finance costs	8	(534,847)	(734,256)
Share of results in associated companies and joint ventures	12	62,800	60,517
Profit before income tax		**960,183**	**5,103,513**
Income tax credit / (expense)	9	85,371	(28,546)
Profit for the year		**1,045,554**	**5,074,967**
Profit attributable to minority interest		**63,878**	**54,543**
Profit attributable to Emirates' Owner		**981,676**	**5,020,424**

Notes 1 to 38 form an integral part of the consolidated financial statements.

Consolidated balance sheet as at 31 March 2009

	Note	2009 AED'000	2008 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	29,085,716	21,368,506
Intangible assets	11	923,420	863,353
Investments in associated companies and joint ventures	12	441,068	614,670
Advance lease rentals	13	192,103	222,674
Available-for-sale financial assets	14	113,112	1,847,833
Held-to-maturity financial assets	14	-	200,000
Loans and other receivables	15	1,039,195	1,227,508
Derivative financial instruments	32	124,521	1,377,167
		31,919,135	**27,721,711**
Current assets			
Inventories	16	1,052,573	751,290
Trade and other receivables	17	7,108,926	7,179,559
Available-for-sale financial assets	14	-	96,000
Held-to-maturity financial assets	14	200,000	215,796
Derivative financial instruments	32	-	187,726
Short term bank deposits	30	2,618,921	7,644,972
Cash and cash equivalents	30	4,549,439	2,714,940
		15,529,859	**18,790,283**
Total assets		**47,448,994**	**46,511,994**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	18	801,214	801,214
Reserves	19	15,608,732	15,885,617
Attributable to Emirates' Owner		**16,409,946**	**16,686,831**
Minority interest		**158,532**	**156,039**
Total equity		**16,568,478**	**16,842,870**
Non-current liabilities			
Borrowings and lease liabilities	20	15,139,875	12,300,610
Provisions	24	546,845	570,343
Deferred credits	25	492,066	600,064
Deferred income tax liability	26	12,683	19,950
Trade and other payables	27	25,307	12,578
Derivative financial instruments	32	538,275	702,872
		16,755,051	**14,206,417**
Current liabilities			
Trade and other payables	27	12,530,746	13,549,801
Income tax liabilities		22,834	161,839
Borrowings and lease liabilities	20	1,371,628	1,416,275
Deferred credits	25	168,980	164,696
Derivative financial instruments	32	31,277	170,096
		14,125,465	**15,462,707**
Total liabilities		**30,880,516**	**29,669,124**
Total equity and liabilities		**47,448,994**	**46,511,994**

The consolidated financial statements were approved on the 11th day of May 2009 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

Notes 1 to 38 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2009

	Attributable to Emirates' Owner				
	Capital AED'000	Reserves AED'000	Total AED'000	Minority interest AED'000	Total equity AED'000
1 April 2007	801,214	12,239,145	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	-	(267,549)	(267,549)	(631)	(268,180)
Transferred to consolidated income statement	-	(107,702)	(107,702)	-	(107,702)
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	**-**	**4,646,472**	**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**	**15,885,617**	**16,686,831**	**156,039**	**16,842,870**
Currency translation differences	-	(79,522)	(79,522)	-	(79,522)
Loss on available-for-sale financial assets	-	(175,366)	(175,366)	-	(175,366)
Net gain on fair value of cash flow hedges	-	761,432	761,432	78	761,510
Transferred to consolidated income statement	-	236,016	236,016	-	236,016
Net direct movement in equity	**-**	**742,560**	**742,560**	**78**	**742,638**
Profit for the year	-	981,676	981,676	63,878	1,045,554
Total net income for the year	**-**	**1,724,236**	**1,724,236**	**63,956**	**1,788,192**
Disposal of minority interest	-	-	-	(1,149)	(1,149)
Dividend	-	(2,001,121)	(2,001,121)	(60,314)	(2,061,435)
31 March 2009	**801,214**	**15,608,732**	**16,409,946**	**158,532**	**16,568,478**

Notes 1 to 38 form an integral part of the consolidated financial statements.

Consolidated cash flow statement for the year ended 31 March 2009

	2009 AED'000	2008 AED'000
Operating activities		
Profit for the year before income tax	960,183	5,103,513
Adjustments for:		
Depreciation and amortisation (Note 6)	2,210,477	1,700,052
Finance costs - net (Note 8)	103,576	137,175
Profit on sale of property, plant and equipment	(13,810)	(566,539)
Loss on sale of available-for-sale investments	143,493	-
Share of results in associated companies and joint ventures (Note 12)	(62,800)	(60,517)
Net provision for impairment of trade receivables (Note 17)	6,963	21,070
Impairment of available-for-sale financial assets	72,999	-
Provision for employee benefits (Note 6)	236,095	315,460
Change in fair value of derivative financial instruments at fair value through profit or loss	1,572,361	(729,205)
Net movement on derivative financial instruments	294,705	614,390
Employee benefit payments	(314,869)	(242,752)
Income tax paid	(61,096)	(56,325)
Change in inventories (Note 16)	(300,684)	(210,166)
Change in receivables and advance lease rentals	415,249	(2,263,073)
Change in payables and deferred credits	(246,393)	3,572,224
Net cash generated from operating activities	**5,016,449**	**7,335,307**
Investing activities		
Proceeds from sale of property, plant and equipment	117,041	3,336,640
Additions to intangible assets (Note 11)	(81,897)	(69,729)
Additions to property, plant and equipment (Note 31)	(5,572,829)	(6,114,530)
Investments in associated companies and joint ventures	(70,520)	(123,414)
Acquisition of subsidiary (Note 37)	(51,417)	-
Disposal of minority interest	(1,149)	-
Proceeds from sale of available-for-sale investments	1,837,294	-
Movement in short term bank deposits (Note 30)	5,026,051	(6,592,162)
Net movement in held-to-maturity financial assets	215,796	118,745
Interest income	378,791	531,098
Dividends from associated companies and joint ventures (Note 12)	100,263	43,865
Net cash generated from / (used in) investing activities	**1,897,424**	**(8,869,487)**
Financing activities		
Net loan repayment (Note 22)	(383,297)	(156,966)
Aircraft financing costs	(272,199)	(367,842)
Other finance charges	(295,038)	(390,717)
Net lease liabilities	(1,161,472)	(2,380,878)
Dividend paid	(2,912,969)	(488,152)
Dividend paid to minority shareholders	(60,314)	(35,056)
Net cash used in financing activities	**(5,085,289)**	**(3,819,611)**
Net increase / (decrease) in cash and cash equivalents	**1,828,584**	**(5,353,791)**
Cash and cash equivalents at beginning of year	2,714,940	8,070,435
Effects of exchange rate changes	4,339	(1,704)
Cash and cash equivalents at end of year (Note 30)	**4,547,863**	**2,714,940**

Notes 1 to 38 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 Investment Corporation of Dubai, a Government of Dubai entity. Emirates commenced commercial operations on 25 October 1985 and is designated as the International Airline of the UAE.

Emirates is incorporated and domiciled in Dubai, UAE. The address of its registered office is Emirates Group Headquarters, PO Box 686, Dubai, UAE.

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 Jan 2009. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Emirates' operations:

- IFRS 3 (Revised), Business combinations (effective from 1 July 2009)
- IFRS 8, Operating segments (effective from 1 January 2009)
- IAS 1 (Revised), Presentation of financial statements (effective from 1 January 2009)
- IAS 19 (Amendment), Employee benefits (effective from 1 January 2009)
- IAS 27 (Revised), Consolidated and separate financial statements (effective from 1 July 2009)
- IAS 28 (Amendment), Investments in associates (effective from 1 January 2009)
- IAS 36 (Amendment), Impairment of assets (effective from 1 January 2009)
- IAS 38 (Amendment), Intangible assets (effective from 1 January 2009)
- IAS 39 (Amendment), Financial instruments (effective from 1 January 2009)
- IFRIC 13, Customer loyalty programmes (effective from 1 July 2008)

Management is in the process of estimating the impact of IFRIC 13, Customer loyalty programmes (effective from 1 July 2008) which will be adopted effective from 1 April 2009. IFRIC 13 requires that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points redeemable for future services), the arrangement is a multiple-element arrangement and the consideration receivable is allocated between the components of the arrangement using fair values. Therefore, the accounting policy for Emirates frequent flyer programme will be changed to a deferred revenue model effective 1 April 2009, with revenue being recognised when loyalty points are redeemed and Emirates fulfils its obligations to provide goods or services. Frequent flyer miles are currently accounted on an incremental direct cost basis as a provision and an operating expense, while revenue from miles accrued through utilising the services of programme partners is recorded as other operating income. In line with the guidance provided in IAS 8, the change in the accounting policy will be applied retrospectively.

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.

2. Summary of significant accounting policies (continued)

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 significant influence but not control, generally accompanying a shareholding between 20% and 50% of voting rights. 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. Equity accounting is discontinued from the date significant influence ceases, and the investment is then accounted in accordance with IAS 39 provided the associate does not become a subsidiary or joint venture. The carrying value of the investment at the date it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with IAS 39.

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

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. Unused tickets are recognised as revenue based on the terms and conditions of the tickets and historical trends.

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 and cash flow statements of subsidiaries are translated into UAE Dirhams at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates 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.

2. Summary of significant accounting policies (continued)

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 exchange rates ruling on the balance sheet date.

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.

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%)
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.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and recognised in the consolidated income statement.

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.

2. Summary of significant accounting policies (continued)

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.

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
Trade names	20 years
Contractual 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 financial assets or financial assets at fair value through profit or loss. Such investments are initially recognised in the consolidated 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 financial assets

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 financial assets. 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.

2. Summary of significant accounting policies (continued)

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.

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 derivative instruments that do not qualify for 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. 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 end of service benefits

Emirates operates or participates in various end of service benefit plans, which are classified either as defined contribution or defined benefit plans.

A defined contribution plan is a pension scheme under which Emirates pays fixed contributions and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle the benefits relating to the employees service in the current and prior periods. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated balance sheet for defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets at that date, together with adjustments for unrecognised past-service costs and unamortised actuarial gains and losses. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the balance sheet date of high quality corporate bonds that have terms to maturity approximating the estimated term of the post-employment benefit obligations.

2. Summary of significant accounting policies (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions that are in excess of the corridor limits determined in accordance with IAS 19, are amortised to the consolidated income statement over a period of three years.

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 goods and services 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.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised only when the contractual rights to the cash flows expire or substantially all the risks and rewards of ownership are transferred along with the contractual rights to receive cash flows. Financial liabilities are derecognised only when it is extinguished i.e. when the obligations specified in the contract are discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash, liquid funds with an original maturity of three months or less, and bank overdrafts. Other bank deposits with maturity less than a year are classified as short term bank deposits. Bank overdrafts are shown within current borrowings and lease liabilities on the consolidated balance sheet.

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 goods and services. 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 adjusted as appropriate.

3. Critical accounting estimates and judgements (continued)

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.

Impairment of unquoted available-for-sale financial assets

In arriving at the fair value of its shareholding in SriLankan Airlines Ltd, management has considered various factors. SriLankan Airlines Limited is the national carrier of a country with a population in excess of twenty million and has profitable lines of business in its terminal handling services and inflight services units at the country’s main gateway, Bandaranaike International Airport, Katunayke, Sri Lanka. In a situation of limited current observable data, the carrying value of the investment represents management’s best estimate of the discounted future cash flows arising from the investment.

4. Revenue

	2009 AED'000	2008 AED'000
Services		
Passenger	32,967,510	28,118,106
Cargo	6,873,973	6,011,536
Excess baggage	348,934	255,542
Courier	348,519	299,131
Destination and leisure	194,503	195,668
Hotel operations	171,325	134,408
Mail	125,862	138,208
Others	80,924	55,981
	41,111,550	**35,208,580**
Sale of goods		
Consumer goods	731,476	555,292
In-flight catering	394,598	353,037
Others	436,643	323,613
	1,562,717	**1,231,942**
	42,674,267	**36,440,522**

Segment information
Primary reporting format - geographical segments

	Middle East AED'000	Europe and Americas AED'000	Far East and Australasia AED'000	West Asia and Indian Ocean AED'000	Africa AED'000	Total AED'000
2009						
Segment revenue	5,824,111	15,932,776	12,281,446	4,948,308	4,708,244	43,694,885
Segment results	3,208,429	3,099,927	2,362,581	974,654	1,072,675	10,718,266
Unallocated costs						(8,144,946)
Operating profit						**2,573,320**
Other gains and losses	(68,241)	(600,178)	(531,581)	(182,211)	(190,150)	(1,572,361)
Finance costs - net	(103,576)	-	-	-	-	(103,576)
Share of results in associated companies and joint ventures	62,800	-	-	-	-	62,800
Income tax credit / (expense)	(24,571)	(2,342)	112,004	-	280	85,371
Profit for the year						**1,045,554**
2008						
Segment revenue	6,306,782	13,566,340	11,008,582	3,964,092	3,964,033	38,809,829
Segment results	4,023,826	2,973,697	2,480,710	1,080,428	975,504	11,534,165
Unallocated costs						(7,083,199)
Operating profit						**4,450,966**
Other gains and losses	75,099	278,958	33,570	255,508	86,070	729,205
Finance costs - net	(137,175)	-	-	-	-	(137,175)
Share of results in associated companies and joint ventures	60,517	-	-	-	-	60,517
Income tax credit / (expense)	(20,537)	(2,534)	7,443	(77)	(12,841)	(28,546)
Profit for the year						**5,074,967**

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	Cargo			
	AED'000	AED'000	AED'000	AED'000	AED'000
2009					
Segment revenue	35,172,136	7,348,354	731,476	442,919	43,694,885
Total assets	45,958,486	21,510	519,768	949,230	47,448,994
Capital expenditure and intangible assets	10,090,283	6,537	3,912	77,511	10,178,243
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

5. Other operating income

Other operating income includes AED 319.3 million (2008: AED 404.0 million) from liquidated damages, AED 213.5 million (2008: AED 176.3 million) being the gross income from the frequent flyer programme, AED 30.4 million (2008: AED 553.8 million) being the gain on sale and leaseback of aircraft, AED Nil (2008: AED 720.4 million) being the sale of purchase rights in certain aircraft and a net foreign exchange gain of AED Nil (2008: AED 223.8 million).

6. Operating costs

	2009 AED'000	2008 AED'000
Fuel and oil	14,442,821	11,004,985
Employee (see (a) over)	5,861,292	5,475,026
Aircraft operating leases (see (b) over)	3,796,633	3,578,795
Sales and marketing	3,454,718	3,545,797
Handling	2,533,188	2,137,803
Depreciation (Note 10)	2,149,736	1,652,282
In-flight catering and other operating costs	1,923,101	1,762,897
Overflying	1,281,012	1,157,115
Cost of goods sold	822,429	700,838
Landing and parking	734,611	683,429
Aircraft maintenance	681,681	631,317
Amortisation (Note 11)	60,741	47,770
Corporate overheads (see (c) over)	3,379,602	1,980,809
	41,121,565	**34,358,863**

6. Operating costs (continued)

(a) Employee costs include AED 236.1 million (2008: AED 315.5 million) in respect of post-employment benefits and AED Nil (2008: AED 664.6 million) in respect of an employee profit share scheme.

(b) Aircraft operating lease charges include AED 3,273.4 million (2008: AED 2,908.8 million) in respect of ninety four aircraft (2008: eighty five) and AED 523.2 million (2008: AED 670.0 million) in respect of wet leases of freighter aircraft.

(c) Corporate overheads includes non-aircraft operating lease charges amounting to AED 308.0 million (2008: AED 176.3 million), net foreign exchange loss of AED 708.4 million (2008: Nil) and AED 143.5 million (2008: Nil) loss on realisation of available-for-sale financial assets.

7. Other gains and losses

Other gains and losses represents changes in the fair value of financial instruments at fair value through profit and loss. Emirates uses derivatives as part of its programme of managing fuel costs that do not qualify for hedge accounting.

8. Finance income and costs

	2009 AED'000	2008 AED'000
Finance income		
Interest income on short term bank deposits	324,155	503,756
Interest income on investments	12,187	49,135
Related parties (Note 34)	45,098	23,567
Other interest income	49,831	20,623
	431,271	**597,081**
Finance costs		
Aircraft financing costs	(263,667)	(350,628)
Interest charges on borrowings	(265,081)	(376,360)
Other interest charges	(6,099)	(7,268)
	(534,847)	**(734,256)**

Net financing costs of AED Nil (2008: AED 42.4 million) were capitalised during the year (Note 10).

9. Income tax credit / (expense)

The components of income tax credit / (expense) are:

	2009 AED'000	2008 AED'000
Current tax credit / (expense)	78,104	(59,238)
Deferred tax credit (Note 26)	7,267	30,692
	85,371	**(28,546)**

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, the income tax expense relates only to certain overseas stations where Emirates is subject to income tax. Providing information on effective tax rates is therefore not meaningful. The income tax credit during the year arises from a write back of a tax provision of AED 131.2 million (2008: Nil) consequent to the acceptance of Emirates' position in the applicable tax jurisdiction.

10. 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 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**
Cost						
1 April 2008	9,237,507	2,861,696	4,704,227	4,046,200	6,158,454	27,008,084
Additions	-	712,013	31,209	1,284,606	8,068,518	10,096,346
Acquisitions (Note 37)	-	-	6,522	9,345	-	15,867
Currency translation differences	-	-	410	(1,927)	(55,340)	(56,857)
Transfer from capital projects	7,406,599	341,917	571,251	662,908	(8,982,675)	-
Disposals	(208,711)	(63,706)	(1,991)	(314,099)	-	(588,507)
31 March 2009	**16,435,395**	**3,851,920**	**5,311,628**	**5,687,033**	**5,188,957**	**36,474,933**
Depreciation						
1 April 2008	2,297,906	890,403	729,384	1,721,885	-	5,639,578
Charge for the year	887,387	206,862	230,055	825,432	-	2,149,736
Currency translation differences	-	-	-	(830)	-	(830)
Disposals	(58,591)	(49,424)	(875)	(290,377)	-	(399,267)
31 March 2009	**3,126,702**	**1,047,841**	**958,564**	**2,256,110**	**-**	**7,389,217**
Net book amount 31 March 2009	**13,308,693**	**2,804,079**	**4,353,064**	**3,430,923**	**5,188,957**	**29,085,716**

10. Property, plant and equipment (continued)

The net book amount of property, plant and equipment includes AED 10,469.4 million (2008: AED 6,385.4 million) in respect of aircraft and AED 369.3 million (2008: AED 431.7 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 339.0 million (2008: AED 540.0 million) in respect of assets provided as security against term loans.

No depreciation is charged on land carried at AED 277.6 million (2008: AED 277.6 million).

Property, plant and equipment includes capitalised interest amounting to AED Nil (2008: AED 42.4 million).

Capital projects include pre-delivery payments of AED 3,529.6 million (2008: AED 4,012.5 million) in respect of aircraft (Note 28) due for delivery between 2009 and 2020. An amount of AED Nil (2008: AED 345.7 million) has been transferred out of capital projects to trade and other receivables consequent to the sale of purchase rights in certain aircraft.

11. Intangible assets

	Goodwill AED'000	Service rights AED'000	Trade names AED'000	Contractual rights AED'000	Computer software AED'000	Total AED'000
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**
Cost						
1 April 2008	559,491	162,333	-	-	350,932	1,072,756
Additions	-	-	-	-	81,897	81,897
Acquisition (Note 37)	2,856	-	19,042	16,661	-	38,559
Currency translation differences	180	-	-	172	-	352
31 March 2009	**562,527**	**162,333**	**19,042**	**16,833**	**432,829**	**1,193,564**
Amortisation and impairment						
1 April 2008	6,738	33,241	-	-	169,424	209,403
Amortisation for the year	-	10,815	-	-	49,926	60,741
31 March 2009	**6,738**	**44,056**	**-**	**-**	**219,350**	**270,144**
Net book amount 31 March 2009	**555,789**	**118,277**	**19,042**	**16,833**	**213,479**	**923,420**

Computer software includes an amount of AED 72.4 million (2008: AED 87.4 million) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, goodwill amounting to AED 159.2 million (2008: AED 159.2 million) is allocated to the consumer goods cash generating unit, AED 25.1 million (2008: AED 25.1 million) is allocated to the food and beverages cash generating unit and AED 368.5 million (2008: AED 368.5 million) is allocated to the in-flight catering services cash generating unit. These cash generating units are based in Dubai. 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 include a risk adjusted discount rate, growth rates based on management's expectations for market development and historical gross margins of 15%, 17% and 20% for consumer goods, food and beverages and in-flight catering services cash generating units respectively. Cash flow projections are based on forecasts approved by management covering a three year period. Projected cash flows are discounted using a pre-tax discount rate of 12% per annum, which reflects specific risks relating to the cash generating units. Cash flows beyond the three year period have been extrapolated using a growth rate of 4% per annum. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate.

Goodwill allocated to the food and beverages cash generating unit in Australia amounts to AED 3.0 million (2008: AED Nil) and is not significant in comparison to total carrying amount of goodwill. Management is of the opinion that the goodwill is not impaired.

12. 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
Maritime & Mercantile International Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail Holding L.L.C.	100.0	Holding company	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 (Singapore) Pte Ltd.	100.0	Food and beverage operations	Singapore
Emirates Leisure Retail (Australia) Pty Ltd.	100.0	Food and beverage operations	Australia
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

Maritime & Mercantile International Holding L.L.C., Emirates Leisure Retail (Singapore) Pte Ltd. and Emirates Leisure Retail (Australia) Pty Ltd. were incorporated during the year. Emirates Leisure Retail (Oman) L.L.C. was incorporated during the previous year.

Principal associated companies

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Alpha Flight Services Pty Ltd.	49.0	Catering services to airlines	Australia

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

Emirates no longer has the ability to exercise significant influence in SriLankan Airlines Limited despite continuing to hold 43.6% of the equity share capital. The investment is classified as an available-for-sale financial asset (Note 14).

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
Premier Inn Hotels L.L.C.	51.0	Hotel operations	UAE
CAE Flight Training (India) Private Ltd.	50.0	Flight simulator training	India

The investment in CAE Flight Training (India) Private Ltd. was made during the year and is subject to joint control.

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

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

Movement of investments in associated companies and joint ventures

	2009 AED'000	2008 AED'000
Balance brought forward	**614,670**	**435,344**
Investments during the year	70,520	123,414
Share of results	62,800	60,517
Other equity movements	-	27,269
Dividends	(100,263)	(43,865)
Currency translation differences	(24,627)	11,991
Reclassification to available-for-sale financial assets	(182,032)	-
Balance carried forward	**441,068**	**614,670**

The carrying value of the investments in associated companies amounted to AED 147.5 million (2008: AED 382.7 million) and the share of results amounted to AED 49.3 million (2008: AED 49.6 million).

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

	2009 AED'000	2008 AED'000
Total assets	571,578	2,055,360
Total liabilities	187,901	1,454,604
Net assets	383,677	600,756
Revenue	815,714	3,350,387
Profit for the year	152,910	95,593

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

	2009 AED'000	2008 AED'000
Non-current assets	441,013	364,626
Current assets	64,321	136,373
Non-current liabilities	147,973	116,342
Current liabilities	63,862	152,598
Total income	98,323	77,553
Total expense	84,776	66,629

13. Advance lease rentals

	2009 AED'000	2008 AED'000
Balance brought forward	**253,336**	**258,776**
Additions / transfers during the year	-	25,221
Charge for the year	(30,578)	(30,661)
Balance carried forward	**222,758**	**253,336**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 17)	**30,655**	**30,662**
Total over one year	**192,103**	**222,674**

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

14. Other investments

(a) Available-for-sale financial assets

	2009 AED'000	2008 AED'000
Quoted	-	96,000
Unquoted	113,112	1,847,833
	113,112	**1,943,833**
Available-for-sale financial assets are expected to be realised as follows:		
Within one year	-	96,000
After one year	113,112	1,847,833
Available-for-sale financial assets are denominated in the following currencies:		
UAE Dirhams	-	96,000
US Dollars	4,079	1,847,833
Sri Lankan Rupees	109,033	-

The quoted investment represents Government of Dubai bonds which matured in the current financial year.

Unquoted investments include:

	2009 AED'000	2008 AED'000
Capital guaranteed notes	-	1,843,754
Depository certificates	4,079	4,079
Equity instrument	109,033	-
	113,112	**1,847,833**

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.

An impairment loss of AED 73.0 million (2008: AED Nil) has been recognised in operating costs in the consolidated income statement in relation to the equity instrument on account of the downturn arising from the global economic environment. The fair value of the equity instrument is based on management's best estimate of future cash flows discounted using a rate based on the market interest rate and the risk premium specific to this equity instrument.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available-for-sale financial assets. With the exception of equity instrument, none of the other available-for-sale financial assets are past due or impaired.

14. Other investments (continued)

(b) Held-to-maturity financial assets

	2009 AED'000	**2008** AED'000
Deposits with financial institutions:		
Current	200,000	215,796
Non-current	-	200,000
	200,000	**415,796**
The maturity dates fall into the following periods:		
Within one year	200,000	215,796
Between 1 and 2 years	-	200,000

The held-to-maturity financial assets are denominated either in UAE Dirhams, the functional currency or in US Dollars to which the UAE Dirham is pegged.

The effective interest rate earned was 3.43% (2008: 5.68%) 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 and currencies.

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

15. Loans and other receivables

	2009 AED'000	**2008** AED'000
Related parties (Note 34)	878,039	1,025,301
Other receivables	161,156	202,207
	1,039,195	**1,227,508**
The amounts are receivable as follows:		
Between 2 and 5 years	986,469	1,013,228
After 5 years	52,726	214,280
	1,039,195	**1,227,508**
Loans and other receivables are denominated in the following currencies:		
UAE Dirhams	5,350	6,490
US Dollars	994,111	1,221,018
Others	39,734	-

The fair value of loans and receivables amounts to AED 1,043.2 million (2008: AED 1,227.5 million). Fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturity and currencies based on credit spread applicable at the balance sheet date.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and other receivables. At the balance sheet date, loans and other receivables were neither past due nor impaired.

16. Inventories

	2009 AED'000	2008 AED'000
Engineering	430,503	351,726
In-flight consumables	351,408	244,078
Consumer goods	176,612	84,954
Other	94,050	70,532
	1,052,573	**751,290**

17. Trade and other receivables

	2009 AED'000	2008 AED'000
Trade receivables - net of provision	2,146,456	2,906,555
Related parties (Note 34)	2,070,101	1,383,651
Prepayments	1,349,725	1,723,257
Advance lease rentals (Note 13)	30,655	30,662
Operating lease and other deposits	869,347	881,054
Other receivables	1,681,837	1,481,888
	8,148,121	**8,407,067**
Less: Receivables over one year (Note 15)	(1,039,195)	(1,227,508)
	7,108,926	**7,179,559**

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 further recovery.

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

	2009 AED'000	2008 AED'000
Balance brought forward	101,022	78,939
Charge for the year	59,113	38,618
Unused amounts reversed	(52,150)	(17,548)
Amounts written off as uncollectible	(15,486)	(1,889)
Currency translation differences	(8,145)	2,902
Balance carried forward	**84,354**	**101,022**

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:

	2009 AED'000	2008 AED'000
Below 3 months	358,111	383,181
3-6 months	52,997	64,642
Above 6 months	214,562	23,090
	625,670	**470,913**

18. Capital

Capital represents the permanent capital of Emirates.

19. Reserves

	Retained earnings AED'000	Fair value reserve: Hedging instruments AED'000	Fair value reserve: Other AED'000	Translation reserve AED'000	Total AED'000
1 April 2007	**11,083,428**	**1,220,444**	**(27,628)**	**(37,099)**	**12,239,145**
Transfers	1,724,948	(1,724,948)	-	-	-
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	-	(294,818)	-	-	(294,818)
-associated companies	-	27,269	-	-	27,269
Transferred to consolidated income statement	-	(107,702)	-	-	(107,702)
Profit for the year	5,020,424	-	-	-	5,020,424
Dividend	(1,000,000)	-	-	-	(1,000,000)
31 March 2008	**16,828,800**	**(879,755)**	**(41,125)**	**(22,303)**	**15,885,617**
Currency translation differences	-	-	-	(79,522)	(79,522)
Loss on available-for-sale financial assets	-	-	(175,366)	-	(175,366)
Gain on fair value of cash flow hedges:					
-excluding associated companies	-	761,432	-	-	761,432
Transferred to consolidated income statement	-	(16,222)	216,491	35,747	236,016
Profit for the year	981,676	-	-	-	981,676
Dividend	(2,001,121)	-	-	-	(2,001,121)
31 March 2009	**15,809,355**	**(134,545)**	**-**	**(66,078)**	**15,608,732**

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

	2009 AED'000	2008 AED'000
Revenue	25,010	(212,688)
Operating costs	(255,539)	173,002
Finance costs	(5,487)	147,388
	(236,016)	**107,702**

Fuel derivative instruments that do not meet the hedging criteria (Note 7) have been transferred to retained earnings and the income statement, where material.

20. Borrowings and lease liabilities

	2009 AED'000	2008 AED'000
Non-current		
Bonds (Note 21)	6,650,525	6,745,067
Term loans (Note 22)	409,162	520,909
Lease liabilities (Note 23)	8,080,188	5,034,634
	15,139,875	**12,300,610**
Current		
Term loans (Note 22)	121,746	393,296
Lease liabilities (Note 23)	1,248,306	1,022,979
Bank overdrafts (Note 30)	1,576	-
	1,371,628	**1,416,275**
	16,511,503	**13,716,885**
Borrowings and lease liabilities are denominated in the following currencies:		
UAE Dirhams	2,157,518	2,234,603
US Dollars	13,232,246	10,240,657
Singapore Dollars	965,800	1,063,151
Others	155,939	178,474

The effective interest rate per annum on lease liabilities and term loans was 3.38% (2008: 5.13%) and on bonds was 3.69% (2008: 5.30%).

21. Bonds

	2009 AED'000	2008 AED'000
Bonds are denominated in the following currencies:		
UAE Dirhams	1,836,500	1,836,500
Singapore Dollars	967,120	1,065,064
US Dollars	3,856,650	3,856,650
	6,660,270	**6,758,214**
Less: Transaction costs	(9,745)	(13,147)
	6,650,525	**6,745,067**
Bonds are repayable as follows:		
Between 2 and 5 years	6,288,350	4,514,251
After 5 years	362,175	2,230,816

Contractual repricing dates are set at six month intervals except for bonds denominated in Singapore Dollars amounting to AED 483.6 million (2008: AED 532.5 million) which carry a fixed interest rate over their term.

USD bonds, carried at AED 2,020.2 million (2008: AED 2,020.2 million), represent the proceeds raised from an Islamic 'sukuk' (bond) issue to finance the construction of certain buildings.

The fair value of bonds amount to AED 6,325.4 million (2008: AED 6,728.4 million). The fair value of the Singapore Dollar bonds is AED 700.8 million (2008: AED 1,035.2 million), which is based on listed prices. The fair value of the other bonds is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

22. Term loans

	2009 AED'000	2008 AED'000
Balance brought forward	**914,205**	**1,071,171**
Repayments during the year	(383,297)	(156,966)
Balance carried forward	**530,908**	**914,205**
Loans are repayable as follows:		
Within one year (Note 20)	**121,746**	**393,296**
Between 2 and 5 years	409,162	457,997
After 5 years	-	62,912
Total over one year (Note 20)	**409,162**	**520,909**
Loans are denominated in the following currencies:		
UAE Dirhams	324,557	402,469
US Dollars	206,351	511,736

Contractual repricing dates are set at six month intervals. Term loans amounting to AED 206.4 million (2008: AED 536.7 million) are secured on land and buildings, aircraft and aircraft engines and parts.

The fair value of the term loans amounts to AED 518.2 million (2008: AED 914.2 million). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

23. Lease liabilities

Finance leases

	2009 AED'000	2008 AED'000
Gross lease liabilities:		
Within one year	1,503,058	1,253,094
Between 2 and 5 years	3,972,214	3,121,403
After 5 years	6,746,519	3,697,934
	12,221,791	**8,072,431**
Future interest	(2,893,297)	(1,898,464)
Term deposits	-	(116,354)
Present value of finance lease liabilities	**9,328,494**	**6,057,613**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 20)	**1,248,306**	**1,022,979**
Between 2 and 5 years	2,609,859	2,093,306
After 5 years	5,470,329	2,941,328
Total over one year (Note 20)	**8,080,188**	**5,034,634**
The present value of finance lease liabilities are denominated in the following currencies:		
US Dollars	9,174,131	5,879,139
Others	154,363	178,474

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 2009, the penalties would have been AED 77.9 million (2008: AED 171.7 million).

23. Lease liabilities (continued)

The fair value of lease liabilities amounts to AED 6,977.9 million (2008: AED 6,061.4 million). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

	2009 AED'000	2008 AED'000
Operating leases		
Future minimum lease payments are as follows:		
Aircraft fleet	28,107,555	25,880,651
Other	2,748,955	2,504,453
	30,856,510	**28,385,104**
Within one year	3,885,544	3,486,778
Between 2 and 5 years	14,273,279	13,059,833
After 5 years	12,697,687	11,838,493
	30,856,510	**28,385,104**

In the event of the aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2009, the penalties would have been AED 489.2 million (2008: AED 478.0 million).

Emirates is entitled to extend certain aircraft leases for a further period of one to four years at the end of the initial lease period. Further, Emirates is entitled to purchase eighteen of ninety four (2008: eighteen of eighty five) aircraft under these leases.

In addition, Emirates has eight Boeing aircraft contracted on operating leases for delivery between April 2009 and March 2014.

24. Provisions

	2009 AED'000	2008 AED'000
Employee end of service benefits	366,943	445,612
Frequent flyer programme	179,902	124,731
	546,845	**570,343**

Employee end of service benefits

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 March 2009, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 5.0% (2008: 5.0%) and a discount rate of 6.5% (2008: 6.0%) per annum. The present values of the defined benefit obligations at 31 March 2009 were computed using the actuarial assumptions set out above.

The liabilities recognised in the balance sheet are:

	2009 AED'000	2008 AED'000
Present value of funded defined benefit obligations	635,394	691,394
Less: Fair value of plan assets	(603,222)	(672,899)
	32,172	**18,495**
Present value of unfunded defined benefit obligations	334,771	427,117
	366,943	**445,612**

24. Provisions (continued)

(i) Funded scheme

Senior employees based in the UAE participate in a defined benefit provident scheme to which Emirates contributes a specified percentage of basic salary based upon the employee's grade and duration of service. Amounts contributed are invested in a trustee administered scheme and accumulate along with returns earned on investments. Contributions are made on a monthly basis irrespective of fund performance and are not pooled, but are separately identifiable and attributable to each participant. The fund comprises a diverse mix of managed funds and investment decisions are controlled directly by the participating employees.

Benefits receivable under the provident scheme are subject to vesting rules, which are dependent upon a participating employee's length of service. If at the time an employee leaves employment, the accumulated vested amount including investment returns, is less than the end of service benefits that would have been payable to that employee under relevant local regulations, Emirates pays the shortfall amount directly to the employee. However, if the accumulated vested amount exceeds the end of service benefits that would have been payable to an employee under relevant local regulations, the employee receives between seventy five and one hundred percent of their fund balance. Vested assets of the scheme are not available to Emirates or its creditors in any circumstances.

The liability of AED 32.2 million (2008: AED 18.5 million) represents the amount that will not be settled from plan assets and is calculated as the excess of the present value of the defined benefit obligation for an individual employee over the fair value of the employee's plan assets at the balance sheet date.

Movements in the value of the plan assets are as follows:

	2009 AED'000	**2008** AED'000
Balance brought forward	**672,899**	**520,486**
Contributions made	154,686	118,939
Benefits paid	(35,044)	(29,460)
Change in fair value	(189,319)	62,934
Balance carried forward	**603,222**	**672,899**

Contributions made include the transfer of accumulated benefits from unfunded schemes. The charge to the consolidated income statement arising from this scheme amounted to AED 156.4 million (2008: AED 120.4 million). Emirates expects to contribute approximately AED 148.0 million for existing plan members during the year ending 31 March 2010.

Actuarial gains and losses and expected returns on plan assets are not calculated given that investment decisions relating to plan assets are under the direct control of participating employees.

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans follow relevant local regulations, which are mainly based on periods of cumulative service and levels of employees' final basic salary. The liability recognised in the consolidated balance sheet is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for past-service costs and unamortised actuarial gains of AED 21.3 million (2008: AED Nil).

24. Provisions (continued)

The movement in the defined benefit obligation is:

	2009 AED'000	2008 AED'000
Balance brought forward	**427,117**	**363,018**
Acquisition (Note 37)	105	-
Release of excess provision	(100,099)	-
Charge for the year	69,738	103,145
Payments made during the year	(62,090)	(39,046)
Balance carried forward	**334,771**	**427,117**

Payments made during the year include the transfer of accumulated benefits to Emirates’ funded scheme.

Frequent flyer programme

Movements in the provision for frequent flyer programme are as follows:

	2009 AED'000	2008 AED'000
Balance brought forward	**124,731**	**81,468**
Charge for the year	133,800	85,453
Benefits utilised during the year	(78,629)	(42,190)
Balance carried forward	**179,902**	**124,731**

25. Deferred credits

	2009 AED'000	2008 AED'000
Balance brought forward	**764,760**	**878,459**
Net additions during the year	57,541	110,240
Transferred to property, plant and equipment	-	(65,514)
Recognised during the year	(161,255)	(158,425)
Balance carried forward	**661,046**	**764,760**
Deferred credits will be recognised as follows:		
Within one year	**168,980**	**164,696**
Over one year	**492,066**	**600,064**

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

26. Deferred income tax liability

	2009 AED'000	2008 AED'000
Balance brought forward	**19,950**	**50,642**
Credited to the consolidated income statement	(7,267)	(30,692)
Balance carried forward	**12,683**	**19,950**

The deferred income tax liability is on account of accelerated tax depreciation.

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 391.3 million (2008: AED 351.0 million).

27. Trade and other payables

	2009 AED'000	2008 AED'000
Trade payables and accruals	7,478,146	6,928,586
Related parties (Note 34)	194,491	55,855
Passenger and cargo sales in advance	4,883,416	5,666,090
Dividend payable	-	911,848
	12,556,053	**13,562,379**
Less: Payables over one year	(25,307)	(12,578)
	12,530,746	**13,549,801**

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

28. Commitments

Capital commitments

	2009 AED'000	2008 AED'000
Authorised and contracted:		
Aircraft fleet	100,279,291	109,545,992
Non-aircraft	2,453,451	2,294,081
Joint ventures	100,080	-
	102,832,822	**111,840,073**
Authorised but not contracted:		
Non-aircraft	3,189,035	7,632,592
Joint ventures	51,492	52,340
	3,240,527	**7,684,932**
	106,073,349	**119,525,005**

Commitments have been entered into for the purchase of aircraft for delivery as follows (Note 10):

Financial year	**Aircraft**
2009 - 2010	17
Beyond 2009 - 2010	136

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

Operational commitments

	2009 AED'000	2008 AED'000
Sales and marketing	1,514,093	1,639,594

29. Guarantees

	2009 AED'000	2008 AED'000
Performance bonds and letters of credit provided by bankers in the normal course of business	296,574	588,371

30. Short term bank deposits and cash and cash equivalents

	2009 AED'000	2008 AED'000
Bank deposits	6,523,222	9,621,585
Cash and bank	645,138	738,327
Cash and bank balances	**7,168,360**	**10,359,912**
Less: Short term bank deposits - margins placed	(771,225)	-
Less: Short term bank deposits - over 3 months	(1,847,696)	(7,644,972)
Short term bank deposits	**(2,618,921)**	**(7,644,972)**
Cash and cash equivalents as per consolidated balance sheet	**4,549,439**	**2,714,940**
Bank overdraft (Note 20)	(1,576)	-
Cash and cash equivalents as per consolidated cash flow statement	**4,547,863**	**2,714,940**

Cash and bank balances earned an effective interest rate of 4.90% (2008: 5.20%) per annum. Margins are placed against letters of credit issued by bankers.

31. Analysis of capital expenditure

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

	2009 AED'000	2008 AED'000
Payments for property, plant and equipment	10,031,933	8,903,179
Less: Assets acquired under finance leases	(4,459,104)	(2,788,649)
Cash outflow on capital expenditure	**5,572,829**	**6,114,530**

32. Derivative financial instruments

Description	2009		2008	
	Term	AED'000	Term	AED'000
Non-current assets				
Cash flow hedge				
Currency swaps and forwards	2009-2017	**124,521**	2008-2016	**157,122**
Fair value through profit and loss				
Fuel price futures and options		**-**		**1,220,045**
		124,521		**1,377,167**
Current assets				
Cash flow hedge				
Currency swaps and forwards		-	2008-2009	1,867
		-		**1,867**
Fair value through profit and loss				
Fuel price futures and options		**-**		**185,859**
		-		**187,726**
Non-current liabilities				
Cash flow hedge				
Interest rate swaps	2009-2020	(528,366)	2008-2015	(55,449)
Currency swaps and forwards	2009-2011	(9,909)	2008-2017	(647,423)
		(538,275)		**(702,872)**
Current liabilities				
Cash flow hedge				
Currency swaps and forwards	2009-2010	(3,009)	2008-2009	(69,267)
		(3,009)		**(69,267)**
Fair value through profit and loss				
Fuel price futures and options		**(28,268)**		**(100,829)**
		(31,277)		**(170,096)**

The notional principal amounts outstanding are:

	2009	**2008**
	AED'000	AED'000
Interest rate contracts	1,349,225	463,033
Currency contracts	2,280,354	5,253,309
Fuel price contracts	5,600	15,180,000

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 275.2 million (2008: AED 41.7 million) will enter into the determination of profit between 2009 and 2017.

Inflows on account of terminated interest rate derivatives amounting to AED 52.8 million (2008: AED 69.4 million) will enter into the determination of profit between 2009 and 2012.

An amount of AED Nil (2008: AED 15.8 million) 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.

During the year, the majority of Emirates fuel hedging contracts have been novated to the parent company (Note 34). In the previous year, letters of credit amounting to AED 367.3 million had been provided as collateral against the fuel derivative liability.

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

33. 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
2009						
Assets						
Available-for-sale financial assets	113,112	-	-	-	-	113,112
Held-to-maturity financial assets	-	200,000	-	-	-	200,000
Loans and other receivables	-	-	1,039,195	-	-	1,039,195
Derivative financial instruments	-	-	-	124,521	-	124,521
Trade and other receivables (excluding prepayments and advance lease rentals)	-	-	5,728,546	-	-	5,728,546
Short term bank deposits	-	-	2,618,921	-	-	2,618,921
Cash and cash equivalents	-	-	4,549,439	-	-	4,549,439
Total	**113,112**	**200,000**	**13,936,101**	**124,521**	**-**	**14,373,734**
Liabilities						
Borrowings and lease liabilities	-	-	-	-	16,511,503	16,511,503
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	-	-	6,907,138	6,907,138
Derivative financial instruments	-	-	-	569,552	-	569,552
Total	**-**	**-**	**-**	**569,552**	**23,418,641**	**23,988,193**
2008						
Assets						
Available-for-sale financial assets	1,943,833	-	-	-	-	1,943,833
Held-to-maturity financial assets	-	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**

34. Related party transactions

The following transactions were carried out with related parties:

	2009 AED'000	2008 AED'000
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Associated companies	56,785	9,163
Sale of goods - Joint ventures	774	-
Sale of goods - Companies under common control	5,238	4,939
Services rendered - Associated companies	28,715	113,952
Services rendered - Joint ventures	13,521	9,080
Services rendered - Companies under common control	39,785	34,094
	144,818	**171,228**
(ii) Purchase of goods and services		
Purchase of goods - Associated companies	211,967	94,512
Purchase of goods - Companies under common control	2,423,134	1,619,277
Services received - Associated companies	-	8,566
Services received - Joint ventures	19,109	20,158
Services received - Companies under common control	1,368,395	949,565
	4,022,605	**2,692,078**
Other transactions:		
(i) Finance income		
Joint ventures	5,828	5,696
Companies under common control	27,356	17,871
Parent company	11,914	-
	45,098	**23,567**
(ii) Sale of assets		
Joint ventures	24,259	-
Companies under common control	-	1,928,325
	24,259	**1,928,325**
(iii) Sale of purchase rights in assets		
Companies under common control	**-**	**720,413**
(iv) Compensation to key management personnel		
Salaries and short term employee benefits	110,172	180,114
Post-employment benefits	15,107	16,277
Termination benefits	410	-
	125,689	**196,391**
(v) Transfer of financial instruments		
Parent company	**53,784**	**-**
(vi) Provision of letters of credit		
Parent company	**5,887,819**	**-**
Year end balances		
(i) Receivables - sale of goods and services (Note 17)		
Associated companies	23,464	15,308
Joint ventures	6,688	235
Companies under common control	19,347	111,891
	49,499	**127,434**

34. Related party transactions (continued)

	2009 AED'000	2008 AED'000
(ii) Receivables - other transactions		
Joint ventures	2,706	8,643
Companies under common control	818,265	801,116
Parent company	470,990	-
	1,291,961	**809,759**
Receivable within one year (Note 17)	**668,221**	**77,685**
Receivable over one year (Note 15)	**623,740**	**732,074**
(iii) Payables - purchase of goods and services (Note 27)		
Associated companies	25,126	33,969
Joint ventures	69	2,053
Companies under common control	19,296	19,833
	44,491	**55,855**
(iv) Other payables (Note 27)		
Companies under common control	**150,000**	**-**

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.

(v) Loans

	2009 AED'000	2008 AED'000
Joint ventures	94,830	87,234
Companies under common control	625,743	345,711
	720,573	**432,945**
Movement in the loans were as follows:		
Balance brought forward	**432,945**	**91,825**
Extended during the year	477,535	345,711
Repayments during the year	(185,199)	(4,591)
Currency translation differences	(4,708)	-
Balance carried forward	**720,573**	**432,945**
Receivable within one year (Note 17)	**471,624**	**146,208**
Receivable over one year (Note 15)	**248,949**	**286,737**

The effective interest rate on the loans was 4.73% (2008: 6.41%) per annum.

(vi) Loans and advances to key management personnel

	2009	2008
Balance brought forward	**13,513**	**2,670**
Additions during the year	4,963	14,478
Repayments during the year	(10,408)	(3,635)
Balance carried forward	**8,068**	**13,513**
Receivable within one year (Note 17)	**2,718**	**7,023**
Receivable over one year (Note 15)	**5,350**	**6,490**

Loans and advances are interest free and repayable over a period upto sixty months. Emirates has the right to recover outstanding loans and advances against the final dues payable to the employees.

35. Financial risk management

Financial risk factors

Emirates is exposed to a variety of financial risks which involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Emirates aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on Emirates' financial performance.

Emirates risk management procedures are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. Emirates regularly reviews its risk management procedures and systems to reflect changes in markets, products and emerging best practice. Emirates uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by corporate treasury under procedures that are approved by a steering group comprising of senior management. Corporate treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. Senior management is also responsible for the review of risk management and the control environment. The most important types of risk are credit risk and concentrations of risk, market risk and liquidity risk. Market risk includes currency risk, interest rate risk and price risk.

(i) Credit risk

Emirates is exposed to credit risk, which is the risk that the counterparty will cause a financial loss to Emirates by failing to discharge an obligation. Financial assets that potentially subject Emirates to credit risk consist principally of deposits with banks and other financial institutions, derivative counterparties as well as receivables from agents selling commercial air transportation. Emirates uses external ratings such as Standard & Poor's and Moody's or their equivalent in order to measure and monitor its credit risk exposures to financial institutions. In the absence of independent ratings, credit quality is assessed based on counterparty's financial position, past experience and other factors.

Emirates manages limits and controls concentrations of risk wherever they are identified. In the normal course of business, Emirates places significant deposits with high credit quality banks and financial institutions. Transactions with derivative counterparties are similarly limited to high credit quality financial institutions. Exposure to credit risk is also managed through regular analysis of the ability of counterparties and potential counterparties to meet their obligations and by changing their limits where appropriate. Approximately 23% (2008: 25%) of short term bank deposits, cash and cash equivalent and held-to-maturity financial assets are held with financial institutions under common control. Approximately 92% (2008: 81%) of cash and bank balances are held with financial institutions based in the UAE.

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.

The table below presents an analysis of short term bank deposits, cash and cash equivalents and held-to-maturity financial assets by rating agency designation at the balance sheet date based on Standard & Poor's ratings or its equivalent for the main banking relationships:

	2009 AED'000	**2008** AED'000
AA- to AA+	3,246,404	723,097
A- to A+	3,439,137	8,949,915
Lower than A-	194,414	437,823

35. Financial risk management (continued)

(ii) Market risk

Emirates is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - fuel price risk, currency risk and interest rate risk.

Fuel price risk

Emirates is exposed to volatility in the price of jet fuel and closely monitors the actual cost against the forecast cost. At the commencement of the year, Emirates had certain financially settled derivatives indexed to crude oil to manage the upside price risk. These instruments had features which leverage the risk to Emirates when oil prices decline. Emirates uses swaps and options to mitigate some of this downside risk. During the year, Emirates has significantly reduced its open positions and at the balance sheet date has minimal exposure to fuel price risk (Note 32). To manage the upside price risk, Emirates utilises commodity futures and options to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected.

Currency risk

Emirates is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Exposure arises due to exchange rate fluctuations between the UAE Dirham and other currencies generated from Emirates revenue earning and borrowing 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. Currency exposure exists on the Singapore Dollar bond, the summarised quantitative data for which is available in Note 21. Senior management monitors currency positions on a regular basis.

Emirates is in a net payer position with respect to the US Dollar and in a net surplus position for other currencies. Currency surpluses are converted to US Dollar and UAE Dirham funds. Currency risks arises mainly from Emirates revenue earning activities in UK Pounds, Euro, Australian Dollars and Japanese Yen. Currency risks are hedged using forwards and options, as appropriate, as well as by way of a natural hedge between foreign currency inflows and outflows.

Interest rate risk

Emirates is exposed to the effects of fluctuations in the prevailing levels of interest rates on borrowings and investments. Exposure arises from interest rate fluctuations in the international financial markets with respect to interest cost on its long term debt obligations, operating lease rentals and interest income on its cash surpluses. The key reference rates based on which interest costs are determined are LIBOR, EIBOR for UAE Dirhams and SIBOR for Singapore Dollars. Summarised quantitative data is available in Note 20 for interest cost exposures.

Borrowings taken at variable rates expose Emirates to cash flow interest rate risk while borrowings issued at fixed rates expose Emirates to fair value interest rate risk. Emirates targets a balanced portfolio approach, whilst nevertheless taking advantage of opportune market movements, by hedging around half of its net interest rate exposure going forward, using appropriate hedging solutions including interest swaps. Variable rate debt and cash surpluses are mainly denominated in UAE Dirhams and US Dollars.

35. 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 and has been computed on the basis of assumptions and indices used and considered by other market participants.

	2009 AED'000		2008 AED'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
Interest cost				
- 100 basis points				
UAE Dirhams	21,826	21,826	22,446	22,446
US Dollars	120,088	(138,787)	89,377	25,461
Singapore Dollars	4,836	4,836	9,240	9,240
	146,750	**(112,125)**	**121,063**	**57,147**
+ 100 basis points				
UAE Dirhams	(21,826)	(21,826)	(22,446)	(22,446)
US Dollars	(120,088)	138,787	(89,377)	(25,461)
Singapore Dollars	(4,836)	(4,836)	(9,240)	(9,240)
	(146,750)	**112,125**	**(121,063)**	**(57,147)**
Interest income				
- 100 basis points	(25,120)	(25,120)	(20,097)	(20,097)
+ 100 basis points	25,120	25,120	20,097	20,097
Currency - UK Pounds				
+ 1%	844	(3,173)	1,135	(10,704)
- 1%	(844)	3,173	(1,135)	10,704
Currency - Euro				
+ 1%	1,132	1,132	5,818	(670)
- 1%	(1,132)	(1,132)	(5,818)	670
Currency - Australian Dollars				
+ 1%	330	330	2,996	(4,834)
- 1%	(330)	(330)	(2,996)	4,834
Currency - Japanese Yen				
+ 1%	-	(3,345)	-	-
- 1%	-	3,345	-	-
Currency - Singapore Dollars				
+ 1%	(9,672)	(9,672)	-	-
- 1%	9,672	9,672	-	-
Fuel price				
+ 5 US Dollar (2008: + 1 US Dollar)	(16,348)	(16,348)	52,891	52,891
- 5 US Dollar (2008: - 1 US Dollar)	16,709	16,709	(63,176)	(63,176)

The sensitivity analysis for fuel in the current year is not comparable with the previous year as Emirates has significantly reduced its open fuel positions.

35. Financial risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that Emirates is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Emirates liquidity management process as monitored by the senior management, includes the following:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature. Emirates maintains diversified credit lines to enable this to happen.
- Maintaining rolling forecasts of Emirates liquidity position on the basis of expected cash flows.
- Monitoring balance sheet liquidity ratios against internal standards.
- Maintaining debt financing plans.

Sources of liquidity are regularly reviewed by senior management to maintain a diversification by geography, provider, product and term.

Summarised below in the table is the maturity profile of financial liabilities and net-settled derivative 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
2009				
Borrowings and lease liabilities	1,856,392	11,502,331	7,134,877	20,493,600
Derivative financial instruments	115,102	416,570	66,705	598,377
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	6,881,831	25,307	-	6,907,138
	8,853,325	**11,944,208**	**7,201,582**	**27,999,115**
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**

36. Capital risk management

Emirates objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for its Owner and to maintain an optimal capital structure to reduce the cost of capital.

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 better return to the Owner by borrowing and taking aircraft on operating leases to meet its growth plans. In 2009, Emirates achieved a return on Owner's equity funds of 5.9% (2008: 33.8%) in comparison to an effective interest rate of 3.5% (2008: 5.2%) on borrowings.

Emirates also monitors capital on the basis of a gearing ratio which is calculated as the ratio of non-current liabilities and lease liabilities, net of cash to Owner's equity. In 2009 this ratio was 48.6% (2008: 0.6%) and if operating leases are included, the same ratio was 138.5% (2008: 82.0%).

37. Business combinations

On 23 March 2009, Emirates acquired 100% of the business of Hudsons Coffee through its wholly owned subsidiary Emirates Leisure Retail Holding L.L.C. The principal activities of Hudsons Coffee Pty Ltd is retail sales of food and beverage products in Australia. Revenue and profit from the date of acquisition to 31 March 2009 is not material.

	Recognised on acquisition AED'000	**Acquiree's carrying amount** AED'000
Cash and cash equivalents	445	445
Property, plant and equipment (Note 10)	15,867	14,676
Intangible assets (Note 11)	35,703	-
Other current assets	1,485	1,171
Employee end of service benefits provision (Note 24)	(105)	(105)
Current liabilities	(4,389)	(4,389)
Fair value of assets acquired	**49,006**	**11,798**
Goodwill (Note 11)	2,856	
Total purchase consideration	51,862	
Less: Cash and cash equivalents acquired	(445)	
Cash outflow on acquisition	**51,417**	

38. Comparatives

The following comparative figures have been reclassified to conform with the current year's presentation so that they appropriately reflect the nature of the transactions:

• Operating costs amounting to AED 729.2 million have been reclassified to other gains and losses to reflect the change in fair value of derivative financial instruments that do not qualify for hedge accounting (Note 7).

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 2009 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dnata as of 31 March 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
11 May 2009

Consolidated income statement for the year ended 31 March 2009

	Note	2009 AED'000	2008 AED'000
Revenue	4	3,158,848	2,553,702
Other operating income		21,711	31,783
Operating costs	5	(2,713,797)	(2,340,239)
Operating profit		**466,762**	**245,246**
Finance income	6	44,651	70,148
Finance costs	6	(19,638)	(14,874)
Share of results in associated companies and joint ventures	10	24,953	12,825
Profit before income tax		**516,728**	**313,345**
Income tax expense	7	(9,466)	(8,428)
Profit for the year		**507,262**	**304,917**
Loss attributable to minority interest		**(49)**	**-**
Profit attributable to Dnata's Owner		**507,311**	**304,917**

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

Consolidated balance sheet as at 31 March 2009

	Note	2009 AED'000	2008 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	841,003	890,377
Intangible assets	9	647,421	762,017
Investments in associated companies and joint ventures	10	468,356	264,077
Loans to related parties	23	1,270	1,307
Advance lease rentals	11	25,264	28,781
Deferred tax assets	16	1,181	3,735
		1,984,495	**1,950,294**
Current assets			
Inventories		23,068	21,583
Trade and other receivables	12	589,544	586,746
Short term bank deposits	21	454,219	809,003
Cash and cash equivalents	21	895,516	574,435
		1,962,347	**1,991,767**
Total assets		**3,946,842**	**3,942,061**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	13	62,615	62,615
Reserves		2,489,986	2,117,149
Attributable to Dnata's Owner		**2,552,601**	**2,179,764**
Minority interest		**97**	**-**
Total equity		**2,552,698**	**2,179,764**
Non-current liabilities			
Employee end of service benefits provision	14	191,777	202,763
Term loans	15	411,807	528,086
Deferred tax liabilities	16	93,036	114,070
		696,620	**844,919**
Current liabilities			
Trade and other payables	17	628,582	855,206
Term loans	15	56,093	49,904
Income tax liabilities		12,849	12,268
		697,524	**917,378**
Total liabilities		**1,394,144**	**1,762,297**
Total equity and liabilities		**3,946,842**	**3,942,061**

The consolidated financial statements were approved on the 11th day of May 2009 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 2009

	Attributable to Dnata's Owner						
	Capital AED'000	Capital reserve AED'000	Translation reserve AED'000	Retained earnings AED'000	Total AED'000	Minority interest AED'000	Total equity AED'000
1 April 2007	**62,615**	**924**	**8,464**	**1,751,197**	**1,823,200**	**-**	**1,823,200**
Currency translation differences	-	-	51,493	-	51,493	-	51,493
Other equity movement - associated companies (Note 10)	-	154	-	-	154	-	154
Net direct movement in equity	**-**	**154**	**51,493**	**-**	**51,647**	**-**	**51,647**
Profit for the year	-	-	-	304,917	304,917	-	304,917
Total net income for the year	**-**	**154**	**51,493**	**304,917**	**356,564**	**-**	**356,564**
31 March 2008	**62,615**	**1,078**	**59,957**	**2,056,114**	**2,179,764**	**-**	**2,179,764**
Currency translation differences	-	-	(128,388)	-	(128,388)	-	(128,388)
Other equity movement - associated companies (Note 10)	-	73	(6,159)	-	(6,086)	-	(6,086)
Net direct movement in equity	**-**	**73**	**(134,547)**	**-**	**(134,474)**	**-**	**(134,474)**
Profit for the year	-	-	-	507,311	507,311	(49)	507,262
Total net income for the year	**-**	**73**	**(134,547)**	**507,311**	**372,837**	**(49)**	**372,788**
Minority interest arising on business combinations (Note 25)	-	-	-	-	-	146	146
31 March 2009	**62,615**	**1,151**	**(74,590)**	**2,563,425**	**2,552,601**	**97**	**2,552,698**

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 2009

	2009 AED'000	2008 AED'000
Operating activities		
Profit for the year before income tax	516,728	313,345
Adjustments for:		
Depreciation and amortisation (Note 5)	249,470	222,978
Finance income - net (Note 6)	(25,013)	(55,274)
Amortisation of advance lease rentals (Note 11)	928	1,278
Share of results in associated companies and joint ventures (Note 10)	(24,953)	(12,825)
Profit on sale of property, plant and equipment and intangible assets	(532)	(725)
Net provision for impairment of trade receivables (Note 12)	2,468	6,221
Impairment of loan to a related party (Note 23)	-	2,590
Provision for employee benefits (Note 5)	35,254	73,940
Employee benefit payments	(46,240)	(51,104)
Income tax paid	(14,110)	(23,301)
Change in inventories	(2,280)	(1,499)
Change in trade and other receivables	(10,179)	(115,177)
Change in trade and other payables	(201,447)	179,457
Net cash generated from operating activities	**480,094**	**539,904**
Investing activities		
Purchase of property, plant and equipment (Note 8)	(172,022)	(190,809)
Additions to intangible assets (Note 9)	(25,765)	(14,474)
Proceeds from sale of property, plant and equipment and intangible assets	2,236	2,781
Investments in associated companies and joint ventures (Note 10)	(271,337)	(220,427)
Finance income	40,489	71,614
Dividend received from associated companies	8,854	18,150
Movement in short term bank deposits (Note 21)	354,784	(625,353)
Acquisition of a subsidiary (Note 25)	(1,305)	(447,507)
Loans to related parties - net (Note 23)	(7,952)	(13,775)
Net cash used in investing activities	**(72,018)**	**(1,419,800)**
Financing activities		
Net movement in loans (Note 15)	(48,342)	238,851
Finance cost	(19,429)	(14,673)
Net cash (used in) / provided by financing activities	**(67,771)**	**224,178**
Net increase / (decrease) in cash and cash equivalents	**340,305**	**(655,718)**
Cash and cash equivalents at beginning of year	574,435	1,219,668
Effects of exchange rate changes	(19,224)	10,485
Cash and cash equivalents at end of year (Note 21)	**895,516**	**574,435**

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 Investment Corporation of Dubai, a Government of Dubai entity.

Dnata is incorporated and domiciled in Dubai, UAE. The address of its registered office is Dnata Travel Centre, Sheikh Zayed Road, PO Box 1515, Dubai, UAE.

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, have not been early adopted and are relevant to Dnata's 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 January 2009. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Dnata's operations:

- IFRS 3 (Revised), Business combinations (effective from 1 July 2009)
- IFRS 8, Operating segments (effective from 1 January 2009)
- IAS 1 (Revised), Presentation of financial statements (effective from 1 January 2009)
- IAS 19 (Amendment), Employee benefits (effective from 1 January 2009)
- IAS 23 (Amendment), Borrowing costs (effective from 1 January 2009)
- IAS 27 (Revised), Consolidated and separate financial statements (effective from 1 July 2009)
- IAS 28 (Amendment), Investment in associates (effective from 1 January 2009)
- IAS 36 (Amendment), Impairment of assets (effective from 1 January 2009)
- IAS 38 (Amendment), Intangible assets (effective from 1 January 2009)
- IAS 39 (Amendment), Financial instruments (effective from 1 January 2009)

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.

2. Summary of significant accounting policies (continued)

Transactions with minority interests are treated as transactions with parties external to Dnata. 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 Dnata has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. 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. Investments 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.

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 consolidated income statement.

Income statements and cash flows of subsidiaries are translated into UAE Dirhams at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates 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 consolidated 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 exchange rates ruling on the balance sheet date.

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 consolidated income statement during the period in which they are incurred.

2. Summary of significant accounting policies (continued)

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.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and recognised in the consolidated income statement.

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	3 - 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 loss. 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 loss on goodwill is not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

2. Summary of significant accounting policies (continued)

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 consolidated 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 consolidated income statement over the period of the borrowing using the effective interest rate method.

Employee end of service benefits

Dnata operates or participates in various end of service benefit plans, which are classified either as defined contribution or defined benefit plans.

A defined contribution plan is a pension scheme under which Dnata pays fixed contributions and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle the benefits relating to the employees service in the current and prior periods. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the balance sheet for defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets at that date, together with adjustments for unrecognised past-service costs and unamortised actuarial gains and losses. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the balance sheet date of high quality corporate bonds that have terms to maturity approximating the estimated term of the post-employment benefit obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions that are in excess of the corridor limits determined in accordance with IAS 19, are amortised to the consolidated income statement over a period of three years.

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 consolidated 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.

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise all cash and liquid funds with an original maturity of three months or less and bank overdrafts. Other bank deposits with maturity less than a year are classified as short term bank deposits. Bank overdrafts, if any, are shown within current liabilities in the consolidated balance sheet.

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 intangible assets on acquisition

For each acquisition management assesses the fair value of intangible assets acquired. The instance 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.

Amortisation of intangible assets

Management assigns useful lives and residual values to intangible assets based on the intended use of the assets, the underlying contractual or legal rights and the historical experience. Subsequent changes in circumstances such as technological advances, changes in the terms of the underlying contracts or prospective utilisation of the assets concerned could result in the useful lives or residual values differing from initial estimates. Management has reviewed the residual values and useful lives of major intangible assets and determined that no adjustment is necessary.

Impairment of investment in associated companies and joint ventures (equity accounted investments)

Management applies the guidance in IAS 39 to identify if potential impairment exists for its equity accounted investments. At each balance sheet date, an assessment is made whether there is any objective evidence of impairment. In such instances, the investment is subject to an impairment test by comparing the carrying amount to the recoverable amount of the asset. Considering the long term nature of these investments, the recoverable amount is determined based on value-in-use calculations. Calculating the value-in-use implies obtaining cash flow forecasts from the management of the equity accounted investments. Publicly listed companies often operate under restrictions due to the applicable listing regulations on disclosure of information to a selective group of shareholders. Thus, for such investments management develops its own estimated cash flows using publicly available data or the analyst forecasts, as appropriate.

4. Revenue

	2009 AED'000	2008 AED'000
Services		
Airport operations	1,505,089	1,126,070
Information technology	568,013	483,557
Cargo	535,902	409,431
Agency commission	201,512	182,960
Reservations system	154,605	167,078
Other	76,420	65,264
	3,041,541	**2,434,360**
Sale of goods		
Inflight and institutional catering	**117,307**	**119,342**
	3,158,848	**2,553,702**

5. Operating costs

	2009	2008
Employee (see below)	1,346,572	1,227,132
Airport operations and cargo - other direct costs	344,423	234,006
Information technology infrastructure costs	297,167	247,839
Depreciation and amortisation	249,470	222,978
Office accommodation	115,956	79,394
Cost of goods sold	40,134	40,408
Operating lease rentals	38,636	23,804
Corporate overheads	281,439	264,678
	2,713,797	**2,340,239**

Employee costs include AED 35.3 million (2008: AED 73.9 million) in respect of post-employment benefits and AED Nil (2008: AED 131.8 million) in respect of an employee profit share scheme.

6. Finance income and costs

	2009 AED'000	2008 AED'000
Finance income:		
Interest income	**44,651**	**70,148**
Finance costs:		
Interest charges	**(19,638)**	**(14,874)**

7. Income tax expense

The components of income tax expense are:

	2009	2008
Current tax	15,992	14,408
Deferred tax credit (Note 16)	(6,526)	(5,980)
	9,466	**8,428**

Income tax relates only to subsidiary companies which are subject to tax. Providing information on effective tax rates is therefore not meaningful.

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 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
Acquisitions (Note 25)	1,555	24,126	795	684	-	27,160
Currency translation differences	23,609	8,772	450	166	305	33,302
Transfer from capital projects	2,053	9,498	28,385	-	(39,936)	-
Disposals	(35,202)	(12,385)	(21,885)	(507)	-	(69,979)
31 March 2008	**500,462**	**523,421**	**780,686**	**27,071**	**26,899**	**1,858,539**
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	2,059	2,203	(58)	49	-	4,253
Disposals	(35,115)	(10,858)	(21,540)	(437)	-	(67,950)
31 March 2008	**78,503**	**328,210**	**544,825**	**16,624**	**-**	**968,162**
Net book amount 31 March 2008	**421,959**	**195,211**	**235,861**	**10,447**	**26,899**	**890,377**
Cost						
1 April 2008	500,462	523,421	780,686	27,071	26,899	1,858,539
Additions	366	37,697	92,461	4,699	36,799	172,022
Acquisition (Note 25)	-	-	526	312	-	838
Currency translation differences	(22,753)	(9,037)	(631)	(173)	(115)	(32,709)
Transfer from capital projects	10,299	2,068	42,314	-	(54,681)	-
Disposals	(3,902)	(10,060)	(15,846)	(3,443)	-	(33,251)
31 March 2009	**484,472**	**544,089**	**899,510**	**28,466**	**8,902**	**1,965,439**
Depreciation						
1 April 2008	78,503	328,210	544,825	16,624	-	968,162
Charge for the year	23,219	65,292	99,747	4,447	-	192,705
Currency translation differences	(1,808)	(2,947)	(77)	(52)	-	(4,884)
Disposals	(3,902)	(9,561)	(15,544)	(2,540)	-	(31,547)
31 March 2009	**96,012**	**380,994**	**628,951**	**18,479**	**-**	**1,124,436**
Net book amount 31 March 2009	**388,460**	**163,095**	**270,559**	**9,987**	**8,902**	**841,003**

9. Intangible assets

	Goodwill AED'000	Computer software AED'000	Customer relationships AED'000	Contractual rights AED'000	Total AED'000
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**
Cost					
1 April 2008	343,236	116,234	11,586	408,944	880,000
Additions	-	25,765	-	-	25,765
Acquisition (Note 25)	-	-	487	-	487
Currency translation differences	(40,738)	(1,143)	-	(49,610)	(91,491)
31 March 2009	**302,498**	**140,856**	**12,073**	**359,334**	**814,761**
Amortisation					
1 April 2008	-	71,587	3,476	42,920	117,983
Charge for the year	-	17,001	2,375	37,389	56,765
Currency translation differences	-	(883)	-	(6,525)	(7,408)
31 March 2009	**-**	**87,705**	**5,851**	**73,784**	**167,340**
Net book amount					
31 March 2009	**302,498**	**53,151**	**6,222**	**285,550**	**647,421**

Computer software includes an amount of AED 18.1 million (2008: AED 15.4 million) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, goodwill amounting to AED 82.0 million (2008: AED 90.3 million) is allocated to the airport services cash generating unit in Singapore and AED 217.4 million (2008: AED 249.8 million) 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 3% 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 (2008: 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	United Kingdom
Dnata Inc.	100	Aircraft handling services	Philippines
Dnata International Airport Services 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	United Arab Emirates
Dnata Gmbh	100	Investment company	Austria
Dnata Switzerland AG	100	Aircraft handling services	Switzerland
Al Hidaya Travel WLL	90	Travel agency	Bahrain

Al Hidaya Travel WLL was acquired during the year. Dnata Gmbh was incorporated in the previous year and Dnata Switzerland AG was acquired in the previous 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	United Arab Emirates
Gerry's Dnata (Private) Ltd.	50	Aircraft handling services	Pakistan
Xi'an Dnata Aviation Services Co Ltd.	45	Aircraft handling services	China
Hogg Robinson Group Plc	23.2	Corporate Travel services	United Kingdom
Mindpearl AG	49	Contact centre operations	Switzerland
Mindpearl South Africa (Pty) Ltd.	49	Contact centre operations	South Africa

Investments in Hogg Robinson Group Plc, Mindpearl AG and Mindpearl South Africa (Pty) Ltd. were made during the year. The investment in Xi'an Dnata Aviation Services Co Ltd. was made in the previous year.

Joint ventures

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Dnata-PWC Airport Logistics L.L.C.	50	Logistics services	United Arab Emirates
Dnata Saudi Travel Agency	50	Travel agency	Saudi Arabia
Transguard Group L.L.C.	100	Security services	United Arab Emirates
Toll Dnata Airport Services	50	Aircraft handling services	Australia
Dunya Travel L.L.C.	50	Travel agency	United Arab Emirates
SDV (UAE) L.L.C.	25.5	Logistics services	United Arab Emirates
Najm Travel	50	Travel agency	Afghanistan

The investments in SDV (UAE) L.L.C and Najm Travel were made during the year. The beneficial interest in SDV (UAE) L.L.C is 35% and is subject to joint control. The investments in Transguard Group L.L.C., Dunya Travel L.L.C. and Toll Dnata Airport Services were made in the previous 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% in the previous 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

	2009 AED'000	2008 AED'000
Balance brought forward	**264,077**	**38,998**
Investments during the year	271,337	220,427
Share of results	24,953	12,825
Dividends	(8,854)	(11,150)
Other equity movement	(6,086)	154
Currency translation differences	(77,071)	2,823
Balance carried forward	**468,356**	**264,077**

The carrying value of the investments in associated companies amounted to AED 243.5 million (2008: AED 52.2 million) and the share of results amounted to AED 10.6 million (2008: AED 17.4 million). The investments in associated companies and joint ventures include a quoted investment, the fair value of which amounts to AED 60.0 million at the balance sheet date.

The financial statements of an associated company have been drawn from the date of investment to 31 December 2008 to comply with the accelerated reporting timetable of Dnata. 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 January 2009 and 31 March 2009.

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

	2009 AED'000	2008 AED'000
Total assets	3,346,235	307,616
Total liabilities	2,425,053	130,468
Net assets	921,182	177,148
Revenue	1,457,763	212,058
Profit for the year	17,481	36,323

Summarised financial information in respect of Dnata's share in joint ventures are set out below:

	2009	2008
Non-current assets	238,813	196,268
Current assets	155,201	94,375
Non-current liabilities	48,630	11,902
Current liabilities	120,494	66,855
Total income	402,221	97,930
Total expense	387,832	102,508

11. Advance lease rentals

	2009	2008
Balance brought forward	**28,781**	**27,407**
Currency translation differences	(2,589)	2,652
Charge for the year	(928)	(1,278)
Balance carried forward	**25,264**	**28,781**

12. Trade and other receivables

	2009 AED'000	2008 AED'000
Trade receivables - net of provision	399,731	393,733
Prepayments	48,202	32,237
Related parties (Note 23)	51,572	47,837
Deposits and other receivables	90,039	112,939
	589,544	**586,746**

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 further recovery.

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

	2009 AED'000	2008 AED'000
Balance brought forward	**19,022**	**13,131**
Acquisition	-	443
Charge for the year	15,912	25,864
Unused amounts reversed	(13,444)	(19,643)
Amounts written off as uncollectible	(393)	(877)
Currency translation differences	(138)	104
Balance carried forward	**20,959**	**19,022**

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:

	2009 AED'000	2008 AED'000
Below 3 months	171,298	190,234
3-6 months	42,535	28,448
Above 6 months	58,137	36,602
	271,970	**255,284**

13. Capital

Capital represents the permanent capital of Dnata.

14. Employee end of service benefits provision

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 March 2009, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 5.0% (2008: 5.0%) and a discount rate of 6.5% (2008: 6.0%) per annum. The present values of the defined benefit obligations at 31 March 2009 were computed using the actuarial assumptions set out above.

The liabilities recognised in the balance sheet are:

	2009 AED'000	**2008** AED'000
Present value of funded defined benefit obligations	42,829	49,090
Less: Fair value of plan assets	(38,297)	(46,924)
	4,532	**2,166**
Present value of unfunded defined benefit obligations	187,245	200,597
Employee end of service benefits provision	**191,777**	**202,763**

(i) Funded scheme

Senior employees based in the UAE participate in a defined benefit provident scheme to which Dnata contributes a specified percentage of basic salary based upon the employee’s grade and duration of service. Amounts contributed are invested in a trustee administered scheme and accumulate along with returns earned on investments. Contributions are made on a monthly basis irrespective of fund performance and are not pooled, but are separately identifiable and attributable to each participant. The fund comprises a diverse mix of managed funds and investment decisions are controlled directly by the participating employees.

Benefits receivable under the provident scheme are subject to vesting rules, which are dependent upon a participating employee's length of service. If at the time an employee leaves employment, the accumulated vested amount, including investment returns is less than the end of service benefits that would have been payable to that employee under relevant local regulations, Dnata pays the shortfall amount directly to the employee. However, if the accumulated vested amount exceeds the end of service benefits that would have been payable to an employee under relevant local regulations, the employee receives between seventy five and one hundred percent of their fund balance. Vested assets of the scheme are not available to Dnata or its creditors in any circumstances.

The liability of AED 4.5 million (2008: AED 2.2 million) represents the amount that will not be settled from plan assets and is calculated as the excess of the present value of the defined benefit obligation for an individual employee over the fair value of the employee's plan assets at the balance sheet date.

The movement in the value of the plan assets are:

	2009 AED'000	**2008** AED'000
Balance brought forward	**46,924**	**31,467**
Contributions made	9,481	10,879
Benefits paid	(5,415)	(5,479)
Change in fair value	(12,693)	10,057
Balance carried forward	**38,297**	**46,924**

Contributions made include the transfer of accumulated benefits from unfunded schemes. The charge to the consolidated income statement arising from this scheme amounted to AED 11.2 million (2008: AED 8.5 million). Dnata expects to contribute approximately AED 8.8 million for existing plan members during the year ended 31 March 2010.

Actuarial gains and losses and expected returns on plan assets are not calculated given that investment decisions relating to plan assets are under the direct control of participating employees.

14. Employee end of service benefits provision (continued)

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans follow relevant local regulations, which are mainly based on periods of cumulative service and levels of employees' final basic salary. The liability recognised in the consolidated balance sheet is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for past-service costs and unamortised actuarial gains of AED 24.0 million (2008: AED Nil).

The movement in the defined benefit obligation is:

	2009 AED'000	2008 AED'000
Balance brought forward	**200,597**	**179,004**
Release of excess provision	(27,881)	-
Charge for the year	25,210	41,692
Payments made during the year	(10,681)	(20,099)
Balance carried forward	**187,245**	**200,597**

Payments made during the year include the transfer of accumulated benefits to Dnata's funded scheme.

15. Term loans

	2009 AED'000	2008 AED'000
Term loans are denominated in the following currencies:		
Singapore Dollars	201,921	259,433
Swiss Francs	265,979	318,557
	467,900	**577,990**
Movement in the term loans were as follows:		
Balance brought forward	**579,498**	**271,088**
Additions	-	273,666
Repayments	(48,342)	(34,815)
Currency translation differences	(62,082)	69,559
	469,074	**579,498**
Unamortised transaction costs	(1,174)	(1,508)
Balance carried forward	**467,900**	**577,990**
Term loans are repayable as follows:		
Within one year	**56,093**	**49,904**
Between 2 and 5 years	224,753	251,647
After 5 years	187,054	276,439
Total over one year	**411,807**	**528,086**

A term loan amounting to AED 203.1 million (2008: 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 3.73% (2008: 3.62%) 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 and currencies adjusted for contractual pricing.

The term loan in Swiss Francs is designated as a hedge of the net investment in Dnata Switzerland AG. The foreign exchange gain or loss on translation of the loan at the balance sheet date is recognised in the translation reserve in equity.

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:

	2009 AED'000	2008 AED'000
Deferred tax assets	1,181	3,735
Deferred tax liabilities	(93,036)	(114,070)
	(91,855)	**(110,335)**
The movement in the deferred tax account is as follows:		
Balance brought forward	**(110,335)**	**(40,167)**
Acquisition (Note 25)	-	(62,139)
Currency translation differences	11,954	(14,009)
Credited to the consolidated income statement	3,864	5,980
Effect of change in tax rates	2,662	-
Balance carried forward	**(91,855)**	**(110,335)**

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 2007	**(33,191)**	**(11,539)**	**-**	**(44,730)**
Acquisition	(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)**
Currency translation differences	3,631	8,875	248	12,754
Effect of changes in tax rates	2,253	345	-	2,598
(Charged) / credited to the consolidated income statement	(2,248)	7,521	481	5,754
31 March 2009	**(34,284)**	**(58,259)**	**(1,380)**	**(93,923)**

Deferred tax assets

	Tax losses AED'000	**Provisions** AED'000	**Total** AED'000
1 April 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**
Currency translation differences	(710)	(90)	(800)
Effect of changes in tax rates	-	64	64
Charged to the consolidated income statement	(1,844)	(46)	(1,890)
31 March 2009	**1,181**	**887**	**2,068**

17. Trade and other payables

	2009 AED'000	2008 AED'000
Trade payables and accruals	420,566	532,225
Related parties (Note 23)	23,237	111,902
Employee leave pay	67,762	57,643
Airlines	96,249	123,652
Customer deposits	20,768	29,784
	628,582	**855,206**

18. Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	2009 AED'000	2008 AED'000
Less than 1 year	23,466	21,287
Between 2 and 5 years	36,774	31,747
After 5 years	68,203	60,195
	128,443	**113,229**

19. Capital commitments

	2009 AED'000	2008 AED'000
Authorised and contracted	42,364	37,469
Authorised but not contracted	178,914	595,334
	221,278	**632,803**

20. Guarantees

	2009 AED'000	2008 AED'000
Guarantees provided by Dnata's bankers in the normal course of business	**21,922**	**71,489**

21. Short term bank deposits, cash and cash equivalents

	2009 AED'000	2008 AED'000
Short term bank deposits	1,268,344	1,268,298
Cash and bank	81,391	115,140
Cash and bank balances	**1,349,735**	**1,383,438**
Less: Short term bank deposits over 3 months	(454,219)	(809,003)
Cash and cash equivalents	**895,516**	**574,435**

Short term bank deposits, cash and cash equivalents yield an effective interest rate of 4.54% (2008: 4.91%) 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
2009			
Assets			
Loans to related parties (non-current)	1,270	-	1,270
Trade and other receivables (excluding prepayments)	541,342	-	541,342
Short term bank deposits	454,219	-	454,219
Cash and cash equivalents	895,516	-	895,516
Total	**1,892,347**	**-**	**1,892,347**
Liabilities			
Term loans	-	467,900	467,900
Trade and other payables (excluding customer deposits)	-	607,814	607,814
Total	**-**	**1,075,714**	**1,075,714**
2008			
Assets			
Loans to related parties (non-current)	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 (excluding customer deposits)	-	825,422	825,422
Total	**-**	**1,403,412**	**1,403,412**

23. Related party transactions

The following transactions were carried out with related parties:

Trading transactions

	2009 AED'000	2008 AED'000
(i) Sale / purchase of goods and services		
Sale		
Sale of goods - Companies under common control	47,961	48,908
Services rendered - Associated companies	14,024	11,891
Services rendered - Joint ventures	3,964	3,100
Services rendered - Companies under common control	1,129,537	898,385
	1,195,486	**962,284**
Purchase		
Purchase of goods - Companies under common control	5,183	4,939
Services received - Associated companies	698	120
Services received - Joint ventures	88,058	-
Services received - Companies under common control	39,585	34,094
	133,524	**39,153**
(ii) Year end balances arising from sale / purchase of goods and / or services		
Receivables from related parties (Note 12)		
Associated companies	1,478	6,888
Joint ventures	8,734	6,971
Companies under common control	19,226	19,833
	29,438	**33,692**
Payables to related parties (Note 17)		
Associated companies	306	-
Joint ventures	3,845	-
Companies under common control	19,086	111,902
	23,237	**111,902**

The amounts outstanding at year end are unsecured and will be settled in cash.

Other transactions

	2009 AED'000	2008 AED'000
(i) Sale of assets		
Associated companies	477	4,078
	477	4,078
(ii) Compensation to key management personnel		
Salaries and short-term employee benefits	28,633	44,130
Post-employment benefits	3,397	4,140
	32,030	**48,270**

23. Related party transactions (continued)

Other transactions

	2009 AED'000	2008 AED'000
(iii) Loans		
Associated companies	3,581	-
Joint ventures	19,645	15,288
	23,226	**15,288**
Movement in the loans were as follows:		
Balance brought forward	**15,288**	**3,999**
Additions	7,938	14,029
Repayments	-	(150)
Impairment provision	-	(2,590)
Balance carried forward	**23,226**	**15,288**
Within one year (Note 12)	**21,967**	**14,029**
Total over one year	**1,259**	**1,259**

The loans earned effective interest of 6.20% (2008: 8.26%) except for loans amounting to AED 5.6 million (2008: AED 1.3 million) which were interest free.

(iv) Loans and advances to key management personnel

	2009 AED'000	2008 AED'000
Balance brought forward	**164**	**268**
Additions	736	593
Repayments	(722)	(697)
Balance carried forward	**178**	**164**
Within one year (Note 12)	**167**	**116**
Total over one year	**11**	**48**

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. In the areas where financial risks exist, the aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on Dnata's financial position.

Dnata's risk management procedures are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. Dnata reviews its risk management procedures and systems on a regular basis to reflect changes in markets.

Risk management is carried out by Corporate Treasury under procedures that are approved by a steering group comprising of senior management. Corporate Treasury identifies and evaluates opportunities for hedging financial risks in close cooperation with the operating units. Senior management is also responsible for the review of risk management and the control environment. The various financial risk elements are discussed below.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risks relevant to Dnata's operations are interest rate risk and currency risk.

Interest rate risk

Dnata is exposed to the effects of fluctuations in the prevailing levels of interest rates on its long term borrowings and cash surpluses placed on short term deposits. Cash surpluses are primarily held in UAE Dirhams, the functional currency and US Dollars to which the UAE Dirham is pegged.

Long term borrowings have been taken at variable rates and thus expose Dnata to cash flow interest rate risk. No hedging cover is taken due to the stable interest rate environment that exists in the countries where the loans are contracted. The key reference rates based on which interest costs are determined are CHF LIBOR for Swiss Francs and SIBOR for Singapore Dollars. Summarised quantitative data is available in Note 15 for interest cost exposures.

Currency risk

Dnata is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates 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.

24. 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 and has been computed on the basis of assumptions and indices used and considered by other market participants.

	2009 AED'000		2008 AED'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
Interest cost				
- 100 basis points				
Singapore Dollars	2,436	2,436	2,698	2,698
Swiss Francs	2,919	2,919	1,204	1,204
	5,355	**5,355**	**3,902**	**3,902**
+ 100 basis points				
Singapore Dollars	(2,436)	(2,436)	(2,698)	(2,698)
Swiss Francs	(2,919)	(2,919)	(1,204)	(1,204)
	(5,355)	**(5,355)**	**(3,902)**	**(3,902)**
Interest income				
- 100 basis points	(473)	(473)	(1,054)	(1,054)
+ 100 basis points	473	473	1,054	1,054
Currency - Singapore Dollars				
+ 1%	-	(2,031)	-	(2,609)
- 1%	-	2,031	-	2,609
Currency - Swiss Francs				
+ 1%	-	(2,660)	-	(3,186)
- 1%	-	2,660	-	3,186

(ii) Credit risk

Dnata is exposed to credit risk, which is the risk that the counterparty will cause a financial loss to Dnata by failing to discharge an obligation. Financial assets which potentially subject Dnata to credit risk consist principally of deposits with banks and trade receivables. Dnata uses external ratings such as Standard & Poor's, Moody's or their equivalent in order to measure and monitor its credit risk exposures to financial institutions. In the absence of independent ratings, credit quality is assessed based on counterparty's financial position, past experience and other factors.

Dnata manages limits and controls concentration of risk wherever they are identified. Exposure to credit risk is managed through regular analysis of the ability of counterparties and potential counterparties to meet their obligations and by changing their limits where appropriate. Approximately 28% (2008: 33%) of cash and bank balances are held with financial institutions 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.

The table below presents an analysis of short term bank deposits and cash and cash equivalents by rating agency designation at the balance sheet date based on Standard & Poor's ratings or its equivalent for the main banking relationships:

	2009 AED'000	2008 AED'000
AA- to AA+	22,979	48,214
A- to A+	1,325,926	1,334,510
Lower than A-	167	-

24. Financial risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that Dnata is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Dnata’s liquidity management process includes the following:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature. Dnata maintains diversified credit lines to enable this to happen.
- Maintaining rolling forecasts of Dnata's liquidity position on the basis of expected cash flows.
- Monitoring balance sheet liquidity ratios against internal and external regulatory requirements.
- Maintaining debt financing plans.

Sources of liquidity are regularly reviewed as required by senior management to maintain a diversification by geography, provider, product and term.

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
2009				
Term loans	74,174	168,138	285,005	527,317
Trade and other payables (excluding customer deposits)	607,814	-	-	607,814
	681,988	**168,138**	**285,005**	**1,135,131**
2008				
Term loans	68,051	306,327	305,728	680,106
Trade and other payables (excluding customer deposits)	825,422	-	-	825,422
	893,473	**306,327**	**305,728**	**1,505,528**

25. Business combinations

On 30 November 2008, Dnata acquired 90% of the shares in Al Hidaya Travel WLL, Bahrain. The acquired business contributed revenue of AED 0.6 million and loss of AED 0.5 million from the acquisition date to 31 March 2009. The principal activities of Al Hidaya Travel WLL trading as Dnata Bahrain is to represent airlines as their general sales agent and the provision of travel agency and other travel related services.

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	10	10
Property, plant and equipment (Note 8)	838	838
Intangible assets (Note 9)	487	-
Other current assets	126	126
Fair value of net assets	**1,461**	**974**
Minority interest	(146)	
Total purchase consideration	1,315	
Less: Cash and cash equivalents acquired	(10)	
Cash outflow on acquisition	**1,305**	

In the previous year, on 6 November 2007, Dnata acquired, through its wholly owned subsidiary Dnata Gmbh, 100% of the shares in Jet Aviation Handling AG, subsequently rebranded as Dnata Switzerland AG. The assets and liabilities arising from the acquisition were:

	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	**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 cost 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.

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 2009, Dnata achieved a return on equity of 21.4% (2008: 15.2%) in comparison to an effective interest rate of 3.73% (2008: 3.62%) on borrowings.