The Emirates Group
Annual Report 2009 - 2010

Shaping Our World

His Highness Sheikh Mohammed bin Rashid Al Maktoum

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

“Aviation and transport infrastructure is the fundamental catalyst for the creation of global cities. The UAE's open skies policy is the cornerstone upon which Dubai built its dynamic air transport hub, which in turn supports the growth of other industry sectors. The growth of Emirates embodies the spirit of competition and free enterprise which will continue to guide our policies for the benefit of the UAE and of the global community in which we operate.”

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

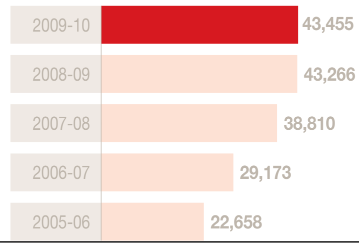
Dnata is the largest travel management services company in the UAE and the sole ground handling agent at Dubai International Airport. Its main activities are the provision of aircraft and cargo handling, information technology services, aircraft engineering services and the sale of air tickets on behalf 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 section of this document, they are together referred to as the Emirates Group.

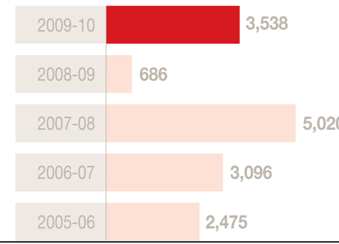
Contents

Financial Highlights

Revenue and other operating income in AED m



Profit attributable to the Owner in AED m



Emirates Group

Financial Highlights		2009-10	2008-09	% change
Revenue and other operating income*	AED m	45,405	45,231	0.4
Operating profit	AED m	4,124	2,745	50.2
Operating margin	%	9.1	6.1	3.0 pts
Profit attributable to the Owner	AED m	4,151	1,193	247.9
Profit margin	%	9.1	2.6	6.5 pts
Cash assets	AED m	12,493	8,718	43.3
Total assets**	AED m	60,147	51,358	17.1

2008-09 figures have been re-classified to conform with the current year's presentation.

* After eliminating inter company income/expense of AED 1,210 million in 2009-10 (2008-09 : 1,216 million).

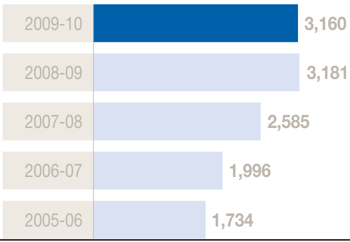
** After eliminating inter company receivables/payables of AED 38 million in 2009-10 (2008-09 : 38 million).

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.

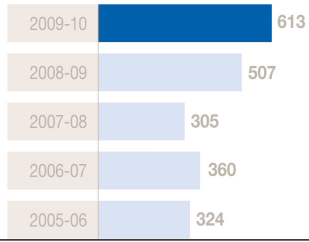
Emirates

Financial Highlights		2009-10	2008-09	% change
Revenue and results				
Revenue and other operating income	AED m	43,455	43,266	0.4
Operating profit	AED m	3,565	2,278	56.5
Operating margin	%	8.2	5.3	2.9 pts
Profit attributable to the Owner	AED m	3,538	686	415.7
Profit margin	%	8.1	1.6	6.5 pts
Return on shareholder's funds	%	21.6	4.4	17.2 pts
Financial position and cash flow				
Total assets	AED m	55,547	47,449	17.1
Cash assets	AED m	10,511	7,368	42.7
Net debt (including aircraft operating lease) equity ratio	%	158.5	167.0	(8.5) pts
EBITDAR	AED m	10,638	8,286	28.4
EBITDAR margin	%	24.5	19.2	5.3 pts
Airline operating statistics				
Passengers carried	number '000	27,454	22,731	20.8
Cargo carried	tonnes '000	1,580	1,408	12.2
Passenger seat factor	%	78.1	75.8	2.3 pts
Overall capacity	ATKM million	28,526	24,397	16.9
Available seat kilometres	ASKM million	161,756	134,180	20.6
Aircraft	number	142	127	11.8
Employee data				
Average employee strength	number	36,652	35,812	2.3

Revenue and other operating income in AED m



Profit attributable to the Owner in AED m



Dnata

Financial Highlights		2009-10	2008-09	% change
Revenue and results				
Revenue and other operating income	AED m	3,160	3,181	(0.7)
Operating profit	AED m	559	467	19.7
Operating margin	%	17.7	14.7	3.0 pts
Profit attributable to the Owner	AED m	613	507	20.9
Profit margin	%	19.4	15.9	3.5 pts
Return on shareholder's funds	%	21.3	21.4	(0.1) pts
Financial position				
Total assets	AED m	4,638	3,947	17.5
Cash assets	AED m	1,982	1,350	46.8
Airport operating statistics				
Aircraft handled	number	192,120	177,495	8.2
Cargo handled	tonnes '000	1,121	1,003	11.8
Employee data				
Average employee strength	number	13,298	12,434	6.9

Chairman & Chief Executive, Emirates Airline & Group

His Highness Sheikh Ahmed bin Saeed Al Maktoum

45.4 billion dirhams Group revenue

4.2 billion dirhams Group profit

9.1% profit margin

Our toughest year: an outstanding result.

Against a background of the worst global recession in generations, large-scale economic uncertainty and unforgiving markets, the Emirates Group faced arguably its sternest test. We came through these difficult times with flying colours.

Despite the harsh economic climate, the Emirates Group made a net profit of AED 4.2 billion (US$1.1 billion), compared to AED 1.2 billion (US$325 million) in 2008-2009. Emirates AED 3,538 million (US$964 million). Dnata AED 613 million (US$167 million).

These are excellent results and they did not happen by chance.

We in the Emirates Group take great pride in our ability to shape not only our own world, but also the wider worlds of aviation and travel. From the creation of Dnata 50 years ago and Emirates 25 years ago, we have always demonstrated, and are known for, our pioneering spirit.

That powerful spirit has enabled us to flourish not only in the good times but also in times of adversity, including regional conflict, the effects of 9/11 on our industry, the SARS epidemic and the Asian economic collapse of the late 1990s. Looking back at the past year, we should be under no illusions that our operating conditions were as tough as any we have ever faced.

12.5bn dirhams cash funds

At the start of the financial year, the global recession had a severe impact on the travel and aviation sectors, with a significant reduction in traveller numbers and a marked reduction in passengers booking in the premium cabins. According to the International Air Transport Association (IATA), airlines' financial losses worldwide for 2009 reached US$9.4 billion (AED 34.5 billion), after the US$15.9 billion (AED 58.4 billion) loss incurred in 2008. IATA was clear that this was the most difficult situation ever faced by the industry.

The dramatic contraction of international money markets led to a reluctance among financial institutions to lend to businesses across the world. Dubai was also not immune to the crisis, with the property sector being particularly affected.

To do business in a world of economic meltdown, where the atmosphere was at times apocalyptic, required cool heads and steady nerves. Our experience of handling global crises left us well-equipped to tackle the challenges and maintain a "business as usual" approach. For the Emirates Group, the essence of "business as usual" is to remain true to our core pioneering values and to continue to pursue a strategy of product and service excellence in all areas; the foundations of our sustainable growth.

In the lifetime of the Emirates Group our world and our lives have been re-shaped by globalisation. Both Dubai and the Emirates Group were quick to recognise the opportunities that the shift of global economic power would create and acted accordingly, positioning ourselves to take advantage of emerging market leaders.

The close relationship between the Emirates Group and Dubai has enabled both to flourish. Dnata, working within the UAE's Open Skies policy, helped create the infrastructure that has enabled Dubai to lead the development of the region as a centre of world aviation. Emirates Airline delivered that message around the globe. With our spirit of innovation, aligned with a long-term strategy and deep knowledge of our industry, we are reaping the benefits. It is a world-winning combination.

Since we were founded upon pioneering and innovative ideals, the challenge of the past year has been to maintain these values in the most challenging of economic circumstances. I am pleased to say we have succeeded.

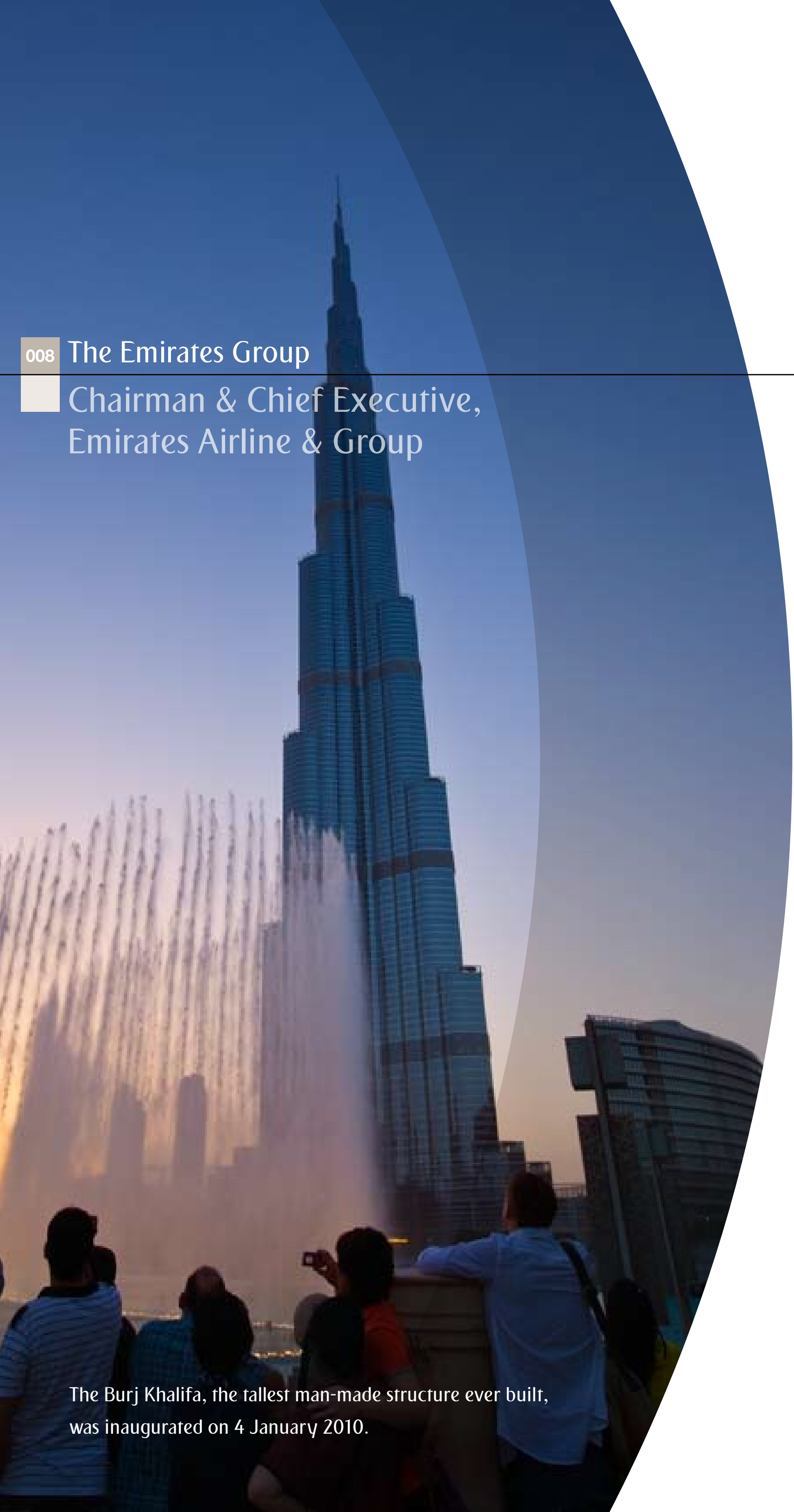
Our determination to stand by our tradition of innovation to continue to shape our world in our own way, was one of two important highlights of the year. The other was to retain our talented staff. We gave a commitment to our people that we would safeguard jobs in the interests of individuals, as well as the Group. Like all businesses, cost-containment was imperative in such circumstances but we had to balance this against the premium we put on the talented people that have enabled us to grow and thrive, and who will realise our growth strategy in the future.

Dubai International Airport saw passenger growth of 9.2% during 2009.

We chose to freeze recruitment in non-essential areas, we redeployed staff and brought in a programme of voluntary unpaid leave. This was an effective package and enabled us to contain costs and retain our talent. It was also an opportunity for staff to further develop their skills, pursue other interests or just to take time out. In the most difficult of economic circumstances, this partnership ethos between management and staff resulted in a win-win situation and further helps position us to fulfill our long-term goals.

While the businesses grappled with the grim economic realities of the last year, they continued to demonstrate the distinctive and forward-thinking culture that has always characterised the Emirates Group. Internal restructuring was carried out in many businesses but

Chairman & Chief Executive, Emirates Airline & Group



The Burj Khalifa, the tallest man-made structure ever built, was inaugurated on 4 January 2010.

they never lost sight of the imperative to innovate in the cause of product excellence, to explore new market opportunities and to pursue growth.

While Dnata continued its overseas expansion strategy through acquisition of assets, Emirates added 15 new aircraft to its fleet to grow the network to 102 cities worldwide. As Dnata Cargo launched the Calogi portal with ambitions to make it an industry standard, Emirates rolled out new lounges across the network. Where Dnata launched a programme of enhanced customer service across its ground handling businesses, Emirates rolled out a new uniform for staff.

The globalised world of the 21st century demands pioneers. In that spirit, Emirates took the Airbus A380, the flagship of 21st century travel, to several new airports, including Seoul, Bangkok and Jeddah, the first regional deployment. In addition, Dnata is preparing to deploy its expertise and staff to the Al Maktoum International Airport. This colossal project is the next phase of aviation development in the UAE and the wider region, a landmark of this new century.

Unlike many competitors who pursued cost containment strategies that adversely impacted service levels, Emirates continued to invest in the product by refurbishing the interiors of older aircraft. While some competitors imposed new restrictions on passenger luggage, we significantly raised luggage allowances in all classes. These are the hallmarks of the Emirates Group's forward thinking approach and it is with special pride that we continue in that tradition.
We have invested heavily in the Emirates and Dnata brands over the years, resulting in strong customer loyalty. Our ability to leverage that brand strength in this most difficult of years is reflected in our results.

The Emirates Group and Dubai's unique partnership came to the fore in the past year as our home base struggled for a time with falling visitor numbers. During the year, we took the lead in rolling out the 'Keep discovering Dubai' global marketing campaign, bringing 2,500 travel agents, tour operators and journalists to Dubai on three-day familiarisation trips.

Across the Emirates Group, we were also able to harness our vast collective experience of the travel and aviation industries to mitigate the worst of the economic storm, and to pursue new opportunities.

Our subsidiary companies are engaged in everything from hotels and inflight catering to security and IT software. Among the achievements from these businesses in the past year was the roll-out of several Premier Inns, outstanding value hotels meeting a growing need in Dubai and the GCC. In Australia, we opened Wolgan Valley Resort and Spa, creating one of the world's leading sustainable hotels – it is the world's first officially-recognised carbon neutral hotel - and takes hospitality in the country to new levels. In addition, a number of food and beverage brands developed within the Emirates Group have been exported, reversing the traditional model whereby

50,000 employees worldwide

established brands are imported into the region. Our commitment to overseas expansion saw The Noodle House brand launch in Melbourne, Australia in November 2009. Already a popular choice for diners in the GCC region, a licence agreement between Jumeirah Restaurants, a division of the Jumeirah Group, and Emirates Leisure Retail successfully took this franchise to the southern hemisphere. There is considerable scope to develop our international portfolio further and I am confident the trend can be continued.

The adverse economic landscape did not slow our resolve to advance our sustainability agenda. Indeed, most "green" initiatives make sound business sense. We already operate one of the most fuel-efficient aircraft fleets in the world, which translates into significantly reduced emissions. In the pursuit of eco-efficiency we have pioneered a number of operational fuel-saving techniques. Amongst others, single-engine taxiing and flying more direct routes have contributed to saving millions of litres of fuel, hundreds of hours of flight time and thousands of tonnes of CO_2. On the ground, Dnata Cargo's FreightGate-5, the UAE's first carbon neutral warehouse, became a model for sustainability for all warehouse developments across Dubai. Other initiatives have seen a substantial reduction of paper and therefore weight onboard our aircraft leading to more cost and emissions reductions.

I have already referred to the pride we shared in retaining our staff, and I would like to pay tribute to the people who have worked tirelessly across the businesses to help deliver this year's results. Our ability to shape our world rests in the hands of the 50,000 staff from over 150 countries whose experience, professionalism, creativity, commitment and drive means that we are, to a significant extent, the masters of our own destiny.

This year's Chairman's Awards for Excellence once again demonstrated the terrific calibre of our people and, through the Chairman's Najm Awards, I had the privilege of meeting extraordinary individuals who were recognised for everything from saving the company money to saving lives.

The economic recovery is underway, but it is not uniform in all markets and there remain deep uncertainties. We will continue to monitor the situation closely and deploy our resources to best meet the needs of the market. In key areas we have begun hiring again so that we can take full advantage of a return to market growth and to fulfill our ambitions. Needless to say, our development plans for all areas of the business remain on track. Indeed, one of the lessons of this past year is that our business model is highly robust.

In addressing and managing the issues of the past year, I believe we have created a stronger and more flexible organisation, perfectly capable of leading in improved trading conditions and even better able to face and surmount the next challenges.

The introduction of the Airbus A380 means that Emirates operates one of the most fuel-efficient aircraft fleets in the world.

It has been a memorable year, not least because of the prevailing pioneering spirit among the employees of the Emirates Group. I hope that each and every member of staff has shared in the satisfaction of having shaped our world, as well as the excitement of having helped the Emirates Group shape Dubai and the worlds of aviation and travel.

I extend my heartfelt thanks to all of my colleagues at The Emirates Group.

Ahmed bin Saeed Al Maktoum

Leadership Team

HH Sheikh Ahmed bin Saeed Al Maktoum
Chairman & Chief Executive, Emirates Airline & Group

Maurice Flanagan CBE
Executive Vice Chairman, Emirates Airline & Group

Tim Clark
President Emirates Airline

Gary Chapman
President Group Services & Dnata, Emirates Group

Key to the Emirates Group success has been the continuity of its management team, many of whom have been with the airline since its creation. The leadership team itself has 230 years of experience between them building the Emirates and Airline Group.

Ali Mubarak Al Soori
Executive Vice President - Chairman's Office, Facilities/ Projects Management and P&L

Adel Ahmad Al Redha
Executive Vice President – Engineering & Operations, Emirates Airline

Abdulaziz Al Ali
Executive Vice President - Human Resources, Emirates Group

Nigel Hopkins
Executive Vice President - Service Departments, Emirates Group

Ismail Ali Albanna
Executive Vice President - Dnata

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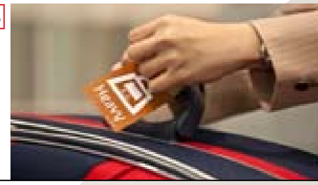

Key Events

Four quarters make a whole world of difference.

Some of the highlights from the Emirates Group in the past year.

Group
Emirates
Dnata

02

01

Quarter 1 – April to June 2009

Emirates Group reports its 21st consecutive year of net profits for 2008-2009.

Emirates begins operations of the Airbus A380 to Bangkok and Toronto – the aviation world's first superjumbo commercial services to the two cities.

Dnata Cargo launches Calogi, the new and revolutionary cargo community portal across the GCC.

Emirates becomes the first airline to order the Honeywell SmartRunway and SmartLanding safety systems which give pilots visual and vocal alerts about the stability of an aircraft on approach and landing.

01 Premier Inn, a joint venture between Emirates Group and Whitbread plc opens its second hotel in Dubai at Silicon Oasis.

Emirates presents representatives from 40 travel agencies in Dubai and the Northern Emirates with contracts granting access to travel solutions from EmQuest and Sabre.

02 Emirates launches its "Best Price" marketing campaign in the UAE.

Emirates wins best inflight entertainment at the World Airline Awards 2009 for the 5th year running.

Mercator's RAPID revenue accounting solution experiences a huge upsurge in demand with a number of airlines signing new contracts for the first time.

03 Emirates simplifies its baggage policy and offers an additional 10kgs to customers travelling in all cabins.

Mercator holds its first ever cargo event to showcase their latest cargo industry product innovation, SkyChain.

Emirates launches a fuel-saving initiative designed to save AED 35 million (US$9.5 million) a year and reduce annual carbon emissions by 43,250 tonnes.

Dnata Switzerland signs a three-year deal with Brussels Airlines to provide ground handling services at Geneva International Airport.

Mobile Emirates.com goes live allowing customers to access the website from a mobile phone or PDA.

Mercator introduces Jupiter, its new passenger services package into the marketplace.

04 Emirates SkyCargo takes the top spot in the annual Air Cargo Excellence survey, evaluated directly by airline customers.

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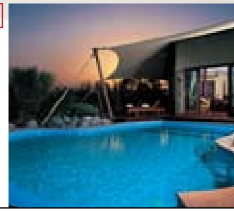

Quarter 2 - July to September 2009

Dnata Customer Services Training launches a new mobile training concept to save time and money by training staff at any location, at any time.

05 Al Maha Desert Resort & Spa celebrates its 10th anniversary.

The largest ever Emirates' TV advertising campaign to date – "Meet Dubai" – airs around the world.

Both Emirates Airbus A380 Full Flight Simulators are certified to Level D – the highest qualification granted by the UK Civil Aviation Authority.

Emirates steps up its network presence in West Asia with increased services to Colombo, Malé and Mauritius.

Emirates teams up with Virgin Blue to launch the Emirates Visit Australia Pass.

Dnata marks its 50th anniversary with a 50% reduction in rates on a range of packages by Dnata Holidays.

06 A year after its opening in October 2008, more than 15.4 million customers have passed through the gates of Emirates Terminal 3.

06

Congress Solutions International is appointed as the local Professional Congress Organiser for the 21st World Diabetes Congress.

07 Emirates becomes the world's largest operator of Boeing 777s with the delivery of its 78th B777 aircraft.

08 The latest Emirates lounge opens in Düsseldorf.

The Calogi team implements the first phase of c-Power, a ground breaking GSA and airline module.

Emirates signs a code-share partnership with V Australia – Emirates first with an Australian carrier.

Business Rewards, Emirates loyalty programme for SMEs, celebrates a successful first year by offering bonus Miles with each new account opened.

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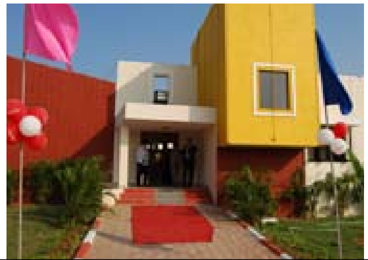

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Quarter 3 - October to December 2009

Dnata marks its 50^{th} anniversary at the Dubai Airshow.

Wolgan Valley Resort & Spa, Australia's first conservation-based resort and Emirates Hotels' first property outside of Dubai, welcomes its first guests.

Emirates begins flights to Durban International Airport, becoming the only carrier flying international routes on a daily basis out of the South African city.

Emirates' half year profits of AED 752 million (US$205 million) are 165% up on the same period the previous year, and buck the worldwide industry trend.

Mercator and Microsoft strengthen ties at GITEX 2009 in support of Mercator's participation in the Windows 7 Early Adopter Programme for the Emirates Group.

Emirates launches services to Luanda in Angola, the second new route into Africa to be announced by Emirates this year.

The millionth Emirates passenger uses their own mobile phone on an aircraft equipped with the AeroMobile system.

The Emirates A380 begins services to Seoul.

Mercator goes live with SkyChain in Latin America.

09 The Arsenal Soccer School Dubai opens its doors to youngsters thanks to a joint venture between Arsenal Football Club and Emirates.

Hamburg, Johannesburg and Manchester become the latest destinations to feature Emirates Lounges.

10 Skywards, with more than five million members, marks its 10^{th} anniversary with a new look and an enhanced programme.

The Emirates Group and the government of Senegal announce a joint agreement paving the way for Emirates to support Senegal Airlines.

Emirates Corporate Treasury wins an award for the purchase of three Boeing aircraft.

Mercator hosts a forum at The Emirates Group Headquarters showcasing industry-leading technology and IT solutions to 30 international airlines.

Emirates launches its biggest ever commercial project with the sale of 10,000 2010 FIFA World Cup™ packages, including flights, tickets and accommodation.

Emirates Group Security's Centre of Aviation Security Studies wins the business to train security personnel for the Nigerian presidential fleet.

11 Emirates opens the Community Health Education Society (CHES) home built to care for over 100 HIV-positive children in Chennai, India.

Dnata Travel Services wins global acclaim when it's named "World's Leading Travel Management Company" at the 2009 World Travel Awards.

Quarter 4 - January to March 2010

Dnata enters the UK ground handling market with the acquisition of two of the UK's leading operations – Plane Handling Ltd and Aviance Ltd.

Emirates strengthens its partnership with Costa Cruises as they prepare for a boost in cruise tourism in the Middle East.

Mumbai receives Emirates' first luxury lounge in India and the UK's next Emirates lounge opens in Birmingham.

Mercator successfully launches the Customer Relationship Information System for Air Niugini.

Emirates scores another – and unusual – first, when it flies an Arabic-speaking and interactive humanoid between Dubai and Riyadh.

Dnata Travel opens a new sales office at Dubai International Airport's Terminal 1, offering a dedicated ticketing service for low cost airlines.

12 Arabian Adventures, the region's leading Destination Management Company, opens a new state-of-the-art operations centre at Dubai Investment Park to support its growth.

13 Emirates raises its frequency to Rome to double daily and adds an additional daily flight to Kuala Lumpur.

Emirates signs a new shirt sponsorship deal with Italian football giant AC Milan.

Luxury Hotels by Dnata signs a deal to represent one of the world's most sought after hotel groups as The Peninsula Hotels joins its exclusive portfolio.

14 Emirates launches its Dubai-Tokyo service. It also prepares for the 1 May launch of its Dubai-Amsterdam services with a gala event attended by celebrities including Dutch astronaut André Kuipers.

Emirates announces Prague, Madrid and Dakar as the next additions to the Emirates network.

15 Emirates takes the first-ever commercial Airbus A380 into the Kingdom of Saudi Arabia when it introduces the superjumbo on its Dubai-Jeddah route.

Dnata Travel Services partners with Emirates NBD to offer customers an Installment Payment Plan for Dnata products and services.

Emirates launches iLingual for the Apple iPhone enabling users to communicate instantly in any one of three foreign languages.

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Overview

142 aircraft fleet

27.5 million passengers carried

78.1% passenger seat factor

20.8%

increase in passengers carried across the network

The global aviation industry suffered a disastrous 2009-2010, with more than a score of airline bankruptcies, shrinkage in airline networks and service levels and overall industry-wide losses of US$9.4 billion (AED 34.5 billion) in 2009. Across the industry, we witnessed contraction, fierce price-cutting and ultimately disaffection among staff in some competitor airlines.

Where skyrocketing oil prices had dominated the first half of 2008, global recession characterised the second half and presented a grim picture for those planning the 2009-2010 fiscal year. Falling demand, shattered consumer confidence and collapsing yields confronted the airlines. A 15% contraction in world trade saw changed business patterns which in turn meant that travel budgets were slashed. The global aviation industry, faced with a need to invest a collective US$1 trillion (AED 3.7 trillion) in new, more fuel-efficient aircraft, was confronted with a banking industry reluctant to lend after the near collapse of the finance sector.

Emirates Airline faced the same challenges as other airlines, although it was fortunate to be operating in the Middle East where there was still positive growth in air travel. According to the International Air Transport Association (IATA), the Middle East outpaced the rest of the world in 2009, with passenger growth up 8.5%, predicted to further grow by 15.2% in 2010. Emirates is confident that global growth for passenger traffic will return to its long-term trend of five percent per annum, with the Middle East region significantly ahead of that.

That Emirates was able to return a net profit of AED 3.5 billion (US$964 million), an increase of AED 2.9 billion (US$777 million) on revenues of AED 43.5 billion (US$11.8 billion), is a testament to the superb response to the situation made by every area of the business. Passengers responded by affirming their loyalty to Emirates thanks to a commitment to maintain, and expand, the network and uphold service levels. We were able to extensively leverage brand equity built up over many years.

We were also able to leverage our tradition of pioneering new ideas, often in contrast to the conventional industry view. While vigorously addressing the need for cost containment, the goal remained to free our people to continue to shape our world through innovation and cutting edge ideas. Two examples which illustrate this philosophy:

• *In an environment where the financial institutions had almost stopped lending, Emirates continued to have requirements for new financing to support its growth programme. Not only did we encounter no difficulties in sourcing new finance, we helped create a new financial instrument that generated considerable excitement in the aviation and financial sectors and was recognised by an industry award. The US bond is guaranteed by the Export Import Bank of the United States and a novel feature is that it is backed by corporate investors rather than traditional banks.*

• *On the operational side, Emirates will be the first airline in the world to introduce the SmartLanding and SmartRunway safety solutions to reduce the risk of runway incursions and excursions. These advanced technologies, on which Emirates worked closely with Honeywell to develop, bring a new level of safety to landing an aircraft.*

Despite the challenges of 2009-2010, customer service remained at the heart of our decision-making. While some competitors reduced their networks, frequencies and service standards, Emirates resolved to uphold its own and to improve them.

There was no temptation to compromise our standards or adopt a "holding operation" until the world economy recovered. During 2009-2010, Emirates invested to improve the product, raise service levels

Critical to Emirates' long-term success is recruiting and retaining the best people.

A mentoring programme was introduced this year to support Emirates UAE National employees.

and add even more value to the customer experience, while constantly planning for the future.

Business units within Emirates worked tirelessly to get in shape to meet the daunting economic challenges posed by the recession, but a number of key issues stood out. These included maintaining our growth strategy, a strong commitment to our people and upholding the special relationship that exists between Emirates and the UAE.

Our fleet expansion programme remained on track. During 2009-2010 we took delivery of 15 new aircraft, four Airbus A380s and 11 Boeing 777s. This brought our fleet to 142 aircraft. In addition, Emirates has 146 more aircraft on order, 50 more Airbus A380s, 21 Boeing 777s, 5 Boeing 747s and 70 Airbus A350 XWBs plus 50 options on the type. While we will continue to take delivery of new aircraft at an average of one per month, we are in negotiations with the manufacturers for additional aircraft.

Although we faced the same fundamental challenges as other airlines, our solutions to these challenges were quite different. We continued to take delivery of new aircraft, we continued to invest in our brand, and we continued to support and expand our network, all of which went against a prevailing industry norm on increasing contraction.

Clearly, cost containment was a priority and initiatives were launched at all levels to deliver savings. Internal auditing initiatives designed to underpin cost containment included the introduction of the concept of Control Self Assessment at all outstations. This resulted in a comprehensive inventory of key risks and control activities enabling outstations to conduct their own health checks.

The cost containment strategy was balanced against the need to safeguard jobs and retain our finest talent. We met this challenge through a package of measures covering many areas of the business. Emirates prudently managed to keep staff costs at significantly lower levels than many of our competitors whilst at the same time, recruiting and retaining the best people as a critical part of our long-term strategy.

While committing to safeguard jobs to retain talent, a multifaceted programme proved a major success in containing staff costs. The early part of the financial year saw a freeze on new hires in non-essential areas, and non-replacement of staff leaving the company. It was combined with secondment of staff from well-resourced areas to those short of personnel, offering more balanced staffing to Emirates, and enabling people to learn new skills.

In addition, employees were given the opportunity to take unpaid leave, with 4,900 people taking up the offer. The total saved by this package was in excess of AED 41 million (US$11.1 million). Emirates overall staff levels (as of March 2010) were 36,652 against

26 dedicated luxury Emirates lounges across our network

the 35,812 in the previous year.

A series of workshops on "Effective communication during challenging times" was organised for 240 line managers and addressed the issues of morale and motivation during the recession. Staff were asked to work harder in the interest of the airline. The response was positive. When 800 pursers were invited to management briefings on the economic situation which took place during their time off, nearly everyone turned up.

Emirates' faith in its people and its commitment to safeguard jobs was handsomely repaid by individuals and teams across the organisation who "went the extra mile" over and over again. When the worst flooding to hit Manila in 40 years struck, members of staff from the local station struggled through the chaos to handle the disruption caused to flights. Aircraft mechanic Garry S. Siong Loo, abandoned his car and walked four miles through floodwater to be at his station.

The same commitment came from staff who gave up their time to work for the Emirates Airline Foundation which continues to raise money to help poor children in Africa and Asia. In Chennai the Emirates Community Health Education Society home for HIV-positive children was inaugurated. It was funded by the foundation which has pledged to cover its running costs for 20 years. In Addis Ababa, Ethiopia, the Kidane Mehret Children's Home received clothing and blankets from Emirates staff volunteering for the foundation.

A smart approach to staffing in the interests of cost containment was complemented by Emirates Group Information Technology, which underwent a cost reduction project that challenged every cost item. Although, regarded as a strategic asset and critical to our aims of being masters of our destiny, we were able to reduce costs while delivering business-critical systems. While playing a key role in enabling us to respond rapidly to the changing business landscape of 2009-2010, they managed savings of more than AED 100 million (US$27.2 million) through internal restructuring, rationalising the supplier base and through renegotiated supplier contracts.

The rapid response to cost containment displayed by Emirates, resulted in the freedom to focus on continued investment in our product and services.

In addition to rolling out a new uniform for staff, the year saw all Cabin Crew attend a dedicated training course. The Nujoum course is a pioneering event, a sensory and physical spectacle aimed at reinforcing the Emirates service values – personal, considerate, pioneering, thorough and cosmopolitan. With the majority of Cabin Crew having been through the course, there is already clear evidence of its effectiveness. It has been the subject of a Disney business case study and another major Dubai-based service company has shown interest in adopting it.

Emirates continued its investment in training with Cabin Crew attending dedicated training courses.

Training is critical to ensuring that we continue to be able to shape our own future. A further 5,000 staff underwent training on various subjects with courses compressed into smaller timeframes in the interest of cost savings. In addition, Emirates Aviation College continues to leverage the reputation of the Emirates Group by successfully opening its doors to non-Emirates Group staff to generate revenue.

The commitment to improving our product and service continues to expand from a focus on the customer experience on board the aircraft to a long-term programme to improve their experience within the airport. This is based on an understanding that airports can be stressful, usually as a result of the requisite security measures.

In 2009-2010 we opened an additional six Emirates lounges including those at Hamburg, Manchester and Mumbai airports, the latter being our first

Preparation is underway to open the next phase of the Technical Facility dedicated to maintenance of the Emirates fleet.

lounge in India. The AED 266 million (US$72.5 million) worldwide investment has seen the number of dedicated lounges, aimed at our premium customers and top-tier Skywards loyalty programme members, grow to 26 across the network. The lounges are a distinctive feature of Emirates and have proved a major attraction for customers. The Emirates lounge programme continues, with a further six planned for the coming year.

Furthering the investment in our product, we raised baggage allowances by ten kilogrammes per person across all seating classes. This stood in stark contrast to competitors who were imposing restrictions and new baggage charges at an ever-increasing rate.

There were also significant improvements to baggage handling at Dubai International Airport. Following the introduction of new standards, mishandled baggage fell to 7.5 bags per 1,000. While overall baggage processing increased by 22%, baggage handling effectiveness rose to 99.3% against 98.7% in the previous year. Furthermore, it represented a 27.7% reduction in costs incurred through administration and compensation.

As more passengers migrate to online check-in, so too will more staff be redeployed from routine check-in duties to personal passenger help and thereby further raise our service levels.

Even getting in touch with Emirates became easier during the year with a significant upgrade to Emirates Contact Centres under a contract with British Telecom Global Connect. The worldwide network of Emirates Contact Centres will soon be joined to create a "virtual contact centre" offering new and improved services.

Attracting customer loyalty has always been a priority for Emirates. This year the award-winning Skywards loyalty programme celebrated its tenth anniversary with a complete programme relaunch. In an industry-leading innovation, members now earn miles by zone instead of actual miles flown. A Miles Accelerator feature offers bonus miles on specific flights and is designed to boost revenue on flights with lower loads. The year also saw the 5 millionth Skywards member join the programme.

The ultimate symbol of Emirates pioneering spirit is the Airbus A380 superjumbo which continues to make headlines at new airports around the world, including Bangkok, Toronto, Paris, Seoul and Jeddah, the first regional airport to take the aircraft. These destinations were added to an A380 network that already included Heathrow (a second superjumbo service a day will be added during 2010), Sydney and Auckland.

The successful deployment to Jeddah came despite the fact that there was no aerobridge, resulting in passengers travelling by bus from the stand to the terminal. The deployment was the product of a

8 A380s serving eight destinations

well-established "can-do" attitude. We also worked closely with airport authorities, especially in Delhi, Larnaca and Cape Town, where new or remodelled terminals are being developed. As always, the aim is to enhance Emirates' facilities by working in partnership with airports.

Emirates is perfectly qualified to advise on airport best practice following the highly successful first year of operations at the new Dubai International Airport Emirates Terminal 3. Planning is now underway for the opening of Concourse 3 in the third quarter of 2012 which will take the Dubai International Airport experience to new levels of excellence.

An amount of AED 286 million (US$78 million) has been invested in upgrading cabin interiors and the inflight entertainment system, ice as part of the emphasis on continuous improvement to the fleet. A cabin refresh was completed on 26 Airbus aircraft comprising A330s and A340s while a more extensive cabin retrofit was completed on four aircraft in the B777 fleet.

The commitment to continuous improvement in product and service is complemented by the ongoing drive to implement ever-greater efficiencies in all technical areas. Such efficiencies translate into both cost savings and more environmentally-friendly operations.

To support the growing Emirates fleet, a Technical Facility for maintenance is scheduled to open in 2010 at a cost in excess of AED 2 billion (US$545 million). It includes a paint shop that will be used to repaint Emirates aircraft using advanced technology paints capable of reducing inflight drag.

An indicator of Emirates' growth can be seen from the fact that during the year, we received the 1,000th GE90 engine for the Boeing 777 fleet, and the 6,000th Airbus production aircraft – an A380. Dually significant, is the ever-deepening partnership between Emirates and key suppliers such as Boeing, Airbus and Rolls-Royce, a critical platform for securing new and greater efficiencies in future.

Technical and operational teams within Emirates worked closely in a Process Improvement Programme (PIP) that seeks to identify "gold standard aircraft" that deliver the best in terms of performance and fuel burn on a given route. Analysis of everything from flight planning to engineering issues is scrutinised to understand what delivers optimal performance and transfer this learning to other aircraft.

Aircraft were equipped with "paperless cockpits" with the deployment of Electronic Flight Bags that replace traditional paper-based flight plans with laptop-based information. As well as being a more efficient way of handling information, the savings in paper translate into a more environmentally-friendly way of conducting operations. This and other reductions in paper carried on board aircraft resulted in millions of dirhams saved in a matter of months, together with significant emissions reductions.

More cash and emissions savings came in the form of an agreement with the Russian Government that allows overflying of the North Pole and can save up to 20 minutes on a Dubai-San Francisco or Los Angeles flight. Extensive work is underway between Emirates, national aviation authorities and international bodies on the possibility of optimising the current use of airspace. The prize here is the reduction of flight times and lower fuel burn resulting in cost savings and reduced emissions.

Emirates intends to continue to shape its world in areas like sustainability. While a range of measures

This year Emirates received the 6,000th Airbus production aircraft - an A380.

Emirates SkyCargo responded rapidly
to the economic downturn by rightsizing its fleet.

such as recycling office materials were introduced, the primary focus is on aircraft operations which account for more than 95% of emissions.

The travel and aviation industries have become a focus for environmental criticism by lobbying groups, if not always in a constructive way. The extraordinary progress in improving aircraft engine efficiency, and thus emissions, in the past 30 years should be a cause for celebration.

The Emirates Group continues to take its responsibilities in sustainability and environmental stewardship seriously. The airline already operates one of the youngest – and thus one of the greenest - fleets in the world, positioning it as a leader in environmental best practice.

Additional savings on fuel and attendant emissions, not to mention cost, have been made thanks to a broad range of measures. This includes a study of historical data on drinking water carried on board subsequently optimising loads in order to reduce unnecessary weight. Considerable effort is also going into more efficient use of airspace in order to shorten flying times and cut fuel consumption.

Emirates was praised by the European Union for the quality of its data on fuel consumption submitted prior to the establishment of the EU's plans to introduce a carbon emissions trading scheme in 2012.

One of the biggest challenges of 2009-2010 was to accurately judge the market in terms of pricing strategies. Emirates was able to draw on the vast experience of its people to not just get this right but to explore and secure new market opportunities.

As with our commitment to staff to safeguard jobs, maintaining the integrity of the schedule and the worldwide network of Emirates routes was a priority.

A steep decline in business travel put yields under severe pressure. Tourism also showed a marked decline. A range of initiatives was launched, including an incentive for premium class passengers offering free luxury hotel accommodation in Dubai and the hugely successful "Kids go Free" promotion. The latter attracted around 20,000 international passengers and will be enhanced and launched again in 2010.

We added value to existing customers by creating new global account managers for corporates to handle their business in a more proactive way. At the same time new markets were targeted, including the increasingly important cruise segment operating out of Dubai. Agreements were signed with Costa Cruises and Royal Caribbean International.

A wide range of packages was developed around major events, including the 2010 FIFA World Cup™, the Dubai World Cup and the Dubai Rugby 7s. They were complemented by innovative payment schemes for those booking online. Certain payment card

102 destinations worldwide

holders were offered the chance to pay for tickets in three monthly installments at zero percent interest. A wide range of additional forms of payment was also introduced.

The payment schemes also provided an incentive to the customer to move their business transactions online. Online booking, available in 59 countries in 13 languages, continues to grow rapidly. Revenue via emirates.com continues to grow at 45% a year and in some markets contributes more than 20% of total revenue.

With unpredictable swings in consumer behaviour, the job of shaping our pricing policy was not an easy task. There were times when the highly sophisticated software systems that routinely track the business and set prices gave way to the vast pool of experience available among members of the team.

Emirates also took critical decisions on pricing that ran counter to the prevailing conventions that then informed the airline industry. As competitors continued to discount air fares to loss levels, Emirates maintained fares while managing healthy yields supported by excellent load factors. This was not a paradox. Emirates was capable of doing this because of the sustained investment in the brand and powerful loyalty among customers. Emirates was an island of stability in profoundly uncertain times, and our customers were willing to pay a premium for that.

Emirates not only committed to protecting its route network, but expanded it during the year. The strategy to become a global airline joining any two points on earth through Dubai continued with the network of destinations reaching 102 during the year. Among the new routes was Dubai-Tokyo, a long-awaited service begun after years of negotiations. As a global business, Emirates is also quietly lobbying on behalf of globalisation and against the stirrings of protectionism that have resulted from the recession. Four more routes are already announced for later in 2010.

Real-time monitoring of markets and routes enabled capacity to be switched from regions highly impacted by the recession to the less affected ones. A key move was the flexible and effective deployment of the A380 to capture profitable business opportunities despite the long lead time involved in addressing the infrastructure requirement at destination airports. Emirates scored a major success with the deployment of the highly efficient Boeing 777-300ER to the West Coast of the United States through the optimisation of operational procedures and the use of new flight paths.

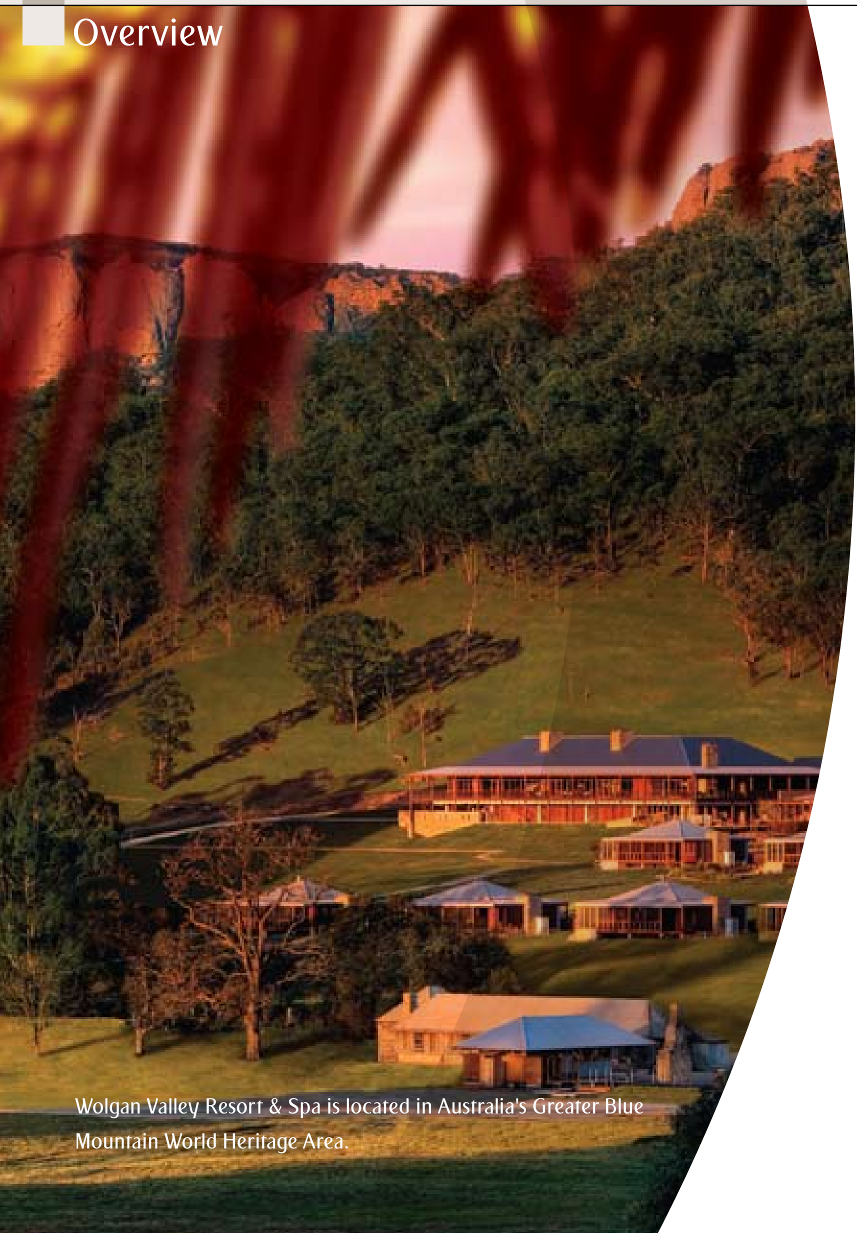
It also delivered the logistics that enabled the Emirates brand to be showcased in the Bahamas. This was a one-off operation to transport FIFA delegates to the offline destination of Nassau.

This smart deployment of assets was clearly evident on the air freight side, which tends to be "first in, first out" in bad economic times. During 2009-2010 the global industry declined by 10%, registering a 23% fall in one month alone.

Emirates SkyCargo adopted a strategy of securing and protecting cargo market share, and was able to buck the trend during the year by rapidly responding to the downturn and rightsizing its fleet. As a result the business achieved double digit growth in the volumes transported. Having begun the year with eight aircraft, it ended the year with seven freighters – five Boeing 747Fs and two Boeing 777Fs. The latter were brand new aircraft and benefits were reaped from their efficiency and by economies of scale as they took their place in a large fleet of the type.

While aiming to have the right capacity in the right place, Emirates SkyCargo was also able to retain a

Optimising use of airspace is key to reducing flight times and fuel burn.



Wolgan Valley Resort & Spa is located in Australia's Greater Blue Mountain World Heritage Area.

wide-ranging service to customers by making use of the hold capacity of an all-widebody passenger fleet and continued to win accolades for service excellence. When air freight picked up towards the latter end of the year, Emirates SkyCargo saw its business significantly ahead of industry-wide averages. The fast and flexible tactics employed by Emirates during the year, together with its longer-term strategies found vital support through a major communications programme. Due to the economic situation, advertising spend was redirected from corporate to tactical advertising campaigns to support specific markets.

Emirates is known for re-inventing the art of sports sponsorship, and its pioneering work in this area continued with a AED 300 million (US$81.6 million) deal to back Italian football giants, AC Milan. The general business environment enabled some contracts to be renegotiated resulting in cost savings. In cricket, Emirates became the sponsor of the high profile Twenty20 World Cup held in England.

Over the year, more than 250 exhibitions and other events featured an Emirates or a Dnata presence. At the top end, the show-stopping Emirates Globe took centre stage at the Arabian Travel Market and won the "Best Exhibitor" award at ITB in the "Carrier" category, while an additional exhibition hall at this year's Dubai Airshow was called the Emirates Hall.

Significant progress was also made in digital communications, with website traffic to emirates.com increasing whilst airline web traffic worldwide is in decline. Our traffic even reached a peak in the first quarter of 2010.

In the troubled global aviation sector, the Emirates Group was able to demonstrate through communications channels that it was "business as usual" and thereby leverage the cumulative strength of the brand to attract customers. This long-term marketing and communications strategy returned excellent dividends at a time of great uncertainty in the sector.

With consumer behaviour highly erratic during the year, the idea of the "package holiday" had to be reinterpreted by Destination & Leisure Management (DLM) and its business arms. But while the right response to difficult market conditions was critical, long-term issues such as sustainability in tourism were not sacrificed.

For Emirates Holidays, flexibility was critical to business success as customers opted for shorter breaks or more modest accommodation. Dubai remained the top destination managed by Emirates Holidays, followed by Indian Ocean resorts and Thailand. The total room nights booked for all destinations topped 165,000 during the year. The World of Choice holiday brochures were updated to include information on sustainability of hotels in line with customer expectations.

1,580 thousand tonnes of cargo carried

The Arabian Adventures arm of DLM opened its state-of-the-art Operations Centre in Dubai, a key investment in its long-term growth strategy.

But while managing short-term issues, the emphasis was again on the longer term, with the opening of Emirates Hotels & Resorts' Wolgan Valley Resort & Spa in Australia. Destined to become one of the world's leading conservation-based resorts, it was the first hotel in the world to achieve carbon neutral certification. The opening of Wolgan Valley reflects DLM's strategy of focussing on environmental and sustainable properties.

The Congress Solutions International arm of DLM continued to win major events, including the organisation of the World Economic Forum Summit on the Global Agenda 2009 which brought together 700 VIP delegates from 90 countries. It also launched its Green Declaration, a blueprint for reducing, negating or eliminating the environmental footprint left by large meetings and events.

All elements of the Emirates strategy – growth, quality, performance, sustainability – come together in our order for the next generation of aircraft that will shape our future. The Airbus A350 XWB super-long range and super-efficient aircraft will enter service in 2014. Emirates has 70 aircraft on order, with 50 options, a mix of the -900 and -1000 variants.

Emirates teams are working proactively with manufacturer Airbus on aspects of the design, from the cockpit and galley layouts to technical maintainability. A member of the Emirates Cabin Crew is advising Airbus on practical issues such as galley design, taking experience from working on the A380 and helping to transfer it to the new aircraft. These new aircraft will ensure that Emirates continues its tradition of being a true pioneer in the industry.

It is perhaps not an accident that Emirates was born in Dubai, which places a very similar emphasis on its long-term vision. Given the nature of the economic landscape in the past year, Dubai's achievements in opening its state-of-the-art metro, Meydan Racecourse and the world's tallest tower, the Burj Khalifa, are more than worthy of note. Neither was the negative press about Dubai reflected in the numbers of people passing through. Dubai International Airport recorded passenger growth of 9.2% during 2009, with aircraft movements up by three percent.

The growth and development of Emirates and its home base of Dubai are intimately linked, not least by a shared vision that is centred on growth, prosperity, the highest standards of quality and a role as proactive citizens in a globalised world. While we run a business like any other enterprise, we also have a special relationship with Dubai and the UAE that remains a constant dimension in our thinking and planning.

In supporting the development aspirations of the United Arab Emirates, Emirates continued to champion the UAE Nationals Programme, meeting the annual target of hiring 500 Nationals during the year. The success of the long-term programme can be seen from the fact that UAE Nationals now make up 26% of senior management in Emirates and the wider Group.

To help present a more balanced portrait of Dubai in 2009-2010, the Emirates Group took a leadership role in campaigns designed to present its home base to key opinion formers. These included the "Meet Dubai" advertising campaign and the "Keep discovering Dubai" initiative. The latter involved working with the Dubai Department of Tourism and Commerce Marketing and local hotels to bring 2,500 travel and tour operators, MICE specialists and journalists to the emirate.

It was a considerable logistical exercise. The result was an immediate boost to visitor numbers and, more importantly, a longer-term rebalancing of international perceptions. As Emirates Airline marks its 25th anniversary, we are given a valuable reminder of the importance of long-term thinking.

Destination & Leisure Management's Arabian Adventures arm offers tours and safaris in the UAE.

million dirhams revenue **3,160**

million dirhams operating profit **613**

profit margin **19.4%**

18

countries worldwide where Dnata operates

Managing a world-class business and pursuing a long-term growth strategy in the face of the unprecedented global economic recession posed some unique challenges for Dnata over the past year. There were opportunities to be seized too.

The year began with Dnata celebrating its 50th anniversary, a milestone which allowed us to reflect back on the creation of the business and how it has shaped our destiny. Launched as the platform on which Dubai could realise its ambition of becoming a global player in travel and aviation, the operation is stronger than ever. The pioneering spirit, a passion to be master of our own destiny, to be the very best at what we do - the cornerstone philosophy of Dnata - has been adapted by the entire Emirates Group.

The year also began with Dnata having to navigate one of the worst recessions on record. A tough regime of cost-containment was implemented, with every business subject to intense scrutiny and where necessary restructured. In addition, a freeze was imposed on new staff hires. An internal auditing strategy embracing new tools and approaches to help in the Group-wide cost reduction drive were implemented. Usage of automated data mining tools like CONTACT (continuous testing and analysis of critical transactions) resulted in significantly improved audit coverage without requiring additional resources. Departments acted to identify strategic risks and facilitate risk management.

Implementation of these measures enabled us to safeguard the jobs of our people, while our long-established focus on quality and growth was maintained and strengthened.

In line with the Emirates Group ethos, both businesses and support functions were able to play to their twin strengths of proven experience and flexibility. Moving rapidly to make the necessary changes internally, businesses were then able to adapt and deliver a "business as usual" approach. We retained our talent and remained strongly focussed on the long-term, with continued investment in acquisitions, training and systems.

The commitment to a long-term vision was perfectly embodied by **Dnata Airport Operations**, which is the ground handling company at Dubai International Airport and employer of more than 6,100 people.

The division was well-positioned to fight off the impact of the recession thanks to decisions made two years ago. Following record Emirates Group profits at that time, Airport Operations refused to sit on its laurels. It had the foresight to initiate a complete restructure, moving from a location-based organisation to a function based organisation. Roles and responsibilities were redefined as necessary.

These were defining initiatives conducted from a position of strength and implemented at the start of the 2009/2010 financial year. With the global recession deepening, the timing was perfect. Airport Operations was able to grow at Dubai International Airport with existing resources improving both productivity and profitability. Importantly this was achieved with an even higher service level being delivered to our customers.

The difficult market forced Dnata's airline customers at Dubai International Airport to change their schedules and aircraft types to match demand. Despite the pressures faced by the aviation industry the number of airline customers serving Dubai grew to 135. Among the new clients were Kingfisher, Air Berlin and the new low cost carrier flydubai.

The financial year also saw the first full year of operations at Emirates Terminal 3 which is setting new standards of excellence for airport operations.

Dnata staff delivered outstanding results whilst facing the worst recession on record.

Overview

Marhaba is the hallmark of Dubai International Airport's meet and greet services.

Part of the package of airport excellence is the Marhaba passenger services operation. Established in 1991, the Marhaba team offers a personalised meet and greet service tailored to the passenger's specific needs at Dubai International Airport. Marhaba enjoyed another busy year and, given the recognised strength of the brand and its service, plans are now well-advanced to expand internationally. An announcement is expected soon about the introduction of Marhaba services at new destinations worldwide.

In parallel to the operational work at Dubai International Airport, a team from Dnata Airport Operations and Dnata Cargo prepared to begin work at the new Al Maktoum International Airport scheduled to open in June 2010. Destined to become the world's biggest airport, it lies at the heart of the Dubai World Central complex, a 140 square kilometre, multi-phase development embracing Aviation City, Dubai Logistics City, Residential City, Commercial City and Golf City. Ultimately, 945,000 people will live and work within the borders of the US$33 billion (AED 121 billion) project.

Despite the increase in capacity at Dubai International Airport with the opening of Emirates Terminal 3 and Concourse 3 scheduled to open in 2012, passenger growth continues at nearly ten percent a year meaning Dubai International Airport will reach capacity in a few years. The Al Maktoum International Airport, with a planned capacity of 175 million passengers a year, is the long-term solution. In the first phase of operations, Al Maktoum International will handle cargo traffic to be followed shortly thereafter with the introduction of passenger services.

Dnata's goal is to be the best ground handling operator in the world. Al Maktoum International will offer the perfect showcase for the fulfilment of that ambition.

Being the best in the business means a commitment to constant quality improvement driven by a highly motivated team who are prepared to go that 'extra mile'. Supported by better focussed recruitment techniques, enhanced customer service training and clarity of career progression with a clear focus on rewarding performance, we have successfully raised the bar, yet again.

The emphasis on the "soft", but incredibly important, drivers of the Dnata business was complemented by a decision to maintain prices at the previous year's levels in Dubai with Dnata absorbing additional costs that were not passed on to our customers. This was in line with the Emirates Group's commitment to support the wider interests of Dubai. The initiative helped Dubai International Airport deliver impressive figures for the year. Despite the global recession and some negative press about Dubai, Dubai International Airport recorded passenger growth of 9.2% during 2009, with aircraft movements up 3%.

Given Dubai's undertaking to be the most

192,100 aircraft handled worldwide

competitive centre for aviation and logistics Dnata has to strike the right balance between delivering excellent service and suitable pricing. Its performance is constantly benchmarked against operators at other airports around the world. The most recent exercise revealed Dubai's charges remain extremely competitive at around half that of India's airports and as much as five times more affordable than at many European destinations.

But it is not only about offering competitive services. A range of performance indicators shows improvements over the previous year, including on-time performance and baggage services in both Terminals 1 and 3. These gains were achieved amid a 15.6% increase in the number of bags handled – hitting 37.2 million. To further enable growth, a new baggage hub control office is being developed to house all baggage stakeholders and further improve communication and efficiency.

The continuous drive to improve efficiency led to the Technical Support and Aircraft Appearance teams being integrated to become the Ramp Services Department. At the same time, technology was harnessed in a drive towards "paperless" turnarounds of aircraft. Handheld terminals for scanning bulk baggage on Emirates flights were introduced as were Personal Digital Assistants for Cargo Logistics to enable real-time tracking of cargo units.

Being the best and the commitment to long-term growth came together in two businesses – not only Dnata but MMI too with both companies securing significant geographical expansion over the course of the year.

Dnata pulled off the only major transaction in the global ground handling sector in 2009 with an acquisition that saw it enter the market in the United Kingdom. Dnata spent AED 59 million (US$16.1 million) acquiring two of the UK's leading airport operations – Plane Handling which provides ramp and cargo handling services at Heathrow Airport as well as cargo handling services at Manchester Airport, and Aviance which provides passenger and ramp handling operations at Heathrow's Terminals 3 and 4. With these acquisitions Dnata's international operations (i.e. those outside its home base, Dubai) now handle as many aircraft turns and as much cargo volume as Dubai – a significant milestone since Dnata's first foray overseas into Pakistan in 1993.

Continuing its expansion abroad on the 12th March 2010 Dnata commenced ground handling services at Erbil International Airport, Iraq, making a breakthrough in Dnata's international ambitions to export its expertise to other airports in the Middle East.

With London, Manchester and Erbil added to its portfolio Dnata now operates at 20 airports in nine countries, including Australia, Switzerland, China and Singapore. These new operations have increased Dnata's ground handling activities by 45%, changed the dynamics of the business, and further raised Dnata's international profile. It also sends out a powerful message that Dnata is moving forward with its growth strategy, seeking new opportunities and acquisition targets – but always with the caveat - provided they meet the criteria required of a high calibre operation.

Dnata's expansion continued with an entry into the UK's ground handling market.

The **MMI** beverage business also extended its reach overseas. A string of valuable niche deals enabled a move into the Indian Ocean, and saw the opening of retail outlets in Zanzibar, the Seychelles and the Maldives, extending its own supply chain and meeting the needs of smaller territories in the region.

In 2009, the same pioneering spirit saw **Dnata Travel Services (DTS)** open an office in Kabul to tap into the growing need for travel services in Afghanistan.

Overview

Dnata Airport Operations airline customers grew to 135 during the year.

The joint venture is making steady headway, in spite of security challenges, thanks to the team of remarkably motivated and dedicated staff.

The travel services industry was hit particularly hard with people simply not travelling or those travelling trading down from premium offerings. There were serious ramifications for travel agents. Faced with profound uncertainty, DTS tightened its belt and examined everything from "paperclips to people." While the year saw bright spots of trading – including Saudi Arabia and Abu Dhabi – it proved an incredibly tough year for DTS but the severity of the recession and the challenges it brought did not prevent DTS from being recognised for its contribution to the industry; and among the awards won during the year was "World's Leading Travel Management Company" at the 2009 World Travel Awards.

Once again the Dnata team proved their mettle, the DTS business weathered the worst of the recession, and continued to win accolades thanks to its strong profile as the travel market's leading "one stop shop" and a loyal and diverse network of corporate clients. The strategic relationship with its global corporate travel partner, Hogg Robinson Group, flourished as many struggled and DTS continues its quest to look at new opportunities such as India and Iraq.

From travel needs to leading world events, the business' travel arm continues to cater to all. MMI

1,121 thousand tonnes of cargo handled worldwide

Travel further consolidated its position as the sports travel industry leader in the Middle East through its involvement in major sporting events ranging from the 2010 FIFA World Cup™ in South Africa, to the 2010 ICC World Twenty20 in the West Indies and the 2010 Singapore Grand Prix. Destination management company, Gulf Ventures, strengthened its tourism offer in response to a fast-changing inbound travel market joining forces with Dnata's World of Events to offer a wide-array of exciting and innovative new products to people visiting Dubai. Linking these many varied but closely related activities the travel division launched its own client magazine, Voyage, designed to support the DTS marketing strategy by adding value to its relationship with customers.

But DTS was not the only Dnata business developing its interests in Afghanistan. Moving quickly where less pioneering-minded competitors were reluctant to tread, **Dnata Cargo** also found a very lucrative market in the country.

A year of formidable challenges faced the business this year, with the local air freight market badly hit by a downturn in cargo volumes. However, with a combination of stringent cost reduction, process reengineering (freight movements at all 140 loading bays were reorganised), and smarter ways of working a growth of 6.3% was achieved. No small feat considering the pounding that air cargo experienced across the globe.

However the innovative highlight of the year and the embodiment of the smarter working ethos was manifest in Calogi, an internally-created cargo industry IT portal that links the entire air freight supply chain. Not only did the system play a central role in enabling Dnata Cargo to cut costs, it has the potential to become an industry standard product. Some 65% of Dnata Cargo's business migrated to Calogi during the financial year, simplifying transactions, saving customers' time and reducing costs for the division. The paperless system is expected to be launched internationally in future, with the potential of becoming the "Google of the air freight industry."

The unrelenting drive for quality in all things and a strategy of keeping critical functions in-house are hallmarks of the Emirates Group, both exemplified during the year by two businesses – **Emirates Group IT (EG-IT)** and Emirates Flight Catering (EKFC).

From an early stage, the Emirates Group identified control of communications, data and systems a key strategic principle and resolved, where necessary, to develop and manage proprietary systems in these critical areas. Thus EG-IT serves all Group functions and business units. It also houses the Mercator product range, a fast-growing profit centre providing services and systems to the aviation industry.

No part of the Emirates Group was immune from the consequences of the global financial crisis and

Dnata Travel Services won "World's Leading Travel Management Company" at the 2009 World Travel Awards.

EG-IT carried out a radical review of the Group-wide IT function, activating a successful cost-reduction programme that delivered more than AED 100 million (US$27.2 million) in savings during the year. The initiative leveraged the intellect and creativity of staff across all businesses of the Emirates Group. The result was a wealth of cost-saving ideas. As well as renegotiating contracts with suppliers, EG-IT lowered the capital and operating costs of IT services through focussing on standardisation and automation. The standardisation of infrastructure and processes drove down labour costs by decreasing complexity, reducing errors and avoiding re-work.

In line with the Group's commitment to support Dubai, EG-IT signed a Memorandum of Understanding with the Computer Emergency Response Team of the UAE Telecommunications Regulatory Authority aimed at helping create a safe

The Dnata Operations Control Centre serves all airlines operating at Dubai International Airport.

cyberspace for the UAE - just one of many examples of the Emirates Group's business units working for the greater benefit of Dubai. In addition, graduates of the Emirates Group IT-sponsored National School Leavers Scheme joined the workforce as software engineers – making them the first generation of home-grown UAE national software engineers in Group history. Another plus was increasing the return of work outsourced overseas back to the UAE adding support to the local economy.

While EG-IT delivered the pioneering and dual industry award-winning Calogi web-based cargo portal for Dnata Cargo, Mercator expanded into new areas and landed significant new deals.

Mercator thrived in an environment where airlines were urgently seeking cost-effective solutions to mounting efficiency and productivity issues. Major agreements were signed with a number of airlines, particularly in the Americas, where the company inked its biggest contract to date. The year saw an increase in profitability, as well as the launch of Mercator Business Technology to provide systems for industries beyond the aviation sector.

Emirates Flight Catering (EKFC) is another example of how an important part of the Group strategy is to retain key functions in-house as a guarantee of quality and delivery.

Significant growth of flight and passenger movements at Dubai International Airport presented increasing challenges for EKFC to surmount. Serving 125 airlines operating at Dubai International Airport, a total of 32 million meals were produced in 2009, including 110,345 on July 31st – a world record for a single airline catering facility.

Food Point, the food processing arm of EKFC, continued its growth strategy. Having successfully moved into the casual dining sector, it now exports products to eight countries in the region. Food Point aims to continue that growth in the coming year, driving production from 17.5 million meals to 20 million over the next fiscal year.

Advanced security is a fundamental requirement for any airline group, and **Emirates Group Security** is another area deemed crucial to retain in-house in order to guarantee the highest quality. As a result, Group Security continues to win recognition for its work including winning the highest Transported Assets Protection Association (TAPA) certification for its Dubai-based cargo operations. The Australian government recognised its achievements in thwarting the illegal travel of passengers through stringent documentation checks saving airlines using Dubai International Airport tens of millions of Dirhams in potential fines last year.

New security measures were introduced, including the installation of security cameras in the holds of Emirates aircraft to guard against interference with

32million

meals prepared by
Emirates Flight Catering serving
125 airlines in Dubai

passenger baggage.
In response to the recession, **Transguard**, the Emirates Group entity providing security and cash management services, sought to diversify its activities, securing a number of contracts for the protection of high-end valuables.

The Centre of Aviation Security Studies, the educational wing of the Group's security business, matriculated its 750th graduate during the year. It also won the business to train security personnel for the Presidential Fleet of Nigeria.

The products and services put forth by Dnata and the many associated companies and business units in the Emirates Group, emblems of innovation, excellence and growth, are not without an environmental dimension. Our growth strategy is based on the principles of sustainability, and no business or function is untouched by this. It is part of Dnata's business strategy, dovetailing with the broader Emirates Group strategy of working to further the wider interests of Dubai.

A range of measures across Dnata businesses have been implemented to deliver operations that are more environmentally-friendly. At offices there are car pooling schemes and recycling projects, while Dnata Airport Operations vehicles are being powered by gas-to-liquids fuels in a trial which aims to deliver cleaner transportation.

Both Dnata's sustainability strategy and its policy of working attuned to the interests of Dubai are embodied in a showcase project from Dnata Cargo that is destined to become a model for environmental integrity across the Emirate. Dnata Cargo teamed up with the Department of Economic Development and logistics provider DHL to develop carbon neutral warehouses in the FreightGate-5 cargo complex using them to develop standards for all future warehousing in Dubai.

In the first phase, these energy-saving measures will result in savings to the equivalent of 129 tonnes of carbon dioxide a year. FreightGate-5 will become a template for future green warehousing in Dubai. On current projections for warehousing needed in the emirate, some 1.9 million tonnes of carbon dioxide emissions a year will be saved by 2020.

Protecting our planet is about taking a long-term view, being pragmatic and realistic but also being truly committed. This is a value shared across all areas of Dnata and the greater Emirates Group.

At the conclusion of what was a turbulent financial year, we can look back with satisfaction and pride at not just tackling the difficult decisions of restructuring, but on holding to our watchwords of growth, excellence and innovation. In the 50th anniversary year of Dnata, it was confirmation that even in the toughest of times we remain firmly focussed on the future.

Dnata Cargo opened FreightGate-5, a carbon neutral warehouse setting standards for the future of warehousing.

Also refer to pages 126 - 127.

Financial Information

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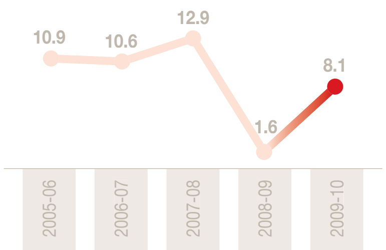
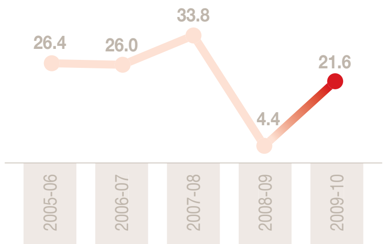
Additional Information

Profit margin in %



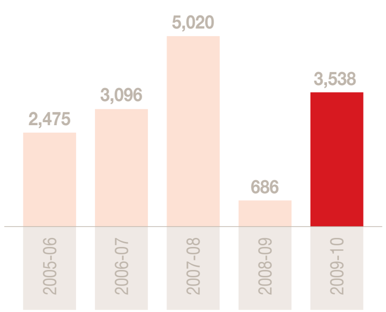
Return on shareholder's funds in %



Profitability

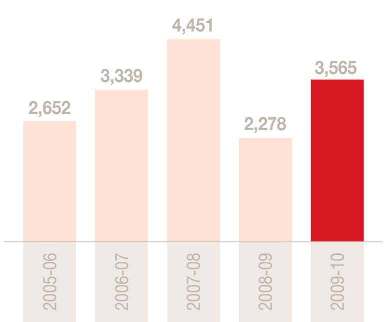
Emirates profit attributable to the Owner for 2009-10 was significantly up by AED 2,852 million to AED 3,538 million (2008-09: AED 686 million) reflecting 2.7% lower operating costs and prior year losses in the fair value of derivative financial instruments not repeated. The business climate at the commencement of the financial year was pessimistic but gradually turned to cautious optimism during the course of the third quarter with results boosted by an extremely strong performance in the second half of the financial year. Transport revenue which was down 15.4% in the first half over the same period in the previous year recovered sharply on the back of strong revenues, improved yields and higher load factors. The previous year profit has been restated from AED 982 million with the adoption of new IFRS guidelines for accounting customer loyalty programmes effective 1st April 2009 (refer to note 40 in the Emirates financial statements for more information).

Profit attributable to the Owner in AED m



Emirates ended the financial year with an operating profit of AED 3,565 million which is AED 1,287 million or 56.5% better than the previous year and a healthy operating margin of 8.2% or 2.9 percentage points higher than last year. Emirates profit margin also recovered to 8.1% from 1.6%, a notable achievement in a difficult year.

Operating profit in AED m

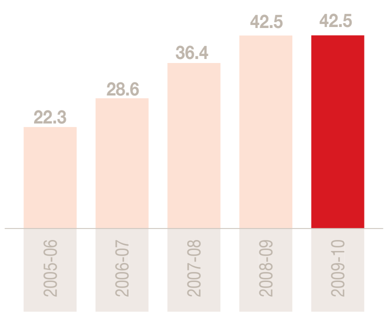


As a result, the return on shareholder's funds stood at a healthy 21.6% or a significant 17.2 percentage points better than the previous year.

Revenue

Revenue remained stable at AED 42,477 million (2008-09: AED 42,459 million) reflecting lower passenger and cargo yields offset by increased traffic. Passenger and cargo revenue (including excess baggage, courier and mail) accounts for 94.6% of revenue.

Development of revenue in AED bn

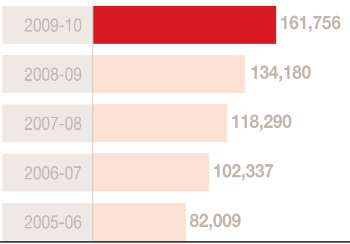


Revenue

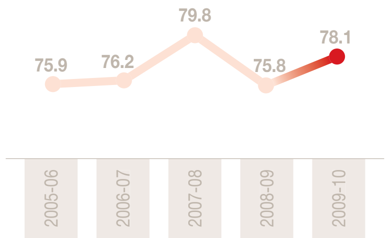
	2009-10 AED m	2008-09 AED m	% change
Passenger	32,995	32,697	0.9
Cargo	6,315	6,874	(8.1)
Courier	428	349	22.6
Excess baggage	278	349	(20.3)
Mail	156	126	23.8
Transport revenue	**40,172**	**40,395**	**(0.6)**
Sale of goods	1,727	1,563	10.5
Destination and leisure	156	194	(19.6)
Other	422	307	37.5
Total	**42,477**	**42,459**	–

Passenger revenue at AED 32,995 million was marginally higher by AED 298 million over the previous year and was impacted by considerably weaker yields. The decline in passenger yield per RPKM of 18.7% to 26.1 fils resulted mainly from a drop in fares and a deterioration in the class mix with premium class seat factors declining by 6.2 percentage points while economy class seat factors

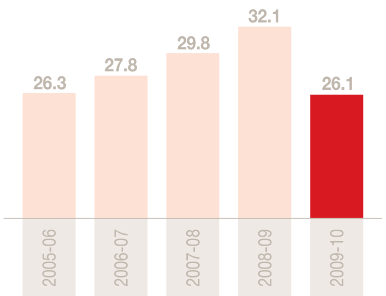
Available seat kilometres (ASKM) in millions



Passengers seat factor in %



Passenger yield in fils per RPKM

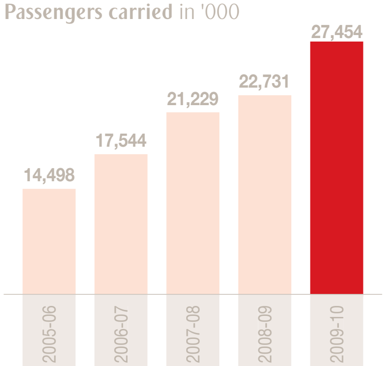


increased by 3.6 percentage points. The yield per RPKM recovered markedly in the second half resulting in the catch up in passenger revenue to the previous year level. The decline in yield was countered by an increase in the average passenger seat factor to 78.1% or 2.3 percentage points better than the previous year despite a 20.6% increase in ASKMs.

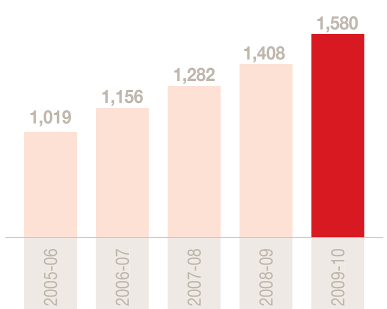
The higher average seat factor over the expanded capacity translated into passenger numbers increasing by 20.8% or 4.7 million passengers to 27.5 million.

Cargo revenue at AED 6,315 million is 8.1% lower than last year (2008-09: AED 6,874 million), also the result of declining yields. While cargo tonnage increased by 12.2% over the previous year mainly in the second half of the year, freight yield per FTKM declined by 18.9%. Revenue from cargo, mail and courier continues to constitute an important 17.2% (2008-09: 18.2%) of Emirates transport revenue.

Passengers carried in '000



Cargo carried in tonnes '000

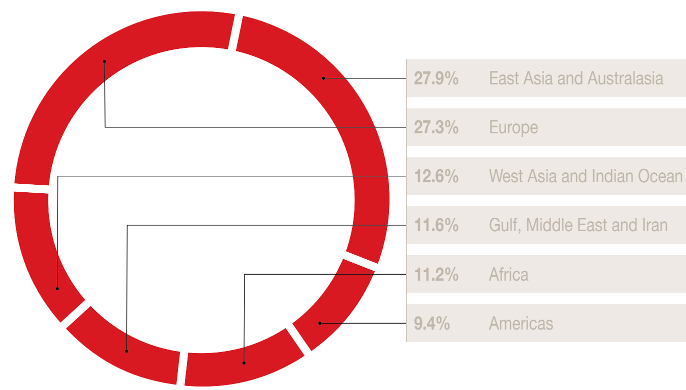


Geographical revenue in AED m

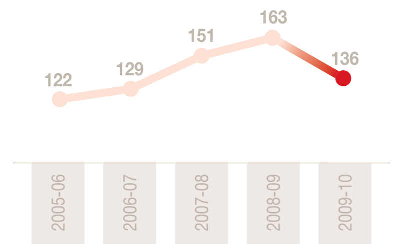
Year	Gulf, Middle East and Iran	Europe	Americas	East Asia and Australasia	West Asia and Indian Ocean	Africa	Total
2009-10	4,941	11,612	4,003	11,843	5,322	4,756	42,477
2008-09	4,842	12,185	3,702	12,097	4,938	4,695	42,459
% change	2.0%	(4.7%)	8.1%	(2.1%)	7.8%	1.3%	–

The changes in the revenue by geographical area mainly emanate from a shift in transport revenues. The 8.1% increase in revenues for the Americas is on account of the full year impact of new routes while the West Asia and Indian Ocean region experienced stronger revenue growth over other regions.

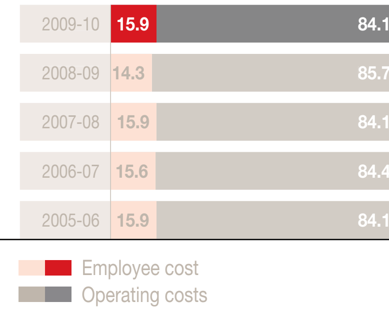
Geographical revenue in %



Unit cost in fils per ATKM



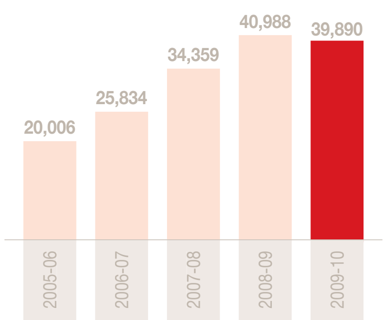
Employee cost as % of total operating expenses



Expenditure

Emirates operating costs at AED 39,890 million were AED 1,098 million or 2.7% better than the previous year mainly due to a reduced jet fuel bill (lower by AED 2,535 million or 17.6%).

Operating costs in AED m



Employee cost grew by 8.3% which compares with 16.9% growth in capacity, reflecting an impressive productivity gain per airline employee. Employee numbers increased by 2.3% reflecting a freeze in recruitment in non-operational areas.

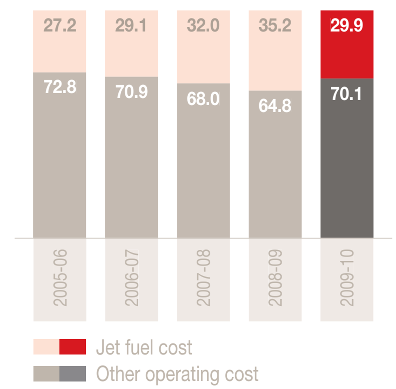
The higher depreciation charge on account of an increase in aircraft fleet assets (up AED 743 million or 34.6%) and higher direct operating costs on account of the increase in traffic (handling, in-flight costs, overflying, landing and parking and aircraft maintenance costs were up by AED 992 million or 13.9%) were partially offset by lower sales and marketing expenses (AED 301 million or 9.1%) and lower corporate overheads (AED 825 million or 24.4%).

Operating costs

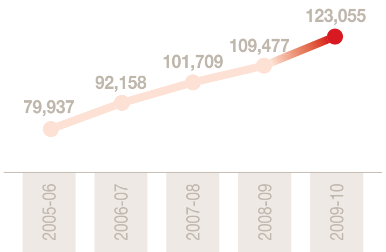
	2009-10 AED m	2008-09 AED m	% change	2009-10 % of operating costs
Jet fuel	11,908	14,443	(17.6)	29.9
Employee	6,345	5,861	8.3	15.9
Aircraft operating leases	4,111	3,797	8.3	10.3
Sales and marketing	3,020	3,321	(9.1)	7.6
Depreciation	2,893	2,150	34.6	7.2
Handling	2,807	2,533	10.8	7.0
In-flight catering and other operating costs	2,180	1,923	13.4	5.5
Overflying	1,438	1,281	12.3	3.6
Landing and parking	874	735	18.9	2.2
Aircraft maintenance	847	682	24.2	2.1
Cost of goods sold	844	822	2.7	2.1
Amortisation	69	61	13.1	0.2
Corporate overheads	2,554	3,379	(24.4)	6.4
Total operating costs	**39,890**	**40,988**	**(2.7)**	**100.0**

Jet fuel costs at AED 11,908 million (2008-09: AED 14,443 million) comprise 29.9% (2008-09: 35.2%) of operating costs. The reduction in costs was the result of a 30.8% reduction in average jet fuel cost per US gallon with quantity uplifts increasing by 19.2% over the previous year. This translates into a 29.5% reduction in fuel cost per ATKM.

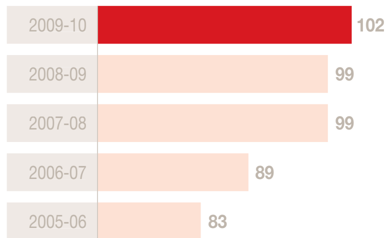
Jet fuel cost as % of operating cost



Aircraft departures



Destination cities



Capacity, traffic and load factor

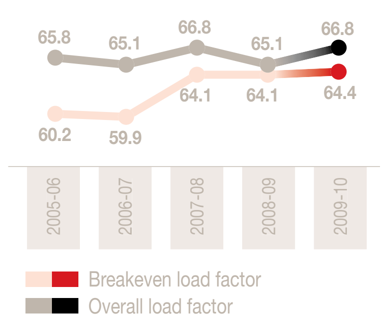
		2009-10	2008-09	% change
Capacity (ATKM)	million	28,526	24,397	16.9
Load carried (RTKM)	million	19,063	15,879	20.1
Load factor	%	66.8	65.1	1.7 pts
Break even load factor	%	64.4	64.1	0.3 pts

The airline's capacity measured in terms of ATKM rose 16.9% to 28,526 million tonne-kilometers while traffic or RTKM increased 20.1%, faster than the capacity growth, to 19,063 million tonne-kilometers. This resulted in the overall load factor rising by 1.7 percentage points to 66.8% (2008-09: 65.1%).

The eight A380 superjumbo aircraft in the fleet at 31 March 2010 are very popular with our customers returning load and seat factors well above the network average. The A380 fleet serves a total of eight destinations, five of which were added in the current financial year.

As part of the continued emphasis on investing in the product and in line with the capacity growth, six new airport lounges were opened across the network in Birmingham, Manchester, Hamburg, Beijing, Mumbai and Johannesburg. This takes the total number of Emirates dedicated airport lounges to 26.

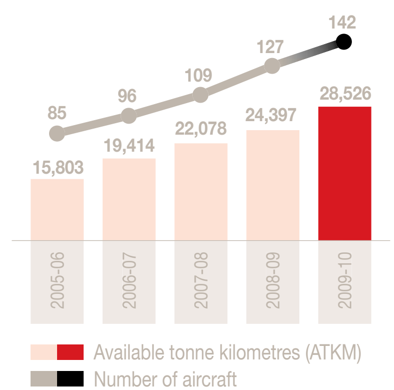
Overall and breakeven load factor in %



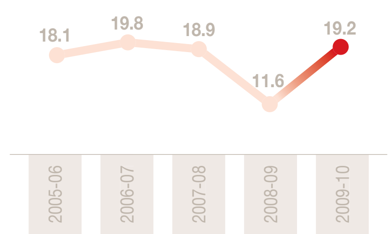
Aircraft departures increased by 12.4% to 123,055. The increase in traffic came principally from:

- introduction of new passenger services to Durban, Luanda and Tokyo.
- increased frequencies to several existing destinations, mainly Jakarta, Rome, Doha, Bangkok, Kolkata and Kozhikode.
- increased capacity to several existing destinations with bigger aircraft, mainly Dusseldorf, Munich, Paris, Seoul and Hong Kong.

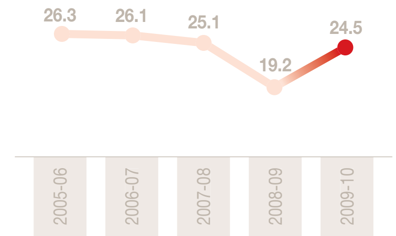
Available tonne kilometres (ATKM) in millions and number of aircraft



Operating cash margin in %



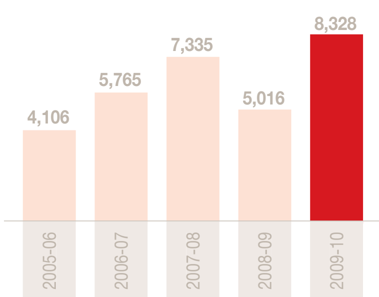
EBITDAR margin in %



Cash position

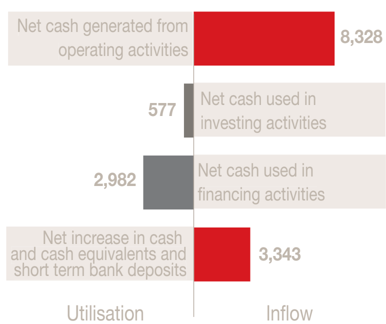
Emirates cash generated from operating activities at AED 8,328 million is significant as it represents the highest level ever achieved. This was AED 3,312 million better than the previous year primarily on account of the increase in profits. The resultant operating cash margin at 19.2% is 7.6 percentage points better than the previous year.

Cash generated from operating activities in AED m



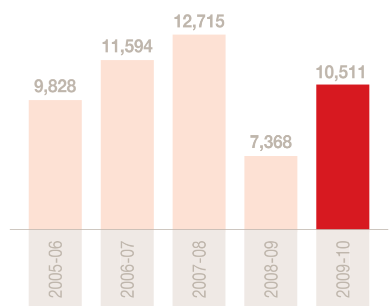
The net cash used in investing activities at AED 577 million (2008-09: cash generation of AED 1,896 million) is mainly on account of the outflows of AED 3,416 million (2008-09: AED 5,573 million) on property, plant and equipment. A net amount of AED 2,982 million (2008-09: AED 5,085 million) was used in financing activities reflecting the outflows on settling borrowings and lease liabilities including financing costs as well as dividends to the ownership.

Cash flow in AED m



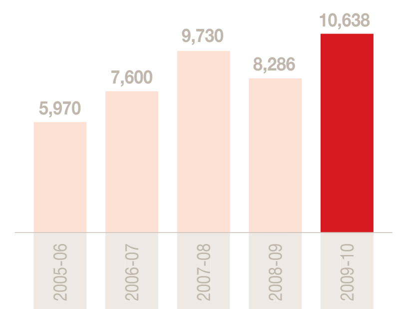
As a result, cash assets were up AED 3,143 million or 42.7% to a healthy AED 10,511 million at 31 March 2010 and this is expected to be sufficient to cover all requirements due in the next financial year when supplemented by our aircraft financing programme. This represents a healthy cash assets to revenue ratio of 24.2% which is 7.2 percentage points better than the previous year.

Cash assets in AED m

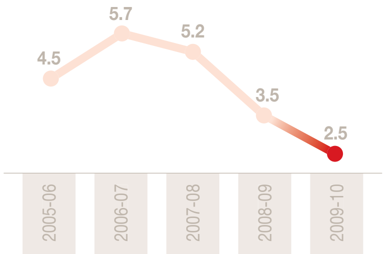


Emirates cash profit from operations (or EBITDAR) for the year ended 31 March 2010 is a substantial AED 10,638 million, up 28.4 % over last year and is 24.5 % of revenue and other operating income. Once again this is the highest level ever achieved by Emirates. EBITDAR for the year equated to more than 16 months of debt service and lease rentals, including periodic principal and interest payments on aircraft financing and bond issues.

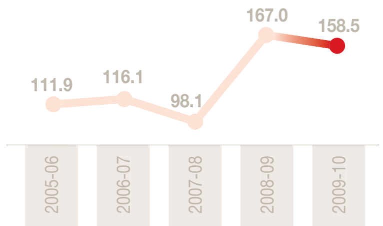
EBITDAR in AED m



Effective interest rate on borrowings in %



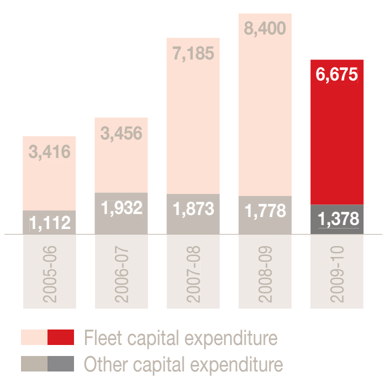
Net debt (including aircraft leases) equity ratio in %



Capital expenditure

Emirates capital expenditure during the year stood at AED 8,053 million (2008-09: AED 10,178 million). Primary capital expenditure consisting of the spend on aircraft, major overhauls, spare engines and parts comprised 82.9% of the total capital expenditure including disbursements for aircraft deliveries during the year and progress payments for future deliveries. In total, secondary capital expenditure amounted to AED 1,378 million (2008-09: AED 1,778 million) of which AED 981 million (2008-09: AED 1,294 million) has been spent on building construction projects.

Fleet and other capital expenditure in AED m



Fleet acquisition and financing

During the financial year, Emirates took delivery of 15 aircraft, 11 from Boeing and four from Airbus. Boeing aircraft comprised ten B777-300ER and one B777-200LR freighter while Airbus deliveries consisted of four twin deck A380 aircraft. Eight A380 aircraft are now in our fleet out of a total order book of 58 units. During the year, Emirates became the largest B777 operator when it took delivery of its 78th B777 aircraft.

Emirates raised a total of AED 8,776 million in aircraft financing including aircraft operating leases over the period under review, and have already received offers of finance covering all deliveries due in the forthcoming financial year.

Eight B777-300ER aircraft were funded through finance leases, (with the option to refinance in the capital markets), two through sale and lease back transactions while the freighter was financed as a pure operating lease.

The financial highlight of the year was the first ever financing of Boeing aircraft through capital markets guaranteed by the US Export-Import bank on finance lease. The transaction raised AED 1,520 million to finance three Boeing 777-300ERs. This new structure reached a much deeper and broader investor base than the conventional bank market, which hitherto had been the traditional source of investors for Ex-Im Bank guaranteed export finance. The result was a more durable financing solution that is less vulnerable to the financial stress that constricted the banking institutions starting in the fourth quarter of 2008. The transaction was also recognised by the industry as ground-breaking and earned accolades from the financing community. Emirates has gone on to refinance two more 777-300ER aircraft in the capital markets through this innovative structure.

Out of the four Airbus A380 units delivered, two were financed as finance leases and two through sale and lease back transactions using the German KG market.

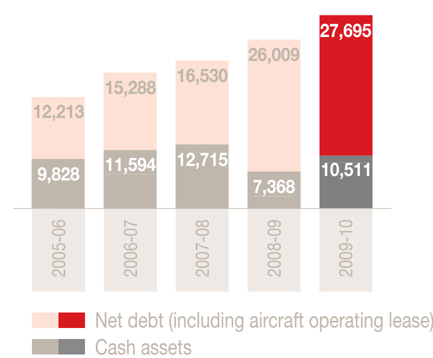
During the year, Emirates also successfully closed two sale and leaseback transactions for eight spare engines and two B777-200 classic aircraft.

Debt

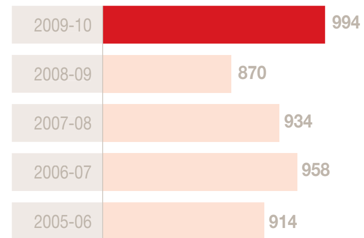
Emirates total borrowing and lease liabilities increased to AED 19,605 million, up 3,093 million or 18.7% over the previous year mainly on account of an increase in lease liabilities offset by lease repayments of AED 1,447 million (2008-09: AED 1,161 million). As a result, the ratio of borrowings and lease liabilities to total equity at 31 March 2010 stood at 112.2% (2008-09: 106.0%)

Emirates net debt equity ratio at 31 March 2010 improved to 52.0% (2008-09: 58.7%) as the increase in borrowings was partially offset by an increase in cash assets. After capitalizing aircraft operating leases, the same ratio at 31 March 2010 was 158.5% (2008-09: 167.0%).

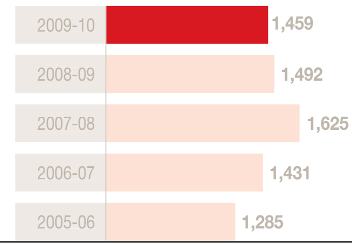
Net debt (including aircraft operating leases) and cash assets in AED m



Capacity per airline employee in ATKM '000



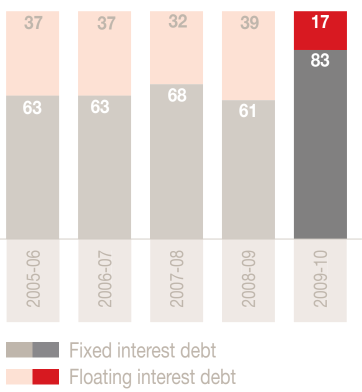
Revenue per airline employee in AED '000



Currency and interest rate risk

Emirates continued to target a balanced portfolio approach, whilst still taking advantage of market movements, with a view to hedging around half of its interest rate and currency risk exposures, using prudent hedging solutions including swaps and options. Emirates borrowings and lease liabilities (net of cash) including aircraft operating leases, at 31 March 2010, comprised 83% on a fixed interest rate basis with the balance 17% on floating interest rates.

Fixed vs floating interest rate ratio in %



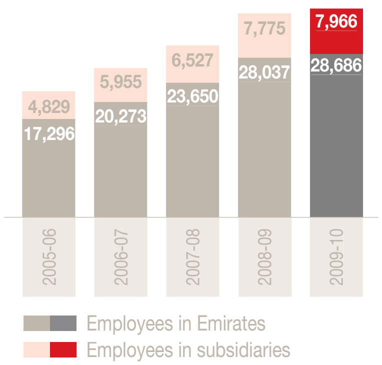
A one percentage point increase in interest rates would increase the interest charges and the operating lease charges (net of interest income) during the next financial year by AED 74 million (2008-09: AED 109 million). At 31 March 2010, Emirates borrowings and lease liabilities carried an effective interest rate of 2.5% (2008-09: 3.5%).

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, Australian dollars, New Zealand dollars and Japanese yen. For the year ended 31 March 2010, hedging coverage for Pound sterling, Euro, Australian dollars, New Zealand dollars and Japanese yen were 14%, 24%, 29%, 81% and 91% respectively.

Employee strength and productivity

The average workforce rose by 840 (2.3%) to 36,652.

Average workforce



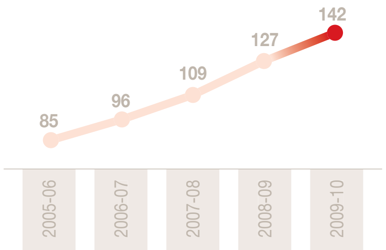
The average number of employees in the airline grew by 649 (2.3%) to 28,686 despite the 16.9% growth in capacity. The increase in airline employee numbers were mainly in the cabin crew and flight deck categories on account of 15 new aircraft added during the year.

Employee productivity for the airline, measured in terms of revenue per employee remained relatively flat at AED 1.5 million (2008-09: AED 1.5 million).

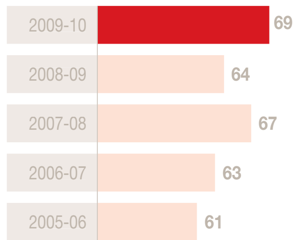
Capacity per airline employee was sharply up by 14.3% or ATKM 994 thousand compared with ATKM 870 thousand in 2008-09. Similarly, load carried per airline employee also increased by 17.5% to RTKM 665 thousand from RTKM 566 thousand in the previous year.

	2009-10	2008-09
UAE		
Cabin crew	10,785	10,324
Flight deck crew	2,237	2,141
Engineering	1,904	1,849
Other	9,084	9,379
	24,010	**23,693**
Overseas stations	4,676	4,344
Total Emirates	**28,686**	**28,037**
Subsidiary companies	**7,966**	**7,775**
Average employee strength	**36,652**	**35,812**

Number of aircraft



Average fleet age in months



Fleet Information

At 31 March 2010

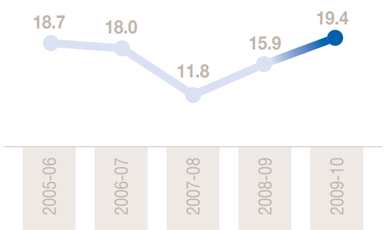
Aircraft	In operation	of which on operating lease	of which on finance lease	of which owned	Change from 31-Mar-09	On firm order	Additional options
A330-200	29	27	2				
A340-300	8	8					
A340-500	10	8	2				
A350-900/1000 XWB						70	50
A380-800	8	2	6		+4	50	
B777-200	3	2		1			
B777-200ER	6		1	5			
B777-200LR	10	4	6				
B777-300	12	12					
B777-300ER	52	34	18		+10	19	
Passenger	**138**	**97**	**35**	**6**	**+14**	**139**	**50**
B777-200LRF	2	2			+1	2	
B747-400F	2	2					
B747-8F						5	
Total	**142**	**101**	**35**	**6**	**+15**	**146**	**50**

Emirates also had three B747 freighters on wet lease for its cargo operations at 31 March 2010.

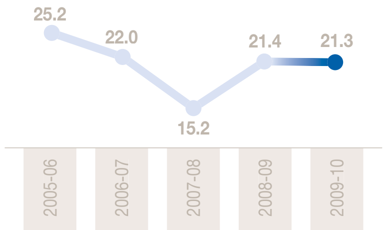
In addition to the above, Emirates has contracted for two B777-200LRF and five B747-800F for delivery from Dubai Aerospace Enterprise (DAE) on operating lease.

Emirates operates one of the youngest fleet in the industry with an average age of 69 months compared with an industry average of 190 months.

Profit margin in %



Return on shareholder's funds in %



Profitability

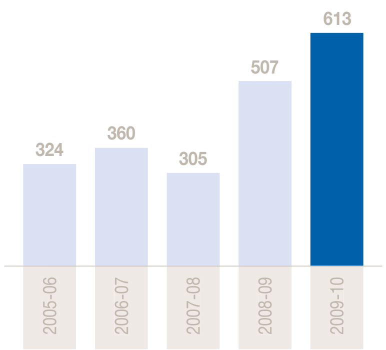
Dnata's profit attributable to the Owner at AED 613 million (2008-09: AED 507 million) is the highest ever profit achieved in its 50 year history. This represents a substantial improvement of 20.9% over the previous year.

Dnata's operating profit at AED 559 million is AED 92 million or 19.7% better than the previous year and results in an operating margin of 17.7% or 3.0 percentage points better than last year. The increase in operating profits is the result of a 4.2% reduction in operating costs. Consequently, Dnata's profit margin was boosted to 19.4% from 15.9% in 2008-09 while the return on shareholder's funds remained stable at a healthy 21.3% (2008-09: 21.4%) on an expanded equity base.

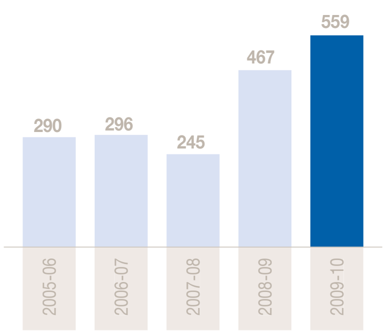
Revenue

Dnata's revenue was marginally lower at AED 3,121 million compared to AED 3,159 million in the previous year. Increased revenues from airport operations and cargo handling were offset by a decline in other revenue streams which include the transfer of revenue under the new reservations system agreement to Emirates.

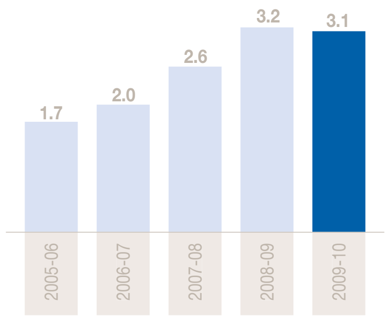
Profit attributable to the Owner in AED m



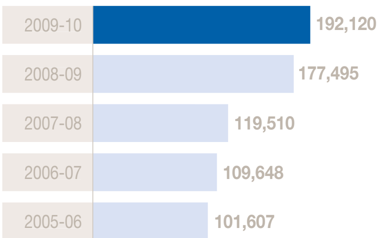
Operating profit in AED m



Development of revenue in AED bn

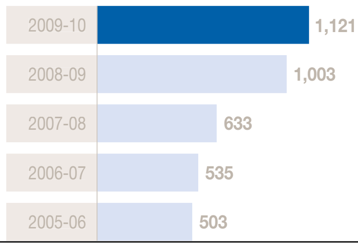


Aircraft handled



Note: Figures for 2007-08 and prior years exclude subsidiaries.

Cargo handled in tonnes '000

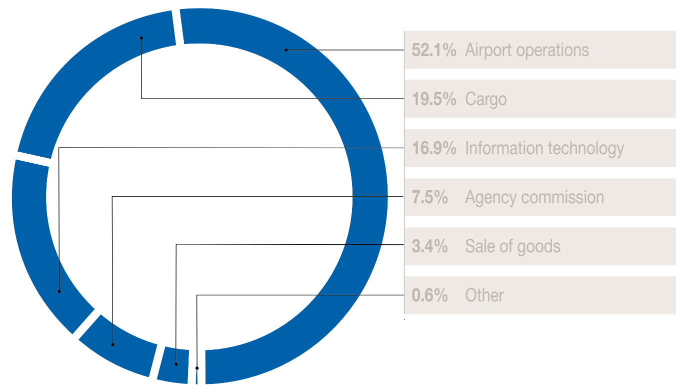


Note: Figures for 2007-08 and prior years exclude subsidiaries.

Airport operations revenue increased by 7.3% or AED 110 million to AED 1,627 million principally on account of increased activity levels at Dubai and from the newly acquired subsidiary in the UK, offset by lower revenues in Switzerland. Cargo revenue at AED 607 million was up 13.2% mainly on account of the increased tonnage handled at Dubai International Airport as well as additional volumes from the new UK operation. The number of aircraft handled increased 8.2% to 192,120 (2008-09: 177,495) while the total cargo handled was 1,121 thousand tonnes, up 118 thousand tonnes over the previous year (2008-09: 1,003 thousand tonnes). Dubai accounts for 73.1% (2008-09: 75.8%) of the revenue from airport operations and cargo handling services.

Revenue from information technology services was down 7.4% to AED 526 million (2008-09: AED 568 million) reflecting the reduced IT budgets of clients. Agency commission revenue also lower at AED 234 million (2008-09: AED 245 million) was the outcome of airlines reducing fares coupled with a drop in volumes.

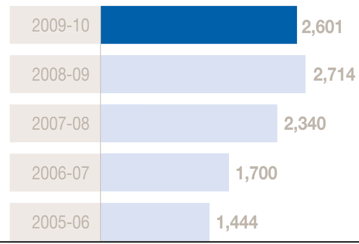
Revenue by segments in %



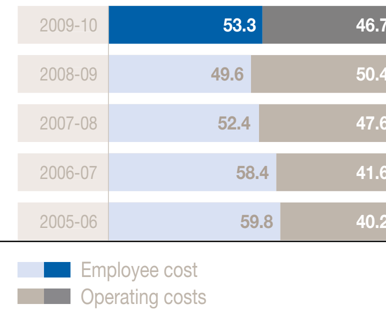
Revenue

	2009-10 AED m	2008-09 AED m	% change
Airport operations	1,627	1,517	7.3
Cargo	607	536	13.2
Information technology	526	568	(7.4)
Agency commission	234	245	(4.5)
Sale of goods	107	117	(8.5)
Reservation system	-	155	(100.0)
Other	20	21	(4.8)
Total	**3,121**	**3,159**	**(1.2)**

Operating costs in AED m



Employee costs as % of total operating costs



Expenditure

Dnata's operating costs at AED 2,601 million were AED 113 million or 4.2% better than the previous year principally on account of lower information technology infrastructure costs. The reduction in IT infrastructure costs of AED 119 million resulted from the termination of costs associated with the transfer of the reservations system agreement as well as a reduction in costs achieved by renegotiating contractual terms and optimising the infrastructure base.

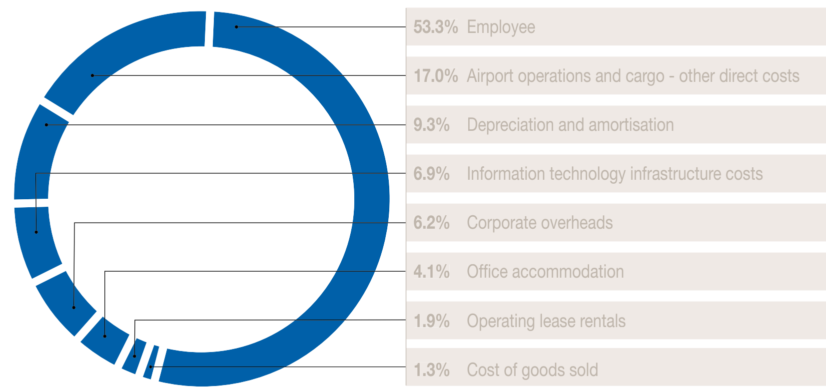
Employee costs remained relatively flat at AED 1,387 million (2008-09: AED 1,347 million) and continues to constitute the single largest cost element of Dnata accounting for 53.3% (2008-09: 49.6%) of operating costs.

The increase of AED 51 million or 13.0% in airport operations and cargo – other direct costs primarily reflects incremental operating costs at Dubai International Airport.

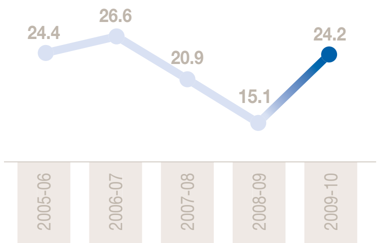
Operating costs

	2009-10 AED m	2008-09 AED m	% change
Employee	1,387	1,347	3.0
Airport operations and cargo - other direct costs	442	391	13.0
Depreciation and amortisation	243	249	(2.4)
Information technology infrastructure costs	178	297	(40.1)
Office accommodation	106	116	(8.6)
Operating lease rentals	49	39	25.6
Cost of goods sold	35	40	(12.5)
Corporate overheads	161	235	(31.5)
Total	**2,601**	**2,714**	**(4.2)**

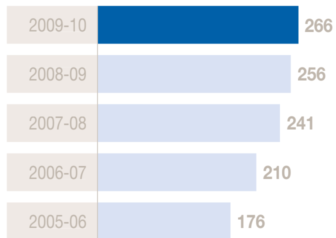
Operating costs in %



Operating cash margin in %



Revenue per employee in AED '000

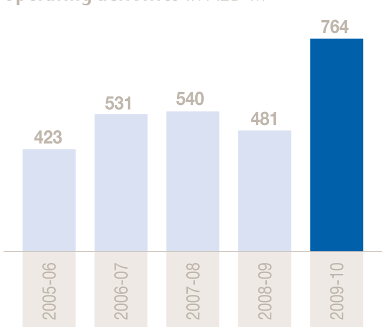


Note: Figures for 2007-08 and prior years exclude subsidiaries.

Cash position

Dnata's cash generated from operating activities at AED 764 million is a significant achievement and is the highest level ever achieved in its 50 year history. The increase of AED 283 million or 58.8% (2008-09: AED 481 million) stemmed from the increase in profitability and a positive change in working capital.

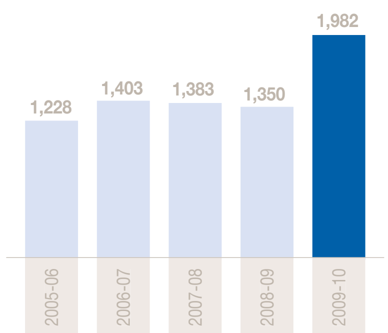
Cash generated from operating activities in AED m



This represents an operating cash margin of 24.2% which is 9.1 percentage points better than the previous year. Cash generated from operating activities covered almost the entirety of or 99.0% (2008-09: 69.0%) of current liabilities at 31 March 2010.

Short term bank deposits and cash were up AED 632 million or 46.8% to a very substantial AED 1,982 million at 31 March 2010 and is the highest cash balance ever held in Dnata's 50 year history.

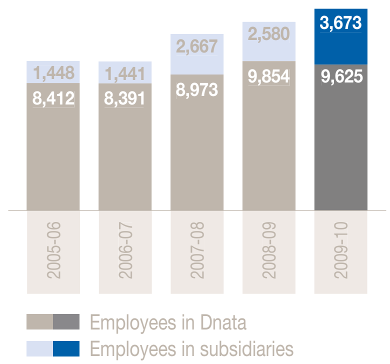
Cash assets in AED m



Employee strength and productivity

During the year in review, the average workforce increased by 864 or 6.9% to 13,298. The increase is on account of approximately 1,600 staff in the newly acquired UK subsidiary offset by a headcount reduction in Switzerland and Dubai.

Average workforce



Revenue per employee increased 4.1% to AED 266 thousand from AED 256 thousand in 2008-09. The number for the current year has been normalised due to the addition of the UK subsidiary in the last quarter of the financial year.

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

Employee strength

	2009-10	2008-09
Airport operations	6,160	6,113
Cargo handling	889	1,069
Information technology	1,128	1,091
Dnata agencies	907	943
Other	541	638
Total Dnata	**9,625**	**9,854**
Subsidiary companies	**3,673**	**2,580**
Average employee strength	**13,298**	**12,434**

Man hours per aircraft turn improved 7.3% to 115 as compared to 124 in 2008-09 while cargo handled per man hour was up 14.9% to 277 kgs (2008-09: 241 kgs)

Consolidated income statement
for the year ended 31 March 2010

	Note	2010 AED m	2009 AED m
Revenue	4	42,477	42,459
Other operating income	5	978	807
Operating costs	6	(39,890)	(40,988)
Operating profit		**3,565**	**2,278**
Other gains and losses	7	48	(1,572)
Finance income	8	330	431
Finance costs	8	(355)	(535)
Share of results in associated companies and joint ventures	13	77	63
Profit before income tax		**3,665**	**665**
Income tax (expense) / credit	9	(50)	85
Profit for the year		**3,615**	**750**
Profit attributable to minority interest		**77**	**64**
Profit attributable to Emirates' Owner		**3,538**	**686**

Consolidated statement of comprehensive income
for the year ended 31 March 2010

	Note	2010 AED m	2009 AED m
Profit for the year		**3,615**	**750**
Currency translation differences	20	124	(44)
Available-for-sale financial assets	20	-	41
Cash flow hedges	20	(244)	745
Other comprehensive income		**(120)**	**742**
Total comprehensive income for the year		**3,495**	**1,492**
Total comprehensive income attributable to minority interest		**77**	**64**
Total comprehensive income attributable to Emirates' Owner		**3,418**	**1,428**

Notes 1 to 40 form an integral part of the consolidated financial statements.

Consolidated statement of financial position
as at 31 March 2010

	Note	2010 AED m	2009 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	33,753	29,086
Intangible assets	12	927	923
Investments in associated companies and joint ventures	13	461	441
Advance lease rentals	14	233	192
Available-for-sale financial assets	15	-	113
Loans and other receivables	16	1,432	1,039
Derivative financial instruments	34	64	125
		36,870	**31,919**
Current assets			
Inventories	17	1,084	1,053
Trade and other receivables	18	7,008	7,109
Held-to-maturity financial assets	15	-	200
Derivative financial instruments	34	74	-
Short term bank deposits	32	1,176	2,619
Cash and cash equivalents	32	9,335	4,549
		18,677	**15,530**
Total assets		**55,547**	**47,449**

	Note	2010 AED m	2009 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	19	801	801
Retained earnings		16,794	14,812
Other reserves	20	(321)	(201)
Attributable to Emirates' Owner		**17,274**	**15,412**
Minority interest		**201**	**159**
Total equity		**17,475**	**15,571**
Non-current liabilities			
Borrowings and lease liabilities	21	16,753	15,140
Provisions	25	364	367
Deferred revenue	26	1,483	1,178
Deferred credits	27	460	492
Deferred income tax liability	28	4	13
Trade and other payables	29	21	25
Derivative financial instruments	34	467	538
		19,552	**17,753**
Current liabilities			
Trade and other payables	29	15,475	12,530
Income tax liabilities		19	23
Borrowings and lease liabilities	21	2,852	1,372
Deferred credits	27	162	169
Derivative financial instruments	34	12	31
		18,520	**14,125**
Total liabilities		**38,072**	**31,878**
Total equity and liabilities		**55,547**	**47,449**

The consolidated financial statements were approved on 29 April 2010 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

Notes 1 to 40 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2010

	Attributable to Emirates' Owner					
	Capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
	AED m	AED m	AED m	AED m	AED m	AED m
1 April 2008 - as reported earlier	801	(943)	16,829	16,687	156	16,843
Effect of transitional provision of IFRIC 13 (Note 40)	-	-	(702)	(702)	-	(702)
1 April 2008 - as restated	801	(943)	16,127	15,985	156	16,141
Currency translation differences	-	(44)	-	(44)	-	(44)
Available-for-sale financial assets	-	41	-	41	-	41
Cash flow hedges	-	745	-	745	-	745
Other comprehensive income	**-**	**742**	**-**	**742**	**-**	**742**
Profit for the year	-	-	686	686	64	750
Total comprehensive income for the year	**-**	**742**	**686**	**1,428**	**64**	**1,492**
Disposal of minority interest	-	-	-	-	(1)	(1)
Dividend	-	-	(2,001)	(2,001)	(60)	(2,061)
Transactions with owners	**-**	**-**	**(2,001)**	**(2,001)**	**(61)**	**(2,062)**
31 March 2009	**801**	**(201)**	**14,812**	**15,412**	**159**	**15,571**
Currency translation differences	-	124	-	124	-	124
Cash flow hedges	-	(244)	-	(244)	-	(244)
Other comprehensive income	**-**	**(120)**	**-**	**(120)**	**-**	**(120)**
Profit for the year	-	-	3,538	3,538	77	3,615
Total comprehensive income for the year	**-**	**(120)**	**3,538**	**3,418**	**77**	**3,495**
Dividend	-	-	(1,556)	(1,556)	(35)	(1,591)
Transactions with owners	**-**	**-**	**(1,556)**	**(1,556)**	**(35)**	**(1,591)**
31 March 2010	**801**	**(321)**	**16,794**	**17,274**	**201**	**17,475**

Notes 1 to 40 form an integral part of the consolidated financial statements.

	2010 AED m	2009 AED m
Operating activities		
Profit before income tax	3,665	665
Adjustments for:		
Depreciation and amortisation (Note 6)	2,962	2,211
Finance costs - net (Note 8)	25	104
Profit on sale of property, plant and equipment	(258)	(14)
Loss on sale of available-for-sale investments	-	144
Share of results in associated companies and joint ventures (Note 13)	(77)	(63)
Net provision for impairment of trade receivables (Note 18)	14	7
Impairment of available-for-sale financial assets (Note 15)	109	73
Provision for employee benefits (Note 6)	301	236
Change in fair value of derivative financial instruments at fair value through profit or loss	(48)	1,572
Net movement on derivative financial instruments	(299)	295
Employee benefit payments	(304)	(315)
Income tax paid	(63)	(61)
Change in inventories	(32)	(301)
Change in receivables and advance lease rentals	(316)	415
Change in payables, deferred credits and deferred revenue	2,649	48
Net cash generated from operating activities	**8,328**	**5,016**

	2010 AED m	2009 AED m
Investing activities		
Proceeds from sale of property, plant and equipment	883	117
Additions to intangible assets (Note 12)	(72)	(82)
Additions to property, plant and equipment (Note 33)	(3,416)	(5,573)
Investments in associated companies and joint ventures (Note 13)	(18)	(71)
Acquisition of subsidiary (Note 39)	-	(52)
Disposal of minority interest	-	(1)
Proceeds from sale of available-for-sale investments	-	1,837
Movement in short term bank deposits	1,443	5,026
Net movement in held-to-maturity financial assets	200	216
Interest income	308	379
Dividends from associated companies and joint ventures (Note 13)	95	100
Net cash (used in) / generated from investing activities	**(577)**	**1,896**
Financing activities		
Net loan repayment (Note 23)	(122)	(383)
Aircraft financing costs	(319)	(273)
Other finance charges	(103)	(295)
Net lease liabilities	(1,447)	(1,161)
Dividend paid	(956)	(2,913)
Dividend paid to minority shareholders	(35)	(60)
Net cash used in financing activities	**(2,982)**	**(5,085)**
Net increase in cash and cash equivalents	**4,769**	**1,827**
Cash and cash equivalents at beginning of year	4,547	2,715
Effects of exchange rate changes	6	5
Cash and cash equivalents at end of year (Note 32)	**9,322**	**4,547**

Notes 1 to 40 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 March 2010

1. General information

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 consolidated financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing on or after 1 July 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 5 (Amendment), Measurement of non-current assets (or disposal groups) classified as held-for-sale (effective from 1 January 2010)
- IFRS 8 (Amendment), Operating segments (effective from 1 January 2010)
- IFRS 9, Financial instruments (effective from 1 January 2013)
- IAS 1 (Amendment), Presentation of financial statements (effective from 1 July 2009)
- IAS 17 (Amendment), Leases (effective from 1 January 2010)
- IAS 24 (Revised), Related Party Disclosures (effective from 1 January 2011)
- IAS 27 (Revised), Consolidated and separate financial statements (effective from 1 July 2009)
- IAS 36 (Amendment), Impairment of assets (effective from 1 January 2010)
- IAS 38 (Amendment), Intangible assets (effective from 1 July 2009)
- IAS 39 (Amendments), Financial instruments: Recognition and Measurement (effective from 1 January 2010)

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 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 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 result in gains and losses that are recorded in the consolidated income statement. Purchases from minority interests result 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 for 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. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Unused flight documents are recognised as revenue based on their terms and conditions 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 statement of financial position and recorded as a reduction in the cost of the related asset.

Foreign currency translation

Emirates' consolidated financial statements are presented in UAE Dirhams (AED), which is also the parent company's functional currency. Subsidiaries determine their own functional currency and items included in the financial statements of these companies are measured using their functional currency.

Foreign currency transactions are translated into functional currency at exchange rates approximating to those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rates ruling at the end of reporting period. 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 at the end of reporting period. The resulting exchange differences are recognised in the translation reserve in equity.

2. Summary of significant accounting policies (continued)

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.

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 at the end of reporting period.

Taxation

Taxation is provided for as and when the liability arises except where management is of the 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 at the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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:

Aircraft - new	15 years (residual value 10%)
Aircraft - used	8 years (residual value 10%)
Aircraft engines and parts	5 - 15 years (residual value 0 - 10%)
Buildings	15 - 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 the end of each reporting period.

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 the end of each reporting period 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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are 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. In the case of general borrowings, a capitalisation rate, which is the weighted average rate of general borrowing costs, is applied to the expenditure on qualifying assets and included in the cost of the asset.

2. Summary of significant accounting policies (continued)

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

Manufacturers' credits

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

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 accounted as deferred credit 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 prospectively over the remaining term of the lease.

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 within 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.

Other intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes the 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 the end of each reporting period 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

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 statement of financial position 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 from the end of reporting period. 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 a 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 the end of each reporting period, 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 statement of financial position on the trade date as held-to-maturity financial assets. Such investments are initially recognised at fair value including transaction costs and are 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 the end of each reporting period, 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 the end of each reporting period, 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 remeasured at their fair value. Derivatives are designated either as a hedge of the fair value of a recognised asset or liability or of a firm commitment (fair value hedge) or a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

- formal documentation of the hedging instruments, hedged items, hedging objective, strategy and basis of measuring effectiveness all of which are prepared prior to applying hedge accounting; and
- documentation showing that the hedge effectiveness is assessed on an ongoing basis and is determined to have been highly effective in offsetting the risk of the hedged item throughout the reporting period.

2. Summary of significant accounting policies (continued)

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

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

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

Changes in the fair value of 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.

Retirement benefit obligations

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 statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period 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 end of the reporting period of high quality corporate bonds that have terms to maturity approximating to 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.

2. Summary of significant accounting policies (continued)

Frequent flyer programme

Emirates operates 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.

Emirates accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted for as a liability (deferred revenue) in the consolidated statement of financial position. The fair value is determined using estimation techniques that take into account the fair value of awards for which they could be redeemed. Miles accrued through utilising the services of programme partners and paid for by the participating partners is also accounted for as deferred revenue until they are utilised. In these instances, a liability is not recognised for miles that are expected to expire.

Revenue is recognised in the consolidated income statement only when Emirates fulfils its obligations by supplying free or discounted goods or services on redemption of the miles accrued.

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 expire.

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 statement of financial position.

Dividend distribution

Dividend distribution to Emirates’ Owner is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

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.

Taxation

Income tax liabilities are not provided for when management is of the 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 until a resolution is reached or the final tax outcome is determined.

Frequent flyer programme

Emirates accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted as a liability (deferred revenue) in the consolidated statement of financial position.

Estimation techniques are used to determine the fair value of mile credits and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards. A rolling 12 month historical trend forms the basis of the calculations. Adjustments to the fair value of miles are also made for miles not expected to be redeemed by members and the extent to which the demand for an award cannot be met for the dates requested.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the fair value of miles. It is also difficult to present the sensitivity of a change in the value of one or set of the inputs given the complexity of the workings.

4. Revenue

	2010 AED m	2009 AED m
Services		
Passenger	32,995	32,697
Cargo	6,315	6,874
Courier	428	349
Excess baggage	278	349
Mail	156	126
Destination and leisure	156	194
Hotel operations	143	171
Others	279	136
	40,750	**40,896**
Sale of goods		
Consumer goods	706	731
In-flight catering	472	395
Others	549	437
	1,727	**1,563**
	42,477	**42,459**

5. Other operating income

Other operating income includes AED 224 m (2009: AED 319 m) from liquidated damages, AED 211 m (2009: AED 30 m) being the gain on sale and leaseback of aircraft, aircraft engines and parts and a net foreign exchange gain of AED 113 m (2009: Nil).

6. Operating costs

	2010 AED m	2009 AED m
Jet fuel	11,908	14,443
Employee (see (a) below)	6,345	5,861
Aircraft operating leases (see (b) below)	4,111	3,797
Sales and marketing	3,020	3,321
Depreciation (Note 11)	2,893	2,150
Handling	2,807	2,533
In-flight catering and other operating costs	2,180	1,923
Overflying	1,438	1,281
Aircraft maintenance	847	682
Landing and parking	874	735
Cost of goods sold	844	822
Amortisation (Note 12)	69	61
Corporate overheads (see (c) below)	2,554	3,379
	39,890	**40,988**

(a) Employee costs include AED 301 m (2009: AED 236 m) in respect of post-employment benefits and AED 175 m (2009: Nil) in respect of an employee profit share scheme.

(b) Aircraft operating lease charges include AED 3,644 m (2009: AED 3,274 m) in respect of one hundred and one aircraft (2009: ninety four) and AED 467 m (2009: AED 523 m) in respect of "wet" leases of freighter aircraft.

(c) Corporate overheads include non-aircraft operating lease charges amounting to AED 383 m (2009: AED 308 m), net foreign exchange loss of AED Nil (2009: AED 708 m) and AED Nil (2009: AED 144 m) loss on the realisation of available-for-sale financial assets.

7. Other gains and losses

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

8. Finance income and costs

	2010 AED m	2009 AED m
Finance income		
Interest income on short term bank deposits	255	324
Related parties (Note 36)	39	45
Other interest income	36	62
	330	**431**
Finance costs		
Aircraft financing costs	(272)	(264)
Interest charges on borrowings	(81)	(265)
Other interest charges	(2)	(6)
	(355)	**(535)**

9. Income tax (expense) / credit

	2010 AED m	2009 AED m
The components of income tax (expense) / credit are:		
Current tax (expense) / credit	(59)	78
Deferred tax credit (Note 28)	9	7
	(50)	**85**

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.

10. Segment information

Emirates' management monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. The airline business unit which provides commercial air transportation including passenger, cargo and postal carriage services is the main reportable segment.

Other operations include inflight and institutional catering, wholesale and retail of consumer goods, food and beverage operations and hotel operations. As none of these segments meet the quantitative thresholds for determining reportable segments under IFRS 8 Operating segments, these are categorised as "all other segments".

Performance of airline and other segments is evaluated based on net profit or loss and is measured consistently with profit for the year in the consolidated financial statements.

Segment revenue is measured in a manner consistent with that in the consolidated income statement, with the exception of notional revenues from staff leave passage and duty travel which are included in total segment revenue under airline segment but adjusted against operating costs when preparing consolidated financial statements. This adjustment is presented in reconciliation. The breakdown of revenue from external customers by nature of business activity is provided in Note 4.

Segment assets include inter-segment loans and receivables, which are eliminated on consolidation. This consolidation adjustment is represented in reconciliation.

The segment information for the year ended 31 March 2010 is as follows:

	Airline AED m	**All other segments** AED m	**Recon-ciliation** AED m	**Total** AED m
Total segment revenue	40,815	2,522	(116)	43,221
Inter-segment revenue	-	744	-	744
Revenue from external customers	40,815	1,778	(116)	42,477
Segment profit	3,313	302	-	3,615
Finance income	323	7	-	330
Finance costs	(340)	(15)	-	(355)
Income tax expense	(49)	(1)	-	(50)
Depreciation and amortisation	(2,811)	(151)	-	(2,962)
Share of results in associated companies and joint ventures	-	77	-	77
Impairment of available-for-sale investments	-	(109)	-	(109)
Segment assets	51,107	5,094	(654)	55,547
Investments in associated companies and joint ventures	-	461	-	461
Additions to property, plant and equipment	7,213	768	-	7,981
Additions to intangible assets	70	2	-	72
Additions to advance lease rentals	93	-	-	93

10. Segment information (continued)

The segment information for the year ended 31 March 2009 is as follows:

	Airline AED m	All other segments AED m	Reconciliation AED m	Total AED m
Total segment revenue	40,984	2,251	(116)	43,119
Inter-segment revenue	-	660	-	660
Revenue from external customers	40,984	1,591	(116)	42,459
Segment profit	569	181	-	750
Finance income	427	4	-	431
Finance costs	(514)	(21)	-	(535)
Income tax credit	85	-	-	85
Depreciation and amortisation	(2,083)	(128)	-	(2,211)
Share of results in associated companies and joint ventures	-	63	-	63
Impairment of available-for-sale investments	-	(73)	-	(73)
Segment assets	43,590	4,383	(524)	47,449
Investments in associated companies and joint ventures	-	441	-	441
Additions to property, plant and equipment	9,366	730	-	10,096
Additions to intangible assets	82	-	-	82

Geographical information

	2010 AED m	2009 AED m
Revenue from external customers:		
Europe	11,612	12,185
Americas	4,003	3,702
East Asia and Australasia	11,843	12,097
West Asia and Indian Ocean	5,322	4,938
Africa	4,756	4,695
Gulf, Middle East and Iran	4,941	4,842
	42,477	**42,459**

Revenue from inbound and outbound airline operations between the UAE and the overseas point are attributed to the geographical area in which the respective overseas points are located. Revenue from other segments are reported based upon the geographical area in which sales are made or services are rendered.

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, providing information on non-current assets (other than financial instruments and deferred tax assets) by geographical areas is not considered meaningful.

No single external customer contributes 10% or more of Emirates' revenues.

11. Property, plant and equipment

	Aircraft AED m	Aircraft engines and parts AED m	Land and buildings AED m	Other property, plant and equipment AED m	Capital projects AED m	Total AED m
Cost						
1 April 2008	9,238	2,862	4,704	4,046	6,158	27,008
Additions	-	712	31	1,284	8,069	10,096
Acquisition (Note 39)	-	-	7	9	-	16
Currency translation differences	-	-	-	(1)	(55)	(56)
Transfer from capital projects	7,406	342	572	663	(8,983)	-
Disposals / write off	(209)	(64)	(2)	(314)	-	(589)
31 March 2009	**16,435**	**3,852**	**5,312**	**5,687**	**5,189**	**36,475**
Depreciation						
1 April 2008	2,298	890	729	1,722	-	5,639
Charge for the year	887	207	231	825	-	2,150
Currency translation differences	-	-	-	(1)	-	(1)
Disposals / write off	(59)	(49)	(1)	(290)	-	(399)
31 March 2009	**3,126**	**1,048**	**959**	**2,256**	**-**	**7,389**
Net book amount						
31 March 2009	**13,309**	**2,804**	**4,353**	**3,431**	**5,189**	**29,086**

11. Property, plant and equipment (continued)

	Aircraft AED m	Aircraft engines and parts AED m	Land and buildings AED m	Other property, plant and equipment AED m	Capital projects AED m	Total AED m
Cost						
1 April 2009	16,435	3,852	5,312	5,687	5,189	36,475
Additions	-	123	13	1,441	6,404	7,981
Currency translation differences	-	-	34	10	51	95
Transfer from capital projects	6,180	115	828	415	(7,429)	109
Disposals / write off	(749)	(544)	(20)	(334)	-	(1,647)
31 March 2010	**21,866**	**3,546**	**6,167**	**7,219**	**4,215**	**43,013**
Depreciation						
1 April 2009	3,126	1,048	959	2,256	-	7,389
Charge for the year	1,205	221	267	1,200	-	2,893
Currency translation differences	-	-	1	1	-	2
Disposals / write off	(608)	(117)	(11)	(288)	-	(1,024)
31 March 2010	**3,723**	**1,152**	**1,216**	**3,169**	**-**	**9,260**
Net book amount						
31 March 2010	**18,143**	**2,394**	**4,951**	**4,050**	**4,215**	**33,753**

The net book amount of property, plant and equipment includes AED 14,459 m (2009: AED 10,469 m) in respect of aircraft and AED Nil (2009: AED 369 m) in respect of aircraft engines held under finance leases.

The net book amount of aircraft engines and parts includes an amount of AED 305 m (2009: AED 339 m) in respect of assets provided as security against term loans.

No depreciation is charged on land carried at AED 279 m (2009: AED 278 m).

Capital projects include pre-delivery payments of AED 2,376 m (2009: AED 3,530 m) in respect of aircraft (Note 30) due for delivery between 2010 and 2020. An amount of AED 109 m (2009: AED Nil) has been transferred to deferred credits consequent to the sale and lease back of certain aircraft.

12. Intangible assets

	Goodwill AED m	Service rights AED m	Trade names AED m	Contractual rights AED m	Computer software AED m	Total AED m
Cost						
1 April 2008	560	162	-	-	351	1,073
Additions	-	-	-	-	82	82
Acquisition (Note 39)	3	-	19	17	-	39
Currency translation differences	-	-	-	-	(1)	(1)
31 March 2009	**563**	**162**	**19**	**17**	**432**	**1,193**
Amortisation and impairment						
1 April 2008	7	33	-	-	169	209
Amortisation for the year	-	11	-	-	50	61
31 March 2009	**7**	**44**	**-**	**-**	**219**	**270**
Net book amount						
31 March 2009	**556**	**118**	**19**	**17**	**213**	**923**

12. Intangible assets (continued)

	Goodwill AED m	Service rights AED m	Trade names AED m	Contractual rights AED m	Computer software AED m	Total AED m
Cost						
1 April 2009	563	162	19	17	432	1,193
Additions	-	-	-	2	70	72
Disposals / write off	-	-	-	-	(7)	(7)
Currency translation differences	1	-	-	-	1	2
31 March 2010	**564**	**162**	**19**	**19**	**496**	**1,260**
Amortisation and impairment						
1 April 2009	7	44	-	-	219	270
Amortisation for the year	-	11	1	1	56	69
Disposals / write off	-	-	-	-	(6)	(6)
31 March 2010	**7**	**55**	**1**	**1**	**269**	**333**
Net book amount						
31 March 2010	**557**	**107**	**18**	**18**	**227**	**927**

Computer software includes an amount of AED 67 m (2009: AED 72 m) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, goodwill amounting to AED 159 m (2009: AED 159 m) is allocated to the consumer goods cash generating unit, AED 25 m (2009: AED 25 m) is allocated to the food and beverages cash generating unit and AED 369 m (2009: AED 369 m) is allocated to the in-flight catering services cash generating unit. These cash generating units are based in the UAE. 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 22%, 24% and 22% 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 4 m (2009: AED 3 m) and is not significant in comparison to the total carrying amount of goodwill. Management is of the opinion that the goodwill is not impaired.

13. Investments in subsidiaries, associated companies and joint ventures

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries			
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 Hotels (Australia) Pty Ltd.	100.0	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90.0	Catering services to airlines	UAE
Principal associated company			
Alpha Flight Services Pty Ltd.	49.0	Catering services to airlines	Australia
Principal joint ventures			
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

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

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

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

Movement of investments in associated companies and joint ventures

	2010 AED m	2009 AED m
Balance brought forward	**441**	**615**
Investments during the year	18	71
Share of results	77	63
Dividends	(95)	(100)
Currency translation differences	20	(26)
Reclassification to available-for-sale financial assets	-	(182)
Balance carried forward	**461**	**441**

The carrying value of the investments in associated companies amounted to AED 165 m (2009: AED 148 m) and the share of results amounted to AED 72 m (2009: AED 49 m).

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

	2010 AED m	2009 AED m
Total assets	625	572
Total liabilities	205	188
Net assets	420	384
Revenue	866	815
Profit for the year	164	153

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

	2010 AED m	2009 AED m
Non-current assets	506	441
Current assets	60	64
Non-current liabilities	221	148
Current liabilities	49	64
Total income	103	98
Total expense	98	84

14. Advance lease rentals

	2010 AED m	2009 AED m
Balance brought forward	**223**	**254**
Additions / transfers during the year	93	-
Charge for the year	(33)	(31)
Balance carried forward	**283**	**223**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 18)	**50**	**31**
Total over one year	**233**	**192**

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

15. Other investments

(a) Available-for-sale financial assets

	2010 AED m	2009 AED m
Unquoted - non current	**-**	**113**
Available-for-sale financial assets are denominated in the following currencies:		
US Dollars	-	4
Sri Lankan Rupees	-	109
Unquoted investments include:		
Depository certificates	-	4
Equity instrument	-	109
	-	**113**

The equity instrument represents 43.6% of the equity share capital in a company in which Emirates no longer has the ability to exercise significant influence. Hence, the investment is classified as an available-for-sale investment. An impairment loss of AED 109 m (2009: AED 73 m) has been recognised in operating costs in the consolidated income statement in relation to this equity instrument on account of losses sustained. 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 the equity instrument.

(b) Held-to-maturity financial assets

	2010 AED m	2009 AED m
Deposits with financial institutions - current	**-**	**200**

The held-to-maturity financial assets are denominated in UAE Dirhams.

The effective interest rate earned was 3.1% (2009: 3.4%) per annum.

The carrying amounts of investments approximate to 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.

16. Loans and other receivables

	2010 AED m	2009 AED m
Related parties (Note 36)	1,333	878
Other receivables	99	161
	1,432	**1,039**
The amounts are receivable as follows:		
Between 2 and 5 years	1,363	986
After 5 years	69	53
	1,432	**1,039**
Loans and other receivables are denominated in the following currencies:		
UAE Dirhams	53	5
US Dollars	1,334	994
Others	45	40

16. Loans and other receivables (continued)

The fair value of loans and receivables amounts to AED 1,435 m (2009 : AED 1,043 m). 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 end of each reporting period.

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

17. Inventories

	2010 AED m	2009 AED m
Engineering	483	431
In-flight consumables	399	351
Consumer goods	105	177
Other	97	94
	1,084	**1,053**

In-flight consumables include AED 154 m (2009: AED 83 m) relating to items which are not expected to be consumed within 12 months after the reporting period.

18. Trade and other receivables

	2010 AED m	2009 AED m
Trade receivables - net of provision	3,142	2,146
Related parties (Note 36)	2,010	2,070
Prepayments	1,532	1,350
Advance lease rentals (Note 14)	50	31
Operating lease and other deposits	899	869
Other receivables	807	1,682
	8,440	**8,148**
Less: Receivables over one year (Note 16)	(1,432)	(1,039)
	7,008	**7,109**

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:

	2010 AED m	2009 AED m
Balance brought forward	**84**	**101**
Charge for the year	47	59
Unused amounts reversed	(33)	(52)
Amounts written off as uncollectible	(10)	(15)
Currency translation differences	2	(9)
Balance carried forward	**90**	**84**

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 receivables.

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

	2010 AED m	2009 AED m
Below 3 months	516	358
3-6 months	31	53
Above 6 months	94	214
	641	**625**

19. Capital

Capital represents the permanent capital of Emirates.

20. Other reserves

	Fair value reserve			
	Hedging instruments AED m	**Other** AED m	**Translation reserve** AED m	**Total** AED m
1 April 2008	**(880)**	**(41)**	**(22)**	**(943)**
Currency translation differences	-	-	(80)	(80)
Loss on available-for-sale financial assets	-	(175)	-	(175)
Gain on fair value of cash flow hedges	761	-	-	761
Transferred to the consolidated income statement	(16)	216	36	236
31 March 2009	**(135)**	**-**	**(66)**	**(201)**
Currency translation differences	-	-	124	124
Loss on available-for-sale financial assets	-	(109)	-	(109)
Loss on fair value of cash flow hedges	(167)	-	-	(167)
Transferred to the consolidated income statement	(77)	109	-	32
31 March 2010	**(379)**	**-**	**58**	**(321)**

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

	2010 AED m	**2009** AED m
Revenue	177	25
Operating costs	(137)	(256)
Finance costs	(72)	(5)
	(32)	**(236)**

21. Borrowings and lease liabilities

	2010 AED m	2009 AED m
Non-current		
Bonds (Note 22)	4,900	6,651
Term loans (Note 23)	296	409
Lease liabilities (Note 24)	11,557	8,080
	16,753	**15,140**
Current		
Bonds (Note 22)	1,835	-
Term loans (Note 23)	113	122
Lease liabilities (Note 24)	891	1,248
Bank overdrafts (Note 32)	13	2
	2,852	**1,372**
	19,605	**16,512**
Borrowings and lease liabilities are denominated in the following currencies:		
UAE Dirhams	2,085	2,158
US Dollars	16,301	13,232
Singapore Dollars	1,046	966
Others	173	156

The effective interest rate per annum on lease liabilities and term loans was 2.5% (2009: 3.4%) and on bonds was 2.4% (2009: 3.7%).

22. Bonds

	2010 AED m	2009 AED m
Bonds are denominated in the following currencies:		
UAE Dirhams	1,837	1,837
Singapore Dollars	1,047	967
US Dollars	3,857	3,857
	6,741	**6,661**
Less: Transaction costs	(6)	(10)
	6,735	**6,651**

	2010 AED m	2009 AED m
Bonds are repayable as follows:		
Within one year	1,835	-
Between 2 and 5 years	4,507	6,289
After 5 years	393	362

Contractual repricing dates are set at six month intervals except for bonds denominated in Singapore Dollars amounting to AED 524 m (2009: AED 484 m) which carry a fixed interest rate over their term.

USD bonds, carried at AED 2,020 m (2009: AED 2,020 m), 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 6,268 m (2009: AED 6,325 m). The fair value of the Singapore Dollar bonds is AED 879 m (2009: AED 701 m), 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.

23. Term loans

	2010 AED m	2009 AED m
Balance brought forward	**531**	**914**
Repayments during the year	(122)	(383)
Balance carried forward	**409**	**531**
Loans are repayable as follows:		
Within one year (Note 21)	**113**	**122**
Between 2 and 5 years	296	409
Total over one year (Note 21)	**296**	**409**
Loans are denominated in the following currencies:		
UAE Dirhams	251	325
US Dollars	158	206

23. Term loans (continued)

Contractual repricing dates are set at six month intervals. Term loans amounting to AED 158 m (2009: AED 206 m) are secured on aircraft engines and parts.

The fair value of the term loans amounts to AED 404 m (2009: AED 518 m). 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.

24. Lease liabilities

Finance leases

	2010 AED m	2009 AED m
Gross lease liabilities:		
Within one year	1,280	1,503
Between 2 and 5 years	5,700	3,972
After 5 years	9,048	6,746
	16,028	**12,221**
Future interest	(3,580)	(2,893)
Present value of finance lease liabilities	**12,448**	**9,328**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 21)	**891**	**1,248**
Between 2 and 5 years	3,862	2,610
After 5 years	7,695	5,470
Total over one year (Note 21)	**11,557**	**8,080**
The present value of finance lease liabilities are denominated in the following currencies:		
US Dollars	12,284	9,174
Others	164	154

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 2010, the penalties would have been AED 264 m (2009: AED 255 m).

The fair value of lease liabilities amounts to AED 10,730 m (2009: AED 6,978 m). 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.

Operating leases

	2010 AED m	2009 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	31,001	28,108
Other	2,769	2,748
	33,770	**30,856**
Within one year	4,452	3,885
Between 2 and 5 years	16,201	14,273
After 5 years	13,117	12,698
	33,770	**30,856**

In the event of the aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2010, the penalties would have been AED 1,014 m (2009: AED 970 m).

Emirates is entitled to extend certain aircraft leases for a further period of one to six years at the end of the initial lease period. Further, Emirates is entitled to purchase eighteen of one hundred and one (2009: eighteen of ninety four) aircraft under these leases.

In addition, Emirates has seven (2009: eight) Boeing aircraft contracted on operating leases for delivery between April 2010 and March 2016.

25. Provisions

A. Retirement benefit obligations

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 2010, 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% (2009: 5.0%) and a discount rate of 6.0% (2009: 6.5%) per annum. The present values of the defined benefit obligations at 31 March 2010 were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2010 AED m	2009 AED m
Funded scheme		
Present value of defined benefit obligations	861	635
Less: Fair value of plan assets	(851)	(603)
	10	**32**
Unfunded scheme		
Present value of defined benefit obligations	388	314
Unamortised actuarial (losses) / gains	(34)	21
	354	**335**
Liability recognised in consolidated statement of financial position	**364**	**367**

(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 10 m (2009: AED 32 m) 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 end of the reporting period.

25. Provisions (continued)

The movement in the fair value of the plan assets are as follows:

	2010 AED m	2009 AED m
Balance brought forward	**603**	**673**
Contributions received	152	154
Benefits paid	(19)	(35)
Change in fair value	115	(189)
Balance carried forward	**851**	**603**

Contributions received include the transfer of accumulated benefits from unfunded schemes. Emirates expects to contribute approximately AED 149 m for existing plan members during the year ending 31 March 2011.

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 statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for past-service costs and unamortised actuarial gains.

The movement in the defined benefit obligation is as follows:

	2010 AED m	2009 AED m
Balance brought forward	**335**	**427**
Current service cost	52	56
Interest cost	14	14
Release of excess provision	-	(100)
Payments made during the year	(47)	(62)
Balance carried forward	**354**	**335**

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

The total amount recognised in the consolidated income statement is as follows:

	2010 AED m	2009 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	146	143
Net change in the present value of defined benefit obligations over plan assets	(22)	13
	124	**156**
Unfunded scheme		
Current service cost	52	56
Interest cost	14	14
Release of excess provision	-	(100)
	66	**(30)**
Defined contribution plan		
Contributions expensed	**111**	**110**
Recognised in the consolidated income statement	**301**	**236**

25. Provisions (continued)

B. Frequent flyer programme

In prior years, Emirates recognised a provision in respect of its obligation to customers under its frequent flyer programme. As a result of the adoption of IFRIC13, Customer Loyalty Programmes (refer Note 40), that provision is no longer required. The consolidated financial statements have been adjusted retrospectively.

26. Deferred revenue

Deferred revenue relates to the frequent flyer programme and represents the fair value of outstanding award credits. Revenue is recognised when Emirates fulfills its obligations by supplying free or discounted goods or services on the redemption of the award credits.

27. Deferred credits

	2010 AED m	2009 AED m
Balance brought forward	**661**	**765**
Net additions during the year	131	58
Recognised during the year	(170)	(162)
Balance carried forward	**622**	**661**
Deferred credits will be recognised as follows:		
Within one year	**162**	**169**
Over one year	**460**	**492**

28. Deferred income tax liability

	2010 AED m	2009 AED m
Balance brought forward	**13**	**20**
Credited to the consolidated income statement (Note 9)	(9)	(7)
Balance carried forward	**4**	**13**

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 1,086 m (2009: AED 391 m).

29. Trade and other payables

	2010 AED m	2009 AED m
Trade payables and accruals	8,402	7,477
Related parties (Note 36)	285	194
Passenger and cargo sales in advance	6,209	4,884
Dividend payable	600	-
	15,496	**12,555**
Less: Payables over one year	(21)	(25)
	15,475	**12,530**

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

30. Commitments

Capital commitments

	2010 AED m	2009 AED m
Authorised and contracted:		
Aircraft fleet	92,145	100,279
Non-aircraft	1,028	2,454
Joint ventures	56	100
	93,229	**102,833**
Authorised but not contracted:		
Non-aircraft	1,429	3,189
Joint ventures	11	51
	1,440	**3,240**
	94,669	**106,073**

Commitments have been entered into for the purchase of aircraft for delivery as follows (Note 11):

Financial year	**Aircraft**
2010-2011	8
Beyond 2010 - 2011	131

In addition, options are held on fifty Airbus aircraft.

Operational commitments

	2010 AED m	2009 AED m
Sales and marketing	1,592	1,514

31. Guarantees

	2010 AED m	2009 AED m
Performance bonds and letters of credit provided by bankers in the normal course of business	319	297

32. Short term bank deposits and cash and cash equivalents

	2010 AED m	2009 AED m
Bank deposits	9,553	6,523
Cash and bank	958	645
Cash and bank balances	**10,511**	**7,168**
Less: Short term bank deposits - margins placed	(230)	(771)
Less: Short term bank deposits - over 3 months	(946)	(1,848)
Short term bank deposits	**(1,176)**	**(2,619)**
Cash and cash equivalents as per consolidated statement of financial position	**9,335**	**4,549**
Bank overdraft (Note 21)	(13)	(2)
Cash and cash equivalents as per consolidated statement of cash flows	**9,322**	**4,547**

Cash and bank balances earned an effective interest rate of 3.7% (2009: 4.9%) per annum. Margins are placed against letters of credit issued by bankers.

33. Cash outflow on property, plant and equipment

For the purposes of the consolidated statement of cash flows, cash outflow on property, plant and equipment is analysed as follows:

	2010 AED m	2009 AED m
Payments for property, plant and equipment	7,981	10,032
Less: Assets acquired under finance leases	(4,565)	(4,459)
	3,416	**5,573**

34. Derivative financial instruments

Description	2010 Term	2010 AED m	2009 Term	2009 AED m
Non-current assets				
Cash flow hedge				
Currency swaps and forwards	2010-2017	64	2009-2017	125
		64		**125**
Current assets				
Cash flow hedge				
Currency swaps and forwards	2010-2011	70		-
Fair value through profit and loss				
Jet fuel price futures and options	2010-2011	4		-
		74		**-**
Non-current liabilities				
Cash flow hedge				
Interest rate swaps	2010-2020	(467)	2009-2020	(528)
Currency swaps and forwards		-	2009-2011	(10)
		(467)		**(538)**
Current liabilities				
Cash flow hedge				
Interest rate swaps	2010-2011	(6)		-
Currency swaps and forwards	2010-2011	(6)	2009-2010	(3)
		(12)		**(3)**
Fair value through profit and loss				
Jet fuel price futures and options		**-**	2009-2010	**(28)**
		(12)		**(31)**

The notional principal amounts outstanding are:

	2010 AED m	2009 AED m
Interest rate contracts	7,645	5,648
Currency contracts	3,646	3,012
Fuel price contracts	578	6

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 as at the end of the reporting period.

Net losses on account of terminated currency derivatives amounting to AED 23 m (2009: Net gains of AED 275 m) will enter into the determination of profit between 2010 and 2017.

Gains on account of terminated interest rate derivatives amounting to AED 36 m (2009: AED 53 m) will enter into the determination of profit between 2010 and 2012.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative asset in the consolidated statement of financial position.

35. Classification of financial instruments

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

Description	Available-for-sale	Held-to-maturity	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m	AED m	AED m
2010						
Assets						
Loans and other receivables	-	-	1,432	-	-	1,432
Derivative financial instruments	-	-	-	138	-	138
Trade and other receivables (excluding prepayments and advance lease rentals)	-	-	5,426	-	-	5,426
Short term bank deposits	-	-	1,176	-	-	1,176
Cash and cash equivalents	-	-	9,335	-	-	9,335
Total	**-**	**-**	**17,369**	**138**	**-**	**17,507**
Liabilities						
Borrowings and lease liabilities	-	-	-	-	19,605	19,605
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	-	-	8,241	8,241
Derivative financial instruments	-	-	-	479	-	479
Total	**-**	**-**	**-**	**479**	**27,846**	**28,325**

35. Classification of financial instruments (continued)

Description	Available-for-sale AED m	Held-to-maturity AED m	Loans and receivables AED m	Derivative financial instruments AED m	Financial liabilities at amortised cost AED m	Total AED m
2009						
Assets						
Available-for-sale financial assets	113	-	-	-	-	113
Held-to-maturity financial assets	-	200	-	-	-	200
Loans and other receivables	-	-	1,039	-	-	1,039
Derivative financial instruments	-	-	-	125	-	125
Trade and other receivables (excluding prepayments and advance lease rentals)	-	-	5,728	-	-	5,728
Short term bank deposits	-	-	2,619	-	-	2,619
Cash and cash equivalents	-	-	4,549	-	-	4,549
Total	**113**	**200**	**13,935**	**125**	**-**	**14,373**
Liabilities						
Borrowings and lease liabilities	-	-	-	-	16,512	16,512
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	-	-	6,906	6,906
Derivative financial instruments	-	-	-	569	-	569
Total	**-**	**-**	**-**	**569**	**23,418**	**23,987**

Financial instruments held at fair value by level of fair value hierarchy

The levels of fair value hierarchy are defined as follows:

Level 1 : Measurement is made by using quoted prices (unadjusted) from active market.
Level 2 : Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.
Level 3 : Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

Derivative financial instruments fall into Level 2 of the fair value hierarchy.

36. Related party transactions

The following transactions were carried out with related parties:

	2010 AED m	2009 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Associated companies	33	57
Sale of goods - Companies under common control	8	5
Services rendered - Associated companies	-	29
Services rendered - Joint ventures	10	14
Services rendered - Companies under common control	64	40
	115	**145**
(ii) Purchase of goods and services		
Purchase of goods - Associated companies	282	212
Purchase of goods - Companies under common control	2,322	2,423
Services received - Joint ventures	-	19
Services received - Companies under common control	1,469	1,368
	4,073	**4,022**
Other transactions:		
(i) Finance income		
Joint ventures	8	6
Companies under common control	31	27
Parent company	-	12
	39	**45**
(ii) Sale of assets		
Joint ventures	**-**	**24**
(iii) Compensation to key management personnel		
Salaries and short term employee benefits	124	110
Post-employment benefits	13	15
Termination benefits	1	-
	138	**125**

	2010 AED m	2009 AED m
(iv) Transfer of financial instruments		
Parent company	**-**	**54**
(v) Provision of letters of credit		
Parent company	**918**	**5,888**
Year end balances		
(i) Receivables - sale of goods and services (Note 18)		
Associated companies	28	23
Joint ventures	6	7
Companies under common control	31	19
	65	**49**
(ii) Receivables - other transactions		
Joint ventures	5	3
Companies under common control	830	818
Parent company	500	471
	1,335	**1,292**
Receivable within one year (Note 18)	**592**	**668**
Receivable over one year (Note 16)	**743**	**624**

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.

36. Related party transactions (continued)

	2010 AED m	2009 AED m
(iii) Payables - purchase of goods and services (Note 29)		
Associated companies	19	25
Companies under common control	266	19
	285	**44**
(iv) Other payables (Note 29)		
Companies under common control	**-**	**150**
(v) Loans		
Joint ventures	100	95
Companies under common control	504	626
	604	**721**
Movement in the loans were as follows:		
Balance brought forward	**721**	**433**
Extended during the year	33	477
Repayments during the year	(155)	(185)
Currency translation differences	5	(4)
Balance carried forward	**604**	**721**
Receivable within one year (Note 18)	**17**	**472**
Receivable over one year (Note 16)	**587**	**249**

The effective interest rate on the loans was 6.9% (2009: 4.7%) per annum.

	2010 AED m	2009 AED m
(vi) Loans and advances to key management personnel		
Balance brought forward	**8**	**13**
Additions during the year	3	5
Repayments during the year	(5)	(10)
Balance carried forward	**6**	**8**
Receivable within one year (Note 18)	**3**	**3**
Receivable over one year (Note 16)	**3**	**5**

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.

37. 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 42% (2009: 23%) of short term bank deposits, cash and cash equivalents and held-to-maturity financial assets are held with financial institutions under common control. Approximately 92% (2009: 92%) 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 end of reporting period based on Standard & Poor's ratings or its equivalent for the main banking relationships:

	2010 AED m	2009 AED m
AA- to AA+	466	3,246
A- to A+	8,738	3,439
Lower than A-	889	194

37. 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 - jet fuel price risk, currency risk and interest rate risk.

Jet fuel price risk

Emirates is exposed to volatility in the price of jet fuel and closely monitors the actual cost against the forecast cost. To manage the 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. During the previous year, Emirates significantly reduced its open positions in hedging instruments.

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 22. 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 arise 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 21 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.

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different at the end of the reporting period with all other variables held constant and has been computed on the basis of assumptions and indices used and considered by other market participants.

	2010		2009	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest cost				
- 100 basis points				
UAE Dirhams	21	21	22	22
US Dollars	61	(422)	120	(102)
Singapore Dollars	5	5	5	5
Others	-	(28)	-	(37)
	87	**(424)**	**147**	**(112)**
+ 100 basis points				
UAE Dirhams	(21)	(21)	(22)	(22)
US Dollars	(61)	422	(120)	102
Singapore Dollars	(5)	(5)	(5)	(5)
Others	-	28	-	37
	(87)	**424**	**(147)**	**112**

37. Financial risk management (continued)

	2010		2009	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
	AED m	AED m	AED m	AED m
Interest income				
- 100 basis points	(17)	(17)	(25)	(25)
+ 100 basis points	17	17	25	25
Currency - UK Pounds				
+ 1%	1	(4)	1	(3)
- 1%	(1)	4	(1)	3
Currency - Euro				
+ 1%	3	(3)	1	1
- 1%	(3)	3	(1)	(1)
Currency - Australian Dollars				
+ 1%	3	1	-	-
- 1%	(3)	(1)	-	-
Currency - Japanese Yen				
+ 1%	-	(1)	-	(3)
- 1%	-	1	-	3
Currency - Singapore Dollars				
+ 1%	(10)	(10)	(10)	(10)
- 1%	10	10	10	10
Fuel price				
+ 5 US Dollar	(1)	(1)	(16)	(16)
- 5 US Dollar	2	2	17	17

(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 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 end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year	2 - 5 years	Over 5 years	Total
	AED m	AED m	AED m	AED m
2010				
Borrowings and lease liabilities	3,386	11,001	9,463	23,850
Derivative financial instruments	249	300	(70)	479
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	8,220	21	-	8,241
	11,855	**11,322**	**9,393**	**32,570**

37. Financial risk management (continued)

	Less than 1 year AED m	2 - 5 years AED m	Over 5 years AED m	Total AED m
2009				
Borrowings and lease liabilities	1,857	11,502	7,135	20,494
Derivative financial instruments	115	417	67	599
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	6,881	25	-	6,906
	8,853	**11,944**	**7,202**	**27,999**

38. 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 2010, Emirates achieved a return on Owner's equity funds of 21.6% (2009: 4.4%) in comparison to an effective interest rate of 2.5% (2009: 3.5%) on borrowings.

Emirates also monitors capital on the basis of a gearing ratio which is calculated as the ratio of borrowings and lease liabilities, net of cash to total equity. In 2010 this ratio was 52.0% (2009: 58.7%) and if aircraft operating leases are included, the same ratio was 158.5% (2009: 167.0%).

39. Business combination

In the previous year, Emirates acquired 100% of the business of Hudsons Coffee Pty Ltd through its wholly owned subsidiary Emirates Leisure Retail Holding L.L.C. The principal activities of Hudsons Coffee Pty Ltd are 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 m	Acquiree's carrying amount AED m
Property, plant and equipment (Note 11)	16	15
Intangible assets (Note 12)	36	-
Other current assets	1	1
Current liabilities	(4)	(4)
Fair value of assets acquired	**49**	**12**
Goodwill (Note 12)	3	
Total purchase consideration	52	
Cash outflow on acquisition	**52**	

40. Effect of transitional provision of IFRIC 13

Emirates operates 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. As a result of IFRIC 13 Customer Loyalty Programmes being adopted with effect from 1 April 2009, Emirates' accounting policy was changed from an incremental cost to a deferred revenue model. This implies that a portion of revenue is allocated to the award credits and accounted for as deferred revenue. Revenue is recognised when award credits are redeemed and Emirates fulfills its obligations to provide goods or services.

In line with the guidance provided in IAS 8, the change in accounting policy has been applied retrospectively and comparative figures for 2009 restated. Opening retained earnings at 1 April 2008 have been decreased by AED 702 m and the opening provision for the frequent flyer programme at 1 April 2008 has been decreased by AED 125 m, which are the amounts of adjustment relating to periods prior to that date.

The effect of the change in the accounting policy is tabulated below:

	2010 AED m	**2009** AED m
Decrease in revenue	(64)	(215)
Decrease in other operating income	(328)	(214)
Decrease in operating costs	171	133
Decrease in profit before income tax	(221)	(296)
Decrease in provisions - frequent flyer programme	(85)	(55)
Increase in deferred revenue	306	351

40. Effect of transitional provision of IFRIC 13 (continued)

As required by IAS 1, the consolidated statement of financial position at the beginning of earliest comparative period i.e. 1 April 2008 is given below.

	2010 AED m	2009 AED m	1 April 2008 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	33,753	29,086	21,369
Intangible assets	927	923	862
Investments in associated companies and joint ventures	461	441	615
Advance lease rentals	233	192	223
Available-for-sale financial assets	-	113	1,848
Loans and other receivables	1,432	1,039	1,227
Derivative financial instruments	64	125	1,377
Held-to-maturity financial assets	-	-	200
	36,870	**31,919**	**27,721**
Current assets			
Inventories	1,084	1,053	751
Trade and other receivables	7,008	7,109	7,180
Held-to-maturity financial assets	-	200	216
Derivative financial instruments	74	-	188
Short term bank deposits	1,176	2,619	7,645
Cash and cash equivalents	9,335	4,549	2,715
Available-for-sale financial assets	-	-	96
	18,677	**15,530**	**18,791**
Total assets	**55,547**	**47,449**	**46,512**

	2010 AED m	2009 AED m	1 April 2008 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	801	801	801
Retained earnings	16,794	14,812	16,127
Other reserves	(321)	(201)	(943)
Attributable to Emirates' Owner	**17,274**	**15,412**	**15,985**
Minority interest	**201**	**159**	**156**
Total equity	**17,475**	**15,571**	**16,141**
Non-current liabilities			
Borrowings and lease liabilities	16,753	15,140	12,301
Provisions	364	367	446
Deferred revenue	1,483	1,178	827
Deferred credits	460	492	600
Deferred income tax liability	4	13	20
Trade and other payables	21	25	13
Derivative financial instruments	467	538	703
	19,552	**17,753**	**14,910**
Current liabilities			
Trade and other payables	15,475	12,530	13,548
Income tax liabilities	19	23	162
Borrowings and lease liabilities	2,852	1,372	1,416
Deferred credits	162	169	165
Derivative financial instruments	12	31	170
	18,520	**14,125**	**15,461**
Total liabilities	**38,072**	**31,878**	**30,371**
Total equity and liabilities	**55,547**	**47,449**	**46,512**

Responsibility Statement

In accordance with Luxembourg transparency requirements for issuers of securities and in connection with the US Dollars 500 million bonds due 2011 issued by Emirates and listed on the Luxembourg Stock Exchange, we hereby declare that, to the best of our knowledge, the consolidated financial statements of Emirates prepared in accordance with International Financial Reporting Standards (IFRS) give a true and fair view of the assets, liabilities, financial position and profits of Emirates and the management report includes a fair review of the development and performance of the business and the position of Emirates together with a description of the principal risks that it faces.

Sheikh Ahmed bin Saeed Al Maktoum
Chairman and Chief Executive

Timothy Clark
President

29 April 2010

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 statement of financial position as of 31 March 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with 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 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
29 April 2010

Paul Suddaby
Registered Auditor No. 309
Dubai, United Arab Emirates

Consolidated income statement
for the year ended 31 March 2010

	Note	2010 AED m	2009 AED m
Revenue	4	3,121	3,159
Other operating income		39	22
Operating costs	5	(2,601)	(2,714)
Operating profit		**559**	**467**
Finance income	6	54	45
Finance costs	6	(14)	(20)
Share of results in associated companies and joint ventures	10	19	25
Profit before income tax		**618**	**517**
Income tax expense	7	(5)	(10)
Profit for the year		**613**	**507**

Consolidated statement of comprehensive income
for the year ended 31 March 2010

Profit for the year		**613**	**507**
Currency translation differences		53	(168)
Net investment hedge	15	(19)	40
Share of other comprehensive income in associated companies	10	(6)	(6)
Other comprehensive income		**28**	**(134)**
Total comprehensive income for the year		**641**	**373**

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

Consolidated statement of financial position
as at 31 March 2010

	Note	2010 AED m	2009 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	8	754	841
Intangible assets	9	662	648
Investments in associated companies and joint ventures	10	483	468
Loans to related parties	23	1	1
Advance lease rentals	11	26	25
Deferred tax assets	16	8	1
		1,934	**1,984**
Current assets			
Inventories		25	23
Trade and other receivables	12	697	590
Short term bank deposits	21	-	454
Cash and cash equivalents	21	1,982	896
		2,704	**1,963**
Total assets		**4,638**	**3,947**

	Note	2010 AED m	2009 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	13	63	63
Retained earnings		3,176	2,563
Other reserves		(45)	(73)
Total equity		**3,194**	**2,553**
Non-current liabilities			
Retirement benefit obligations	14	198	192
Term loans	15	383	412
Deferred tax liabilities	16	91	93
		672	**697**
Current liabilities			
Trade and other payables	17	695	628
Term loans	15	61	56
Income tax liabilities		16	13
		772	**697**
Total liabilities		**1,444**	**1,394**
Total equity and liabilities		**4,638**	**3,947**

The consolidated financial statements were approved on 29 April 2010 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 2010

	Capital	Capital reserve	Translation reserve	Retained earnings	Total equity
	AED m	AED m	AED m	AED m	AED m
1 April 2008	**63**	**1**	**60**	**2,056**	**2,180**
Currency translation differences	-	-	(168)	-	(168)
Net investment hedge (Note 15)	-	-	40	-	40
Share of other comprehensive income in associated companies (Note 10)	-	-	(6)	-	(6)
Other comprehensive income	**-**	**-**	**(134)**	**-**	**(134)**
Profit for the year	-	-	-	507	507
Total comprehensive income	**-**	**-**	**(134)**	**507**	**373**
31 March 2009	**63**	**1**	**(74)**	**2,563**	**2,553**
Currency translation differences	-	-	53	-	53
Net investment hedge (Note 15)	-	-	(19)	-	(19)
Share of other comprehensive income in associated companies (Note 10)	-	-	(6)	-	(6)
Other comprehensive income	**-**	**-**	**28**	**-**	**28**
Profit for the year	-	-	-	613	613
Total comprehensive income	**-**	**-**	**28**	**613**	**641**
31 March 2010	**63**	**1**	**(46)**	**3,176**	**3,194**

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

Minority interest is not reported as values are less than AED 1 m.

Consolidated statement of cash flows
for the year ended 31 March 2010

	2010 AED m	2009 AED m
Operating activities		
Profit before income tax	618	517
Adjustments for:		
Depreciation and amortisation (Note 5)	243	249
Finance income - net (Note 6)	(40)	(25)
Amortisation of advance lease rentals (Note 11)	1	1
Share of results in associated companies and joint ventures (Note 10)	(19)	(25)
Loss / (profit) on sale of property, plant and equipment	2	(1)
Net provision for impairment of trade receivables (Note 12)	4	2
Provision for employee benefits (Note 5)	56	35
Employee benefit payments	(50)	(45)
Income tax paid	(17)	(14)
Change in inventories	(1)	(2)
Change in trade and other receivables	(27)	(10)
Change in trade and other payables	(6)	(201)
Net cash generated from operating activities	**764**	**481**

	2010 AED m	2009 AED m
Investing activities		
Purchase of property, plant and equipment (Note 8)	(48)	(172)
Additions to intangible assets (Note 9)	(24)	(26)
Proceeds from sale of property, plant and equipment	8	2
Investments in associated companies and joint ventures (Note 10)	(4)	(271)
Finance income	52	41
Dividend received from associated companies	14	9
Movement in short term bank deposits	454	355
Acquisition of a subsidiary (Note 25)	(59)	(1)
Loans to related parties - net (Note 23)	(2)	(8)
Net cash generated from / (used in) investing activities	**391**	**(71)**
Financing activities		
Net movement in loans (Note 15)	(59)	(48)
Finance cost	(14)	(20)
Net cash used in financing activities	**(73)**	**(68)**
Net increase in cash and cash equivalents	**1,082**	**342**
Cash and cash equivalents at beginning of year	896	574
Effects of exchange rate changes	4	(20)
Cash and cash equivalents at end of year (Note 21)	**1,982**	**896**

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

Notes to the consolidated financial statements
for the year ended 31 March 2010

1. General information

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, 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 July 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 5 (Amendment), Measurement of non-current assets (or disposal groups) classified as held-for-sale (effective from 1 January 2010)
- IFRS 9, Financial instruments (effective from 1 January 2013)
- IAS 1 (Amendment), Presentation of financial statements (effective from 1 July 2009)
- IAS 17 (Amendment), Leases (effective from 1 January 2010)
- IAS 24 (Revised), Related Party Disclosures (effective from 1 January 2011)
- IAS 27 (Revised), Consolidated and separate financial statements (effective from 1 July 2009)
- IAS 36 (Amendment), Impairment of assets (effective from 1 January 2010)
- IAS 38 (Amendment), Intangible assets (effective from 1 July 2009)
- IAS 39 (Amendments), Financial instruments: Recognition and Measurement (effective from 1 January 2010)

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.

2. Summary of significant accounting policies (continued)

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.

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

Dnata's consolidated financial statements are presented in UAE Dirhams (AED), which is also the parent company's functional currency. Subsidiaries determine their own functional currency and items included in the financial statements of these companies are measured using their functional currency.

Foreign currency transactions are translated into the functional currency, at exchange rates approximating to those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at exchange rates ruling at the end of reporting period. 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 end of reporting period. 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 end of reporting period.

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 the end of each reporting period.

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 the end of each reporting period 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.

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 within 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.

Other 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 the end of each reporting period 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

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 the end of each reporting period, 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.

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.

2. Summary of significant accounting policies (continued)

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.

Retirement benefit obligations

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 consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of reporting period 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 end of reporting period 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 end of reporting period in the countries where Dnata'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 end of reporting period and are expected to apply when the related deferred income tax liability is settled or the deferred tax asset is realised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Trade payables

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

Cash and cash equivalents

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

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 the end of each reporting period, 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

	2010 AED m	2009 AED m
Services		
Airport operations	1,627	1,517
Cargo	607	536
Information technology	526	568
Agency commission	234	245
Reservations system	-	155
Other	20	21
	3,014	**3,042**
Sale of goods		
Inflight and institutional catering	**107**	**117**
	3,121	**3,159**

Income from reservations system is nil during the current year since the related agreement has come to an end.

5. Operating costs

	2010 AED m	2009 AED m
Employee (see below)	1,387	1,347
Airport operations and cargo - other direct costs	442	391
Depreciation and amortisation	243	249
Information technology infrastructure costs	178	297
Office accommodation	106	116
Operating lease rentals	49	39
Cost of goods sold	35	40
Corporate overheads	161	235
	2,601	**2,714**

Employee costs include AED 56 m (2009: AED 35 m) in respect of post-employment benefits and AED 33 m (2009: AED Nil) in respect of an employee profit share scheme.

6. Finance income and costs

	2010 AED m	2009 AED m
Finance income:		
Interest income	**54**	**45**
Finance costs:		
Interest charges	**(14)**	**(20)**

7. Income tax expense

	2010 AED m	2009 AED m
The components of income tax expense are:		
Current tax	14	16
Deferred tax credit (Note 16)	(9)	(6)
	5	**10**

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 m	Airport plant and equipment AED m	Office equipment and furniture AED m	Motor vehicles AED m	Capital projects AED m	Total AED m
Cost						
1 April 2008	501	523	781	27	27	1,859
Additions	-	37	93	5	37	172
Acquisitions (Note 25)	-	-	1	-	-	1
Currency translation differences	(23)	(9)	(1)	-	-	(33)
Transfer from capital projects	10	2	43	-	(55)	-
Disposals / write off	(4)	(10)	(16)	(3)	-	(33)
31 March 2009	**484**	**543**	**901**	**29**	**9**	**1,966**
Depreciation						
1 April 2008	79	328	545	17	-	969
Charge for the year	24	65	100	4	-	193
Currency translation differences	(2)	(3)	-	-	-	(5)
Disposals / write off	(4)	(10)	(15)	(3)	-	(32)
31 March 2009	**97**	**380**	**630**	**18**	**-**	**1,125**
Net book amount						
31 March 2009	**387**	**163**	**271**	**11**	**9**	**841**

8. Property, plant and equipment (continued)

	Buildings and leasehold property AED m	Airport plant and equipment AED m	Office equipment and furniture AED m	Motor vehicles AED m	Capital projects AED m	Total AED m
Cost						
1 April 2009	484	543	901	29	9	1,966
Additions	-	14	26	2	6	48
Acquisition (Note 25)	6	37	-	-	-	43
Currency translation differences	20	4	-	2	-	26
Transfer from capital projects	-	-	11	-	(11)	-
Disposals / write off	-	(24)	(42)	(2)	-	(68)
31 March 2010	**510**	**574**	**896**	**31**	**4**	**2,015**
Depreciation						
1 April 2009	97	380	630	18	-	1,125
Charge for the year	23	61	101	4	-	189
Currency translation differences	2	2	1	-	-	5
Disposals / write off	-	(22)	(35)	(1)	-	(58)
31 March 2010	**122**	**421**	**697**	**21**	**-**	**1,261**
Net book amount						
31 March 2010	**388**	**153**	**199**	**10**	**4**	**754**

9. Intangible assets

	Goodwill AED m	Computer software AED m	Customer relationships AED m	Contractual rights AED m	Total AED m
Cost					
1 April 2008	343	116	12	409	880
Additions	-	26	-	-	26
Currency translation differences	(41)	(1)	-	(49)	(91)
31 March 2009	**302**	**141**	**12**	**360**	**815**
Amortisation					
1 April 2008	-	72	3	43	118
Charge for the year	-	17	2	37	56
Currency translation differences	-	(1)	-	(6)	(7)
31 March 2009	**-**	**88**	**5**	**74**	**167**
Net book amount					
31 March 2009	**302**	**53**	**7**	**286**	**648**

9. Intangible assets (continued)

	Goodwill AED m	Computer software AED m	Customer relationships AED m	Contractual rights AED m	Total AED m
Cost					
1 April 2009	302	141	12	360	815
Additions	-	24	-	-	24
Currency translation differences	23	1	-	26	50
31 March 2010	**325**	**166**	**12**	**386**	**889**
Amortisation					
1 April 2009	-	88	5	74	167
Charge for the year	-	14	2	38	54
Currency translation differences	-	-	-	6	6
31 March 2010	**-**	**102**	**7**	**118**	**227**
Net book amount					
31 March 2010	**325**	**64**	**5**	**268**	**662**

Computer software includes an amount of AED 34 m (2009: AED 18 m) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, goodwill amounting to AED 89 m (2009: AED 82 m) is allocated to the airport services cash generating unit in Singapore and AED 233 m (2009: AED 217 m) 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 24% and 19% 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 m (2009: AED 3 m) 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
Cleopatra WLL	90	Travel agency	Bahrain
Dnata Aviation Services Ltd.	100	Investment company	United Kingdom
Plane Handling Ltd.	100	Aircraft handling services	United Kingdom

Dnata Aviation Services Ltd. was incorporated during the year and Plane Handling Ltd. was acquired during the year. Al Hidaya Travel WLL and Cleopatra WLL were acquired during the previous year.

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

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 previous year.

Principal 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
Al Tawfeeq Travels L.L.C	50	Travel agency	Qatar

The investment in Al Tawfeeq Travels L.L.C was made during the year. The investments in SDV (UAE) L.L.C and Najm Travel were made during the previous year. The beneficial interest in SDV (UAE) L.L.C is 35% and is subject to joint control. The beneficial interest in Transguard Group L.L.C. is 50% and is subject to joint control.

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

Movement of investments in associated companies and joint ventures

	2010 AED m	2009 AED m
Balance brought forward	**468**	**264**
Investments during the year	4	271
Share of results	19	25
Dividends	(14)	(9)
Share of other comprehensive income	(6)	(6)
Currency translation differences	12	(77)
Balance carried forward	**483**	**468**

The carrying value of the investments in associated companies amounted to AED 245 m (2009: AED 243 m) and the share of results amounted to AED 14 m (2009: AED 11 m). The investments in associated companies and joint ventures include a quoted investment, the fair value of which amounts to AED 126 m (2009: AED 60 m) at the end of the reporting period.

The financial statements of an associated company have been drawn from 1 January 2009 to 31 December 2009 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 2010 and 31 March 2010.

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

	2010 AED m	2009 AED m
Total assets	3,313	3,346
Total liabilities	2,389	2,425
Net assets	922	921
Revenue	2,272	1,458
Profit for the year	30	18

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

	2010 AED m	2009 AED m
Non-current assets	303	239
Current assets	207	155
Non-current liabilities	174	49
Current liabilities	98	120
Total income	409	402
Total expense	404	388

11. Advance lease rentals

	2010 AED m	2009 AED m
Balance brought forward	**25**	**29**
Currency translation differences	2	(3)
Charge for the year	(1)	(1)
Balance carried forward	**26**	**25**

12. Trade and other receivables

	2010 AED m	2009 AED m
Trade receivables - net of provision	479	400
Prepayments	64	48
Related parties (Note 23)	54	52
Deposits and other receivables	100	90
	697	**590**

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:

	2010 AED m	2009 AED m
Balance brought forward	**21**	**19**
Charge for the year	16	16
Unused amounts reversed	(12)	(14)
Balance carried forward	**25**	**21**

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:

	2010 AED m	2009 AED m
Below 3 months	218	171
3-6 months	19	43
Above 6 months	59	58
	296	**272**

13. Capital

Capital represents the permanent capital of Dnata.

14. Retirement benefit obligations

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 2010, 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% (2009: 5.0%) and a discount rate of 6.0% (2009: 6.5%) per annum. The present values of the defined benefit obligations at 31 March 2010 were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2010 AED m	2009 AED m
Funded scheme		
Present value of defined benefit obligations	50	43
Less: Fair value of plan assets	(48)	(38)
	2	**5**
Unfunded scheme		
Present value of defined benefit obligations	195	163
Unamortised actuarial gains / (losses)	1	24
	196	**187**
Liability recognised in consolidated statement of financial position	**198**	**192**

14. Retirement benefit obligations (continued)

(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 2 m (2009: AED 5 m) 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 end of the reporting period.

The movement in the fair value of the plan assets are:

	2010 AED m	2009 AED m
Balance brought forward	**38**	**47**
Contributions received	9	9
Benefits paid	(7)	(5)
Change in fair value	8	(13)
Balance carried forward	**48**	**38**

Contributions received include the transfer of accumulated benefits from unfunded schemes. Dnata expects to contribute approximately AED 8 m for existing plan members during the year ended 31 March 2011.

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 statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for past-service costs and unamortised actuarial gains.

The movement in the defined benefit obligation is:

	2010 AED m	2009 AED m
Balance brought forward	**187**	**201**
Current service cost	12	15
Interest cost	11	10
Release of excess provision	-	(28)
Payments made during the year	(15)	(11)
Balance carried forward	**195**	**187**

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

14. Retirement benefit obligations (continued)

The total amount recognised in the consolidated income statement is as follows:

	2010 AED m	2009 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	8	9
Net change in the present value of defined benefit obligations over plan assets	(2)	2
	6	**11**
Unfunded scheme		
Current service cost	12	15
Interest cost	11	10
Release of excess provision	-	(28)
	23	**(3)**
Defined contribution plan		
Contributions expensed	**27**	**27**
Recognised in the consolidated income statement	**56**	**35**

15. Term loans

	2010 AED m	2009 AED m
Term loans are denominated in the following currencies:		
Singapore Dollars	182	202
Swiss Francs	261	266
Others	1	-
	444	**468**
Movement in the term loans are as follows:		
Balance brought forward	**469**	**579**
Additions	1	-
Repayments	(60)	(48)
Currency translation differences	35	(62)
	445	**469**
Unamortised transaction costs	(1)	(1)
Balance carried forward	**444**	**468**

	2010 AED m	2009 AED m
Term loans are repayable as follows:		
Within one year	**61**	**56**
Between 2 and 5 years	242	225
After 5 years	141	187
Total over one year	**383**	**412**

A term loan amounting to AED 183 m (2009: AED 203 m) 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 2.8% (2009: 3.7%) 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 end of the reporting period 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:

	2010 AED m	2009 AED m
Deferred tax assets	8	1
Deferred tax liabilities	(91)	(93)
	(83)	**(92)**
The movement in the deferred tax account is as follows:		
Balance brought forward	**(92)**	**(110)**
Acquisition (Note 25)	8	-
Currency translation differences	(8)	12
Credited to the consolidated income statement	9	3
Effect of change in tax rates	-	3
Balance carried forward	**(83)**	**(92)**

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 m	Intangible assets AED m	Other AED m	Total AED m
1 April 2008	**(38)**	**(75)**	**(2)**	**(115)**
Currency translation differences	4	9	-	13
Credited / (charged) to the consolidated income statement	(2)	7	-	5
Effect of change in tax rates	3	-	-	3
31 March 2009	**(33)**	**(59)**	**(2)**	**(94)**
Currency translation differences	(3)	(4)	-	(7)
Credited to the consolidated income statement	1	8	-	9
31 March 2010	**(35)**	**(55)**	**(2)**	**(92)**

Deferred tax assets

	Tax losses AED m	Provisions AED m	Other AED m	Total AED m
1 April 2008	**4**	**1**	**-**	**5**
Currency translation differences	(1)	-	-	(1)
Charged to the consolidated income statement	(2)	-	-	(2)
31 March 2009	**1**	**1**	**-**	**2**
Acquisition (Note 25)	-	-	8	8
Currency translation differences	-	-	(1)	(1)
31 March 2010	**1**	**1**	**7**	**9**

17. Trade and other payables

	2010 AED m	2009 AED m
Trade payables and accruals	474	421
Related parties (Note 23)	26	23
Employee leave pay	66	67
Airlines	109	96
Customer deposits	20	21
	695	**628**

18. Operating leases

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

	2010 AED m	2009 AED m
Less than 1 year	33	23
Between 2 and 5 years	60	37
After 5 years	235	69
	328	**129**

19. Capital commitments

	2010 AED m	2009 AED m
Authorised and contracted	33	42
Authorised but not contracted	358	179
	391	**221**

20. Guarantees

	2010 AED m	2009 AED m
Guarantees provided by Dnata's bankers in the normal course of business	**18**	**22**

21. Short term bank deposits, cash and cash equivalents

	2010 AED m	2009 AED m
Short term bank deposits	1,875	1,269
Cash and bank	107	81
Cash and bank balances	**1,982**	**1,350**
Less: Short term bank deposits over 3 months	-	(454)
Cash and cash equivalents	**1,982**	**896**

Short term bank deposits, cash and cash equivalents yield an effective interest rate of 3.2% (2009: 4.5%) 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 m	Financial liabilities at amortised cost AED m	Total AED m
2010			
Assets			
Loans to related parties (non-current)	1	-	1
Trade and other receivables (excluding prepayments)	633	-	633
Cash and cash equivalents	1,982	-	1,982
Total	**2,616**	**-**	**2,616**
Liabilities			
Term loans	-	444	444
Trade and other payables (excluding customer deposits)	-	675	675
Total	**-**	**1,119**	**1,119**
2009			
Assets			
Loans to related parties (non-current)	1	-	1
Trade and other receivables (excluding prepayments)	542	-	542
Short term bank deposits	454	-	454
Cash and cash equivalents	896	-	896
Total	**1,893**	**-**	**1,893**
Liabilities			
Term loans	-	468	468
Trade and other payables (excluding customer deposits)	-	607	607
Total	**-**	**1,075**	**1,075**

23. Related party transactions

The following transactions were carried out with related parties:

Trading transactions

	2010 AED m	2009 AED m
(i) Sale / purchase of goods and services		
Sale		
Sale of goods - Companies under common control	37	48
Services rendered - Associated companies	11	14
Services rendered - Joint ventures	4	4
Services rendered - Companies under common control	1,136	1,128
	1,188	**1,194**
Purchase		
Purchase of goods - Companies under common control	6	5
Services received - Associated companies	1	1
Services received - Joint ventures	66	88
Services received - Companies under common control	38	40
	111	**134**
(ii) Year end balances arising from sale / purchase of goods and / or services		
Receivables from related parties (Note 12)		
Associated companies	1	1
Joint ventures	4	9
Companies under common control	24	19
	29	**29**
Payables to related parties (Note 17)		
Joint ventures	5	4
Companies under common control	21	19
	26	**23**

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

Other transactions

	2010 AED m	2009 AED m
(i) Compensation to key management personnel		
Salaries and short-term employee benefits	24	29
Post-employment benefits	2	3
	26	**32**
(ii) Loans		
Associated companies	4	4
Joint ventures	22	20
	26	**24**
Movement in the loans were as follows:		
Balance brought forward	**24**	**15**
Additions	2	8
Currency translation differences	-	1
Balance carried forward	**26**	**24**
Within one year (Note 12)	**25**	**23**
Total over one year	**1**	**1**

The loans earned effective interest of 5.4% (2009: 6.2%) except for loans amounting to AED 8 m (2009: AED 6 m) which were interest free.

(iii) Loans and advances to key management personnel

	2010 AED m	2009 AED m
Balance brought forward	**-**	**-**
Additions	-	1
Repayments	-	(1)
Balance carried forward	**-**	**-**
Within one year (Note 12)	**-**	**-**
Total over one year	**-**	**-**

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.

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different at the end of the reporting period with all other variables held constant and has been computed on the basis of assumptions and indices used and considered by other market participants.

	2010		2009	
	Effect on profit AED m	**Effect on equity** AED m	**Effect on profit** AED m	**Effect on equity** AED m
Interest cost				
- 100 basis points				
Singapore Dollars	2	2	2	2
Swiss Francs	3	3	3	3
	5	**5**	**5**	**5**
+ 100 basis points				
Singapore Dollars	(2)	(2)	(2)	(2)
Swiss Francs	(3)	(3)	(3)	(3)
	(5)	**(5)**	**(5)**	**(5)**
Interest income				
- 100 basis points	(1)	(1)	-	-
+ 100 basis points	1	1	-	-
Currency - Singapore Dollars				
+ 1%	-	(2)	-	(2)
- 1%	-	2	-	2
Currency - Swiss Francs				
+ 1%	-	(3)	-	(3)
- 1%	-	3	-	3

24. Financial risk management (continued)

(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 the 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 81% (2009: 28%) 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 end of reporting period based on Standard & Poor's ratings or its equivalent for the main banking relationships:

	2010 AED m	**2009** AED m
AA- to AA+	18	23
A- to A+	1,918	1,326

(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 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 end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Description	**Less than 1 year** AED m	**2 - 5 years** AED m	**Over 5 years** AED m	**Total** AED m
2010				
Term loans	73	188	235	496
Trade and other payables (excluding customer deposits)	675	-	-	675
	748	**188**	**235**	**1,171**
2009				
Term loans	74	168	285	527
Trade and other payables (excluding customer deposits)	607	-	-	607
	681	**168**	**285**	**1,134**

25. Business combinations

On 31 January 2010, Dnata acquired, through its subsidiary Dnata Aviation Services Ltd., 100% of the shares in Plane Handling Ltd. and certain assets of Aviance Limited, which were subsequently integrated into Plane Handling Ltd. The acquired business contributed revenue of AED 76 m and profit of AED Nil from the acquisition date to 31 March 2010. The principal activities of Plane Handling Ltd. is to provide aircraft and cargo handling services at London Heathrow, Manchester and Glasgow airports in the United Kingdom.

The assets and liabilities arising from the acquisition of the subsidiary are as follows:

	Recognised on acquisition AED m	**Acquiree's carrying amount** AED m
Property, plant and equipment (Note 8)	43	43
Deferred tax assets (Note 16)	8	8
Other current assets	79	79
Current liabilities	(71)	(71)
Fair value of net assets	**59**	**59**
Total purchase consideration	59	
Cash outflow on acquisition	**59**	

The purchase consideration includes direct costs of acquisition amounting to AED 1 m.

In the previous year, on 30 November 2008, Dnata acquired 90% of the shares in Al Hidaya Travel WLL and Cleopatra WLL, Bahrain. The acquired business contributed revenue of AED 1 m and profit of AED Nil from the acquisition date to 31 March 2009. The principal activities of Al Hidaya Travel WLL and Cleopatra 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 m	**Acquiree's carrying amount** AED m
Property, plant and equipment (Note 8)	1	1
Fair value of net assets	**1**	**1**
Total purchase consideration	1	
Cash outflow on acquisition	**1**	

The purchase consideration includes direct costs of acquisition amounting to AED Nil.

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 2010, Dnata achieved a return on equity of 21.3% (2009: 21.4%) in comparison to an effective interest rate of 2.8% (2009: 3.7%) on borrowings.

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 statement of financial position as of 31 March 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with 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 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
29 April 2010

Paul Suddaby

Paul Suddaby
Registered Auditor No. 309
Dubai, United Arab Emirates

Ten-year Overview

Consolidated income statement		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Revenue and other operating income	AED m	43,455	43,266	38,810	29,173	22,658	17,909	13,116	9,514	7,137	6,359
Operating costs	AED m	39,890	40,988	34,359	25,834	20,006	15,290	11,368	8,513	6,511	5,693
- of which jet fuel	AED m	11,908	14,443	11,005	7,525	5,445	3,279	1,633	998	830	767
- of which employee costs	AED m	6,345	5,861	5,475	4,024	3,187	2,701	2,254	1,749	1,291	1,136
Operating profit	AED m	3,565	2,278	4,451	3,339	2,652	2,619	1,749	1,001	626	666
Profit attributable to the Owner	AED m	3,538	686	5,020	3,096	2,475	2,407	1,574	907	468	422
Consolidated statement of financial position											
Non-current assets	AED m	36,870	31,919	27,722	22,530	17,018	12,219	8,438	7,485	6,551	5,529
Current assets	AED m	18,677	15,530	18,790	15,428	14,376	11,499	9,900	6,594	5,233	3,215
- of which bank deposits and cash	AED m	10,511	7,168	10,360	9,123	9,199	7,328	6,455	4,213	3,124	1,448
Total assets	AED m	55,547	47,449	46,512	37,958	31,394	23,719	18,338	14,079	11,784	8,744
Total equity	AED m	17,475	15,571	16,843	13,170	10,919	8,112	5,013	3,818	2,986	2,341
- of which equity attributable to the Owner	AED m	17,274	15,412	16,687	13,040	10,788	7,962	4,897	3,709	2,931	2,292
Non-current liabilities	AED m	19,552	17,753	14,206	14,210	10,616	8,927	8,101	6,385	6,019	3,944
Current liabilities	AED m	18,520	14,125	15,463	10,578	9,859	6,680	5,224	3,876	2,779	2,458
Consolidated statement of cash flows											
Cash flow from operating activities	AED m	8,328	5,016	7,335	5,765	4,106	4,009	2,555	2,252	1,328	1,229
Cash flow from investing activities	AED m	(577)	1,896	(8,869)	(4,749)	(5,049)	(2,638)	(1,086)	(619)	(582)	227
Cash flow from financing activities	AED m	(2,982)	(5,085)	(3,820)	(198)	867	(487)	893	(489)	813	(957)
Net change in cash and cash equivalents	AED m	4,769	1,827	(5,354)	818	(76)	885	2,362	1,144	1,560	499
Other financial data											
Net change in cash and cash equivalents and short term bank deposits	AED m	3,343	(3,192)	1,237	(76)	1,871	873	2,242	1,089	1,676	500
EBITDAR	AED m	10,638	8,286	9,730	7,600	5,970	5,331	3,764	2,487	1,890	1,724
Borrowings and lease liabilities	AED m	19,605	16,512	13,717	13,338	11,247	8,142	7,620	6,050	5,723	3,737
Less: Cash assets	AED m	10,511	7,368	12,715	11,594	9,828	7,645	6,605	4,261	3,152	1,449
Net debt	AED m	9,094	9,144	1,002	1,744	1,419	497	1,015	1,789	2,571	2,288
Capital expenditure	AED m	8,053	10,178	9,058	5,388	4,528	3,115	1,409	1,573	1,880	562

Notes :

1.The ten-year overview has been extracted from the audited financial statements which have been drawn up in compliance with IFRS. New Standards and amendments to existing IFRS have been adopted on the effective dates applicable to Emirates.

2.Comparative figures are restated, where applicable, according to IFRS rules i.e. only the immediately preceding year's figures are restated and figures beyond that year have not been amended.

3.Emirates issued consolidated financial statements for the first time in 2000-01.

Key ratios		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Operating margin	%	8.2	5.3	11.5	11.4	11.7	14.6	13.3	10.5	8.8	10.5
Profit margin	%	8.1	1.6	12.9	10.6	10.9	13.4	12.0	9.5	6.6	6.6
Return on shareholder's funds	%	21.6	4.4	33.8	26.0	26.4	37.4	36.6	27.3	17.9	20.2
EBITDAR margin	%	24.5	19.2	25.1	26.1	26.3	29.8	28.7	26.1	26.5	27.1
Cash assets to revenue and other operating income	%	24.2	17.0	32.8	39.7	43.4	42.7	50.4	44.8	44.2	22.8
Net debt equity ratio	%	52.0	58.7	5.9	13.2	13.0	6.1	20.2	46.9	86.1	97.7
Net debt (including aircraft operating leases) equity ratio	%	158.5	167.0	98.1	116.1	111.9	116.6	175.2	185.5	221.8	254.8
Net debt (including aircraft operating leases) to EBITDAR	%	260.3	313.9	169.9	201.2	204.6	177.4	233.3	284.8	350.5	346.1
Effective interest rate on borrowings and lease liabilities	%	2.5	3.5	5.2	5.7	4.5	3.5	3.7	3.8	5.3	6.2
Fixed to float debt mix		83:17	61:39	68:32	63:37	63:37	67:33	56:44	45:55	43:57	56:44
Airline Operating Statistics											
Performance Indicators											
Yield	Fils per RTKM	211	254	236	216	203	192	181	169	166	174
Unit cost	Fils per ATKM	136	163	151	129	122	111	107	111	108	114
Unit cost excluding jet fuel	Fils per ATKM	94	104	101	90	88	86	91	97	93	98
Breakeven load factor	%	64.4	64.1	64.1	59.9	60.2	58.0	59.0	65.4	65.1	65.5
Fleet											
Aircraft	number	142	127	109	96	85	69	61	46	38	35
Average fleet age	months	69	64	67	63	61	55	46	36	37	36
Production											
Destination cities	number	102	99	99	89	83	76	73	64	57	55
Overall capacity	ATKM million	28,526	24,397	22,078	19,414	15,803	13,292	10,207	7,350	5,718	4,761
Available seat kilometres	ASKM million	161,756	134,180	118,290	102,337	82,009	68,930	54,657	41,337	32,630	27,255
Aircraft departures	number	123,055	109,477	101,709	92,158	79,937	72,057	58,763	45,452	38,914	35,310
Traffic											
Passengers carried	number '000	27,454	22,731	21,229	17,544	14,498	12,529	10,441	8,503	6,765	5,719
Passenger seat kilometres	RPKM million	126,273	101,762	94,346	77,947	62,260	51,398	40,110	31,661	24,231	20,468
Passenger seat factor	%	78.1	75.8	79.8	76.2	75.9	74.6	73.4	76.6	74.3	75.1
Cargo carried	tonnes '000	1,580	1,408	1,282	1,156	1,019	838	660	525	401	335
Overall load carried	RTKM million	19,063	15,879	14,739	12,643	10,394	8,649	6,629	5,145	3,908	3,310
Overall load factor	%	66.8	65.1	66.8	65.1	65.8	65.1	64.9	70.0	68.3	69.5
Employee											
Average employee strength	number	28,686	28,037	23,650	20,273	17,296	15,858	12,804	10,507	8,697	7,571
Revenue per employee	AED '000	1,459	1,492	1,625	1,431	1,285	1,104	993	884	794	808

Ten-year Overview

Consolidated income statement		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Revenue and other operating income	AED m	3,160	3,181	2,585	1,996	1,734	1,390	1,079	942	798	711
Operating costs	AED m	2,601	2,714	2,340	1,700	1,444	1,149	920	818	685	631
- of which employee costs	AED m	1,387	1,347	1,227	993	863	700	577	502	434	401
- of which airport operations & cargo - other direct costs	AED m	442	391	234	75	n/a	n/a	n/a	n/a	n/a	n/a
Operating profit	AED m	559	467	245	296	290	241	159	124	113	79
Profit attributable to the Owner	AED m	613	507	305	360	324	260	174	142	135	110
Consolidated statement of financial position											
Non-current assets	AED m	1,934	1,984	1,950	1,107	863	935	313	269	251	322
Current assets	AED m	2,704	1,963	1,992	1,846	1,580	1,141	1,039	875	727	544
- of which bank deposits and cash	AED m	1,982	1,350	1,383	1,403	1,099	843	834	701	484	368
Total assets	AED m	4,638	3,947	3,942	2,953	2,442	2,076	1,352	1,144	978	865
Total equity	AED m	3,194	2,553	2,180	1,823	1,453	1,126	866	721	618	524
Non-current liabilities	AED m	672	697	845	460	464	480	136	124	107	93
Current liabilities	AED m	772	697	917	670	526	470	350	299	253	248
Consolidated statement of cash flows											
Cash flow from operating activities	AED m	764	481	540	531	423	370	295	265	207	160
Cash flow from investing activities	AED m	391	(71)	(1,420)	(373)	(129)	(638)	(120)	10	(44)	(24)
Cash flow from financing activities	AED m	(73)	(68)	224	(46)	(40)	281	(40)	(40)	(40)	(40)
Net cash flow for the year	AED m	1,082	342	(656)	113	254	12	135	234	123	97
Other financial data											
Cash assets	AED m	1,982	1,350	1,383	1,403	1,228	972	834	701	558	441

Notes :

1.The ten-year overview has been extracted from the audited financial statements which have been drawn up in compliance with IFRS. New Standards and amendments to existing IFRS have been adopted on the effective dates applicable to Dnata.

2.Comparative figures are restated, where applicable, according to IFRS rules i.e. only the immediately preceding year's figures are restated and figures beyond that year have not been amended

3.Effective 2006-07 "airport operations and cargo - other direct costs" are reported as a separate line item within operating costs. Prior to that year, such costs are reflected as not available or "n/a and they were reported under the corporate overheads line

Key ratios		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Operating margin	%	17.7	14.7	9.5	14.8	16.7	17.3	14.7	13.1	14.1	11.2
Profit margin	%	19.4	15.9	11.8	18.0	18.7	18.7	16.1	15.0	16.9	15.4
Return on shareholder's funds	%	21.3	21.4	15.2	22.0	25.2	26.1	21.9	21.2	23.6	22.3
Employee											
Average employee strength	number	13,298	12,434	11,640	9,832	9,860	9,607	7,325	6,392	6,526	6,001
Revenue per employee*	AED '000	266	256	241	210	176	155	150	151	125	124
Airport performance indicators											
Aircraft handled*	number	192,120	177,495	119,510	109,648	101,607	93,004	79,932	69,322	59,994	60,689
Cargo handled*	tonnes '000	1,121	1,003	633	535	503	458	406	399	635	573
Man hours per turn	hours	115	124								
Aircraft handled per employee*	number			21	20	18	17	17	18	16	17
Cargo handled per man hour	kgs	277	241								
Cargo handled per employee*	kgs '000			611	564	552	512	478	492	547	558

* Figures for 2007-08 and prior years exclude subsidiaries.

Group Companies of Emirates

Air transportation and related services

Emirates

- 100% The High Street LLC (UAE)
- 50% Emirates - CAE Flight Training LLC (UAE)
- 50% CAE Flight Training (India) Pvt Ltd

In-flight and institutional catering services

Emirates

- 90% Emirates Flight Catering Co. LLC (UAE)
- 49% Alpha Flight Services Pty Ltd (Australia)

Consumer goods

Emirates

- 100% Maritime and Mercantile International Holding LLC (UAE)
  - 100% Maritime and Mercantile International Maldives Pvt Ltd.
  - 40% Zanzibar Maritime and Mercantile International Co. Ltd.
- 68.7% Maritime and Mercantile International LLC (UAE)
  - 100% Duty Free Dubai Ports FZE (UAE)
  - 100% Harts International Retailers (M.E.) FZE (UAE)
  - 100% Harts International LLC (UAE)
  - 50% Sirocco FZCO (UAE)
  - 50% Oman United Agencies LLC
  - 49% Fujairah Maritime and Mercantile International LLC (UAE)

Hotel operations and food and beverage operations

Emirates

- 100% Emirates Hotel LLC (UAE)
- 100% Emirates Hotels (Australia) Pty Ltd
- 100% Emirates Hotels (Seychelles) Ltd
- 51% Premier Inn Hotels LLC (UAE)
- 100% Emirates Leisure Retail (Holding) LLC (UAE)
  - 100% Emirates Leisure Retail (Bahrain) SPC
  - 100% Emirates Leisure Retail (Singapore) Pte Ltd
  - 100% Emirates Leisure Retail (Australia) Pty Ltd
  - 70% Emirates Leisure Retail (Oman) LLC
  - 68.7% Emirates Leisure Retail LLC (UAE)
    - 100% Community Club Management FZE (UAE)

Note: Percentages indicate beneficial interest in the company. Legal share holding may be different.
Group companies of associated companies and joint ventures have been excluded.

Aircraft and cargo handling (including in-flight catering)

Dnata

- 100% Dnata International Airport Services Pte Ltd. (Singapore)
  - 100% CIAS International Pte. Ltd. (Singapore)
    - 100% Changi International Airport Services Pte Ltd (Singapore)
      - 20% Guangzhou Baiyun International Airport Ground Handling Services Co. Ltd (P. R. China)
  - 45% Xi'an Dnata Aviation Services Co. Ltd (P. R. China)
- 100% Dnata Aviation Services GmbH (Austria)
  - 100% Dnata Gmbh (Austria)
    - 100% Dnata Switzerland AG
      - 30% GVAssistance SA (Switzerland)
- 100% Dnata Aviation Services Ltd (UK)
  - 100% Plane Handling Ltd (UK)
- 100% Dnata Inc. (Phillippines)
- 50% Toll Dnata Airport Services Pty Ltd. (Australia)
- 50% Gerry's Dnata (Private) Ltd (Pakistan)

Travel services

Dnata/Dnata World Travel

- 100% MMI Travel LLC (UAE)
  - 50% Oman United Agencies Travel LLC
- 100% Dnata Travel (UK) Limited
- 90% Al Hidaya Travel & Tourism WLL (Bahrain)
- 90% Cleopatra Intl Travel WLL (Bahrain)
- 50% Dunya Travel LLC (UAE)
- 50% Najm Travels LLC (Afghanistan)
- 50% Al Tawfeeq Travel LLC (Qatar)
- 49% Mindpearl Group Ltd (Cayman Islands)
- 23.2% Hogg Robinson Group Plc (UK)

Freight forwarding services

Dnata

- 50% Dubai Express LLC (UAE)
- 50% Dnata-PWC Airport Logistics LLC (UAE)
- 35% SDV UAE LLC

Others

Dnata

- 50% Transguard Group LLC (UAE)

Note: Percentages indicate beneficial interest in the company. Legal share holding may be different.
Group companies of associated companies and joint ventures have been excluded.

Glossary

A

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

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

B

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

C

Capacity - see ATKM

Capital expenditure - The sum of additions to property, plant and equipment and intangible assets excluding goodwill.

Capitalised value of aircraft operating lease costs - 60% of future minimum lease payments for aircraft on operating lease.

Cash assets - The sum of short term bank deposits, cash and cash equivalents and other cash investments classified into other categories of financial assets (e.g. held-to-maturity investments).

E

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

EBITDAR margin - EBITDAR expressed as a percentage of the sum of revenue and other operating income.

F

Fixed to float debt mix - Ratio of fixed rate debt to floating rate debt. The ratio is based on net debt including aircraft operating leases.

Freight yield (Fils per FTKM) - Cargo revenue divided by FTKM.

FTKM - Cargo tonnage uplifted multiplied by the distance carried.

M

Manhours per turn - Manhours to handle an aircraft arrival and departure.

N

Net debt - Borrowings and lease liabilities (current and non-current) net of cash assets.

Net debt equity ratio - Net debt in relation to total equity.

Net debt including aircraft operating leases - The sum of net debt and the capitalised value of aircraft operating lease costs.

O

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

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

Overall load factor - RTKM divided by ATKM.

P

Passenger seat factor - RPKM divided by ASKM.

Passenger yield (Fils per RPKM) - Passenger revenue divided by RPKM.

Profit margin - Profit attributable to the Owner expressed as a percentage of sum of revenue and other operating income.

R

Return on shareholder's funds - Profit attributable to the Owner expressed as a percentage of shareholder's funds.

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

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

S

Shareholder's funds - Average of opening and closing equity attributable to the Owner.

T

Traffic - see RTKM

Transport revenue - The sum of passenger, cargo, courier, excess baggage and mail revenue.

U

Unit cost (Fils per ATKM) - Operating costs (airline only) incurred per ATKM.

Y

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

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