UNDERSTAND

AT THE EMIRATES GROUP, MUCH OF OUR PROGRESS IS ROOTED IN THE ABILITY OF OUR PEOPLE TO UNDERSTAND HOW THE WORLD FITS TOGETHER. IT'S NOT JUST ABOUT OUR CUSTOMERS AND INDUSTRY. IT'S ALSO ABOUT THE OUTSIDE FACTORS THAT INFLUENCE BOTH – THINGS LIKE GLOBAL ECONOMICS, TRADE AND POLITICS, SHIFTING POPULATIONS, DIVERSITY AND SUSTAINABILITY. SOME CALL IT UNDERSTANDING THE BIG PICTURE. WE CALL IT UNDERSTANDING OUR FUTURE.

HIS HIGHNESS SHEIKH MOHAMMED BIN RASHID AL MAKTOUM

VICE PRESIDENT AND PRIME MINISTER OF THE UAE AND RULER OF DUBAI

The evolving global marketplace and development of new hubs for business, finance and culture demand flexibility and innovation. This dynamic growth calls for enhanced aviation and transport infrastructure to link communities and businesses, develop environmental sustainability and expand economic development.

The Emirates Group, in parallel with the UAE and Dubai, is meeting today's global challenges by taking an open, transparent approach to growth based on the UAE's open skies policy, which promotes competition and free enterprise.

We are confident that both Emirates and dnata are well positioned for continued future growth and success.

Emirates is the world's fastest growing international airline. Its main activity is the provision of commercial air transportation services.

dnata is one of the largest combined air services providers in the world and the largest travel management services company in the UAE. Its main activities are the provision of cargo and ground handling, catering, information technology and travel services.

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.

THE EMIRATES GROUP

CONTENTS

FINANCIAL HIGHLIGHTS 6

ANNUAL REVIEW BY THE CHAIRMAN AND CHIEF EXECUTIVE 8

THE LEADERSHIP TEAM 12

UNDERSTANDING A WORLD IN FLUX 14

UNDERSTANDING HOW ECONOMIES WORK 16

UNDERSTANDING MEANINGFUL THINGS 20

UNDERSTANDING RISK AND REWARD 22

UNDERSTANDING THE VALUE OF NEW IDEAS 26

UNDERSTANDING OTHER POINTS OF VIEW 28

UNDERSTANDING OUR RESPONSIBILITIES 32

UNDERSTANDING TOMORROW 34

KEY EVENTS 36

OUR WORLD TODAY 40

FINANCIAL INFORMATION

EMIRATES FINANCIAL COMMENTARY 44

DNATA FINANCIAL COMMENTARY 52

EMIRATES INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 57

DNATA INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 99

ADDITIONAL INFORMATION

EMIRATES TEN-YEAR OVERVIEW 132

DNATA TEN-YEAR OVERVIEW 134

GROUP COMPANIES OF EMIRATES 136

GROUP COMPANIES OF DNATA 137

GLOSSARY 138

FINANCIAL HIGHLIGHTS

Revenue and other operating income in AED m

Year	AED m
2011-12	62,287
2010-11	54,231
2009-10	43,455
2008-09	43,266
2007-08	38,810

Profit attributable to the Owner in AED m

Year	AED m
2011-12	1,502
2010-11	5,375
2009-10	3,538
2008-09	686
2007-08	5,020

Emirates Group

Financial Highlights		2011-12	2010-11	% change
Revenue and other operating income*	AED m	67,394	57,224	17.8
Operating profit	AED m	2,606	5,943	(56.2)
Operating margin	%	3.9	10.4	(6.5) pts
Profit attributable to the Owner	AED m	2,310	5,951	(61.2)
Profit margin	%	3.4	10.4	(7.0) pts
Cash assets	AED m	17,586	16,056	9.5
Total assets**	AED m	84,127	71,402	17.8

2010-11 figures have been re-classified to conform with the current year's presentation.

* After eliminating inter company income/expense of AED 1,893 million in 2011-12 (2010-11 : 1,413 million).

** After eliminating inter company receivables/payables of AED 78 million in 2011-12 (2010-11 : 88 million).

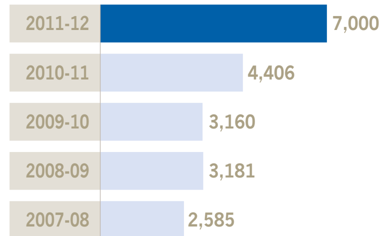
Percentages and ratios are derived based on the full figure before rounding.

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.

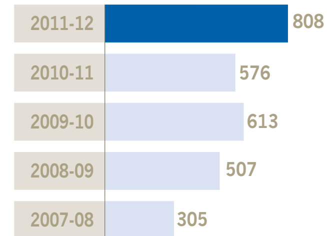
Emirates

Financial Highlights		2011-12	2010-11	% change
Revenue and results				
Revenue and other operating income	AED m	62,287	54,231	14.9
Operating profit	AED m	1,813	5,443	(66.7)
Operating margin	%	2.9	10.0	(7.1) pts
Profit attributable to the Owner	AED m	1,502	5,375	(72.1)
Profit margin	%	2.4	9.9	(7.5) pts
Return on shareholder's funds	%	7.2	28.4	(21.2) pts
Financial position and cash flow				
Total assets	AED m	77,086	65,090	18.4
Cash assets	AED m	15,587	13,973	11.6
Net debt (including aircraft operating lease) equity ratio	%	162.1	127.6	34.5 pts
EBITDAR	AED m	10,735	13,437	(20.1)
EBITDAR margin	%	17.2	24.8	(7.6) pts
Airline operating statistics				
Passengers carried	number '000	33,981	31,422	8.1
Cargo carried	tonnes '000	1,796	1,767	1.6
Passenger seat factor	%	80.0	80.0	-
Overall capacity	ATKM million	35,467	32,057	10.6
Available seat kilometres	ASKM million	200,687	182,757	9.8
Aircraft	number	169	148	14.2
Employee data				
Average employee strength	number	42,422	38,797	9.3

Revenue and other operating income in AED m



Profit attributable to the Owner in AED m



dnata

Financial Highlights		2011-12	2010-11	% change
Revenue and results				
Revenue and other operating income	AED m	7,000	4,406	58.9
Operating profit	AED m	793	500	58.6
Operating margin	%	11.3	11.3	-
Profit attributable to the Owner	AED m	808	576	40.3
Profit margin	%	11.5	13.1	(1.6) pts
Return on shareholder's funds	%	23.7	18.0	5.7 pts
Financial position				
Total assets	AED m	7,119	6,400	11.2
Cash assets	AED m	1,999	2,083	(4.0)
Key operating statistics				
Aircraft handled	number	253,434	232,585	9.0
Cargo handled	tonnes '000	1,543	1,494	3.3
Meals uplifted	number '000	52,186	11,743	344.4
Employee data				
Average employee strength	number	20,275	17,971	12.8

HIS HIGHNESS SHEIKH AHMED BIN SAEED AL MAKTOUM

CHAIRMAN & CHIEF EXECUTIVE EMIRATES AIRLINE & GROUP

Another profitable year, and a demanding one

The 2011-12 financial year fully tested our understanding of our markets and the ability to grow our businesses. The economic environment was hampered by the on-going Eurozone debt crisis and a slowly rebounding global economy. Our most significant challenge was the high price of jet fuel, which has remained uncharacteristically above US$100/barrel since February 2011. As a result, fuel costs now represent 40 per cent of our total costs, which means we spent an additional US$1.6 billion (AED 5.9 billion) over the last financial year which directly impacts our bottom line. Other major challenges included sustained geopolitical turmoil in Africa and the Middle East and several natural disasters. Throughout it all, we continued to follow our proven business model.

Because of this, I am pleased to say 2011-12 was our 24th consecutive year of profit for the Emirates Group, and the best year ever for dnata.

Strong business growth

Our performance never waned in 2011-12. Revenue for the Emirates Group reached a new high, climbing to US$18.9 billion (AED 69 billion), a 21 per cent increase over the previous year. Some of this increase is attributable to improved passenger yields reflecting increased fuel prices, whilst some of it is also due to higher traffic volumes. dnata's standout financial performance was another contributing factor, and a very positive one, adding US$1.9 billion (AED 7 billion) to our top line.

Net profit for the Emirates Group was US$629 million (AED 2.3 billion), this was 61 per cent less than the last financial year, reflecting the impact higher fuel costs had on our business. Had fuel prices remained the same as last year, our annual net profit would have again soared to a new record high. Despite the high cost of fuel, we made the business decision not to pass this on to our passengers for nearly one year. We also continued to provide our customers with the renowned products and services for which the Emirates brand is synonymous.

Even with the elevated fuel price, our key metrics revealed solid growth for 2011-12. We carried 34 million passengers and flew to 122 destinations in 72 countries. Measured in Revenue Passenger Kilometres (RPKM), passenger traffic carried was up 10 per cent from the year before. Despite our sizeable growth in capacity, we were still able to retain a Passenger Seat Factor of 80 per cent, which is consistent with the results of the previous year.

Air Cargo World ranked Emirates SkyCargo as the world's leading carrier as measured by international scheduled freight tonnage

carried. Despite a shrinking air cargo market, our 2011-12 cargo volumes were up 2 per cent, helped by our network expansion into Africa and South America.

Despite the challenges, year end 2011-12 still finds us in a strong financial position. Our cash on hand is US$4.8 billion (AED 17.6 billion) compared to US$4.4 billion (AED 16 billion) last year. Our diverse investor base continues to have confidence in our business model. We have successfully secured funding through the issuance of a new bond worth US$1 billion (AED 3.67 billion) to finance aircraft still on order. Based on our ever expanding fleet, which increased by a record number of 22 aircraft last year, and the rapidity at which we add international destinations, Emirates remains the fastest growing airline in the world. And it remains one of the most profitable in the industry.

Increasing brand relevance

Today, we are expanding and reshaping our two major brands to make them more relevant to all key stakeholders, and in the process, tap more of their hidden value.

dnata launched its brand refresh in April 2011, under the unifying banner of 'One dnata'. The message resonated with their 20,275 employees in 39 countries, quickly becoming a source of company pride.

For Emirates, being perceived as simply a global travel brand belies the strength of who we are. Today, the Emirates experience is a bridge between cultures – inviting people to experience all that the world has to offer. In short, a catalyst for their aspirations, hopes, and dreams. To support this, we are moving from a global travel brand to an aspirational, people-driven 'lifestyle' brand. Our mission, in fact, is to become one of the top lifestyle brands in the world.

A global hub

Strategically and operationally, using Dubai as our global aviation hub makes a great deal of sense. Deutsche Bank and The Royal Bank of Scotland clearly agree. Both conducted feasibility studies of our business model in 2011. And both regard Dubai as a well-positioned crossroads for trade, commerce, and tourism – a key competitive advantage for Emirates and dnata.

An increasing proportion of the traffic between Europe and Asia now flies through the Middle East. We expect that share to continue to grow. Dubai's geographic location also facilitates increased trade flows to and from India, China and Africa – three of our strongest markets.

Our strategy of deploying capacity in markets where we have the maximum competitive advantage has taken us deeper into the long-haul market. In 2011-12, we introduced long-haul services to Seattle, Dallas-Fort Worth, Rio de Janeiro and Buenos Aires amongst others. And there's more to follow including Washington, D.C. in September 2012. In addition to these routes, we also expanded and strengthened our global network by adding Geneva, Copenhagen, St. Petersburg, Baghdad, Harare, Lusaka and Dublin. So in the face of the uncertainties that characterised 2011-12, Emirates added 11 new destinations in a single financial year – a record feat. And one made even more impressive by the fact that seven of these gateways were launched in our fourth quarter. At the close of our financial year, the Emirates route map encompassed 122 destinations in 72 countries across six continents.

dnata continues to expand

dnata, the air services provider of the Emirates Group, turned in the best financial performance in its history for 2011-12. Top line revenue reached US$1.9 billion (AED 7 billion), a 59 per cent increase over the previous financial year. Net profit climbed to US$220 million (AED 808 million), 40 per cent above 2010-11; the results include a full 12 month contribution by Alpha Flight Group Limited (acquired in 2010-11).

Already one of the world's largest combined air services providers, dnata is far from slowing down. In 2012, we made significant inroads into the rapidly growing online travel market, acquiring a majority stake in the UK's largest privately owned online travel agency, Travel Republic. dnata also acquired a 50 per cent interest in Wings Inflight Services in South Africa, and signed a joint venture agreement with Travel Counsellors to launch a service-based travel model into the UAE.

A sustainable balance

The Emirates Group focuses on maintaining a healthy balance between our business world and the natural world. Mindful of our responsibilities as a global company, we act in ways to minimise our impact on the environment. Our emphasis is on

exploring new approaches to growing our business, whilst using fewer resources and creating less waste and pollution. All of this is detailed in the Emirates Group 2010-11 annual environmental report – the first of a continuing annual series.

Although we've put comprehensive programmes for industrial and office recycling in place, we realise the most significant contribution we can make, whether on the ground or in the air, is reducing fuel consumption and emissions. By design, we operate one of the youngest and most eco-efficient fleets in the world. Nonetheless, we work closely with Airbus and Boeing, refining and adding greater efficiency to the passenger aircraft still to be delivered, which total 223.

Focused on long-term goals
History tells us that economic and political instability are cyclical in nature. We not only understand the significance of that point, we understand its application to our business. We look beyond the short term to focus on strategies that will sustain us over time.

In 2011-12 we continued to invest in our eco-efficient, wide-bodied global aircraft fleet, increasing seat capacity across our network by 10 per cent over last financial year (measured in Available Seat Kilometres). We also ordered 50 Boeing 777s for US$18 billion with options for an additional 20 aircraft valued at US$8 billion. At the time, it was the largest order in Boeing's history. Emirates is the largest operator of Boeing 777s – with a fleet of 102, 16 of which were delivered this year including Boeing's milestone 1000th 777. Our fleet of 21 Airbus A380s is also the largest in the world, six of them delivered within this fiscal year.

Understanding what comes next
The effects of the challenges faced in 2011-12 will be felt well into the current financial year. Emirates' and dnata's focus remains on meeting these challenges whilst maintaining our high product and service standards. Our customers expect it, and quite frankly, we demand it.

The International Air Transport Association (IATA) predicts fuel prices will remain above US$100/barrel throughout 2012 – kept there by the on-going political instability and increased demand from China and other countries. Compounding that, the EU Emissions Trading Scheme, a cap and trade system to reduce greenhouse gasses, was applied to airlines for the first time in January 2012. Many in our industry are wondering if all of this is the "new normal". If it is, our business model and clear-sighted management style will enable us to operate successively within it.

We'll continue to face internal pressures, as well. Some of the same factors that set Emirates apart also test our efficiency – like handling the continuous delivery of new aircraft and dealing with the increased seat capacity they bring. The challenges are not Emirates' alone. Every day, dnata's ground handling service now helps facilitate the movement of approximately 9,300 passengers through Dubai International Airport in a remarkable 1.5 hour timespan. As the numbers of passengers increase, so will the logistics of handling them.

From our perspective, these are not insurmountable challenges. It is all part of being a global business leader in the 21st century. It is business as usual for Emirates and dnata. We are confident about our people, business model, infrastructure and brands. We don't retreat when the economy slows. We build. We are positive about our future. From my perspective, there's only one place we can go in 2012-13: up.

My sincere thanks to everyone on our global team for your hard work and winning performance.

Ahmed bin Saeed Al Maktoum

THE LEADERSHIP TEAM

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 275 YEARS OF EXPERIENCE BETWEEN THEM BUILDING THE EMIRATES AIRLINE AND GROUP.

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

Sir Maurice Flanagan KBE
Executive Vice Chairman
Emirates Airline & Group

Tim Clark
President
Emirates Airline

Gary Chapman
President
Group Services & dnata

Ali Mubarak Al Soori
Executive Vice President
Chairman's Office, Facilities & Project Management & Non Aircraft P&L

Thierry Antinori
Executive Vice President
Passenger Sales Worldwide, Emirates Airline

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

UNDERSTANDING A WORLD IN FLUX

THE WORLD IS ON THE MOVE. NEW REGIONS OF COMMERCE ARE EMERGING - CREATING NEW CITIES AND EXPANDING ESTABLISHED ONES. RURAL-URBAN MIGRATION CONTINUES TO INCREASE. EXPATRIATE POPULATIONS ARE GROWING AND THEIR NEEDS ARE CHANGING. PATTERNS OF TRADE ARE RESHIFTING. PERSONAL ASPIRATIONS ARE GROWING. AT EMIRATES AND DNATA, WE UNDERSTAND THE BUSINESS IMPLICATIONS OF IT ALL.

New dynamics, new connections
As new markets emerge, new opportunities appear. Our global route map has grown by nearly 40 per cent in the last five years alone. Connected through the Emirates network of more than 120 destinations worldwide, new gateways are immediately viable – increasing traffic, trade, and commerce. Africa is a good example. With our newly launched flights to Lusaka and Harare, Emirates' cargo capacity into and out of the continent is expected to reach over 6,000 tonnes a week.

Responding to demand
London, Paris, New York, Hong Kong – Emirates flies to these and other traditional centres of commerce and tourism. Then again, we fly just as frequently to emerging markets like Guangzhou, Mumbai, Beijing, Moscow and São Paulo. And we connect with other cities that have strong potential for growth.

Emirates launched 11 new destinations in 2011-12 – the most ever in a financial year. Emirates flights now go to Geneva, Copenhagen, St. Petersburg, Baghdad, Rio de Janeiro, Buenos Aires, Dublin, Lusaka and Harare, Dallas-Fort Worth and Seattle.

Responding to growing demand in our existing markets, we increased the seat capacity or frequency to 34 of our destinations. To London, for instance, we will increase our A380 service to four times daily, up from three. From July 2012, four out of five of our daily flights into Heathrow will be served by this popular aircraft, increasing seat capacity to the destination by 10.7 per cent.

The right infrastructure for growth
Dubai, where Emirates and dnata are based, is considered the crossroads of Asia, the Middle East and Europe. It's situated eight hours or less from 75 per cent of the world's population. And it handles between four to five million passengers monthly, thanks, in part, to dnata's professional ground handling services.

Establishing the ultramodern Dubai International Airport as our aviation hub has proved advantageous. It not only facilitates existing travel flows, but also stimulates new demand across the Emirates network – especially from North and South America.

UNDERSTANDING HOW ECONOMIES WORK

EMERGING ECONOMIES IN BRAZIL, INDIA, CHINA, AFRICA AND SOUTH EAST ASIA ARE DRIVING THE NEED FOR NEW, EFFICIENT WAYS TO CONNECT MORE GLOBALLY WITH THE WORLD. BY OPENING NEW PASSENGER AND CARGO DESTINATIONS, EMIRATES IS HELPING TO MEET THIS NEED, AS EACH NEW GATEWAY CREATES NEW TRADE OPPORTUNITIES AND ROUTES.

A new Silk Road

The Silk Road was the main trade route that connected Asia to Europe and Africa in the late Middle Ages. Today, a new 'Silk Road' has sprung up, connecting China, Hong Kong, India, Singapore and Africa to Dubai and trading partners around the world. Instead of desert caravans, however, the new Silk Road relies on Emirates, Emirates SkyCargo and dnata's cargo handling.

A catalyst for global trade

Launching a new Emirates destination does more than transport passengers from one point to another. It also opens trade opportunities that didn't exist before. For example, in 2011-12, we launched direct flights from Dubai to Rio de Janeiro and Buenos Aires. Combined with our existing service to São Paulo, Emirates and Emirates SkyCargo are now able to link these three points in South America with trading partners around the world. What's more, Brazil is a manufacturing centre for many Japanese automakers. So in addition to serving their supply chains, we also serve their executives and engineers with daily flights to Tokyo and Osaka via Dubai.

Connecting Africa to the world

Emirates helps facilitate the growing trade between the African continent and the rest of the world – connecting businesses in 22 African nations to our network of more than 120 destinations, whilst also providing increased opportunities for key trading partners, such as China and India. Our global connections also play a role in making pharmaceuticals and other consumer goods more accessible to emerging markets.

An important link in the supply chain

Emirates SkyCargo and dnata's cargo teams play essential roles in their customers' supply chains. SkyCargo is the go-to air freight company for big loads, like the 36 tonne rudder part Emirates SkyCargo transported from Seoul to Dubai, the heaviest single item it has ever carried. SkyCargo helps maximise customers' efficiency with SkyChain, an award-winning cargo management solution from Emirates Group IT service company, Mercator. This end-to-end system gives customers a range of real-time logistics technology solutions, as well as finance and revenue information, from booking to final delivery. SkyCargo also invests heavily in the constant improvement of Cool Chain technology, this year adding new unit load devices that provide precise temperature control when shipping pharmaceuticals and other perishable goods.

UNIVERSAL VALUES

UNDERSTANDING IS A CONNECTION POINT TO PEOPLE, A BRIDGE TO COMMON GROUND

UNDERSTANDING MEANINGFUL THINGS

OURS IS A CUSTOMER-CENTRIC VIEW. WHETHER THE CUSTOMER IS A BUSINESS PASSENGER, TRAVEL AGENT, CARGO MANAGER, OR HOLIDAY TRAVELLER, OUR FOCUS IS ON THE CONTINUOUS IMPROVEMENT OF THE CUSTOMER EXPERIENCE ACROSS THE MORE THAN FIFTY BRANDS THAT MAKE UP THE EMIRATES GROUP.

Beyond customer service

Most companies strive for exceptional customer service. The companies of the Emirates Group focus beyond customer service, actively seeking a more meaningful exchange because we understand the importance of customer engagement. We follow a simple strategy: exceed customer expectations. We understand the customer's opinion is the only one that matters. So it's never what we think, it's how we make customers feel about their Emirates or dnata experience. It's an empathetic point of view shared on all levels. For instance, dnata baggage handlers are trained to understand that luggage is more than just luggage. It also represents a critical component in a family's enjoyable holiday or an executive's successful business trip.

Continuous refinement

Emirates' and dnata's business models are 'works in progress', continuously changing and adapting as we identify ways to improve our products and services. In 2011-12, Emirates refreshed its First Class and Business Class services. This included retraining 5,000 cabin crew professionals on a more flexible inflight presentation style, switching from a trolley service to a more personal hand delivery and upgrading 18 tonnes of white china. To enhance the customer experience even more, we continually work with Airbus and Boeing aircraft designers to improve, refine and optimise the aircraft of the future.

Adding inflight connectivity

Looking at things from the customers' point of view makes us more sensitive to their changing expectations. Passengers today want more than entertainment; they also want to be connected 24/7. So in 2011, Emirates rolled out Wi-Fi connectivity as a new feature on the 21 aircraft in our A380 fleet. Passengers can now connect their Wi-Fi enabled devices to our inflight network for browsing, email, and social networking. Of course, they can also enjoy our *ice* inflight entertainment system, with up to 1,300 channels of entertainment from movies to TV shows, as well as music, podcasts and games. Small wonder then, it was again voted 'World's Best Airline Inflight Entertainment' at the 2011 *Skytrax World Airline Awards*. That makes seven years in a row. Plus, we were voted 'World's Best Overall Passenger Experience' in the *Passenger Choice Awards*.

Delivering a continuum of good service

Emirates and dnata understand how to build customer relationships. To strengthen the bond with their business customers, dnata announced it will invest more than US$70 million (AED 257 million) internationally in projects that help provide services that exceed customers' expectations. The investment will support dnata operations in many of its businesses internationally. Included are new, more efficient ground-support equipment and a decision support system that provides a real-time view of the workload on hand, helping dnata achieve optimal operational efficiency for its customers.

UNDERSTANDING RISK AND REWARD

WE OPERATE IN FLUCTUATING TIMES: AN UNSTEADY GLOBAL ECONOMIC RECOVERY, STUBBORNLY HIGH FUEL PRICES, GEOPOLITICAL INSTABILITY. AT THE EMIRATES GROUP, WE UNDERSTAND THE CHALLENGES AS WELL AS THE OPPORTUNITIES THESE FACTORS CAN CREATE. BUT WE DON'T LET THEM INTERFERE WITH DELIVERING QUALITY PRODUCTS AND SERVICES TO OUR CUSTOMERS.

Continuing to grow

Business cycles tell us that for every trough there's a rebounding peak. Put in simpler terms, challenging times do not last forever. So rather than compromise the customer experience in a downturn, we focus, instead, on following our business model and adding more value to the customer experience.

In 2011-12, Emirates and dnata continued to execute growth strategies – taking delivery of 22 new aircraft, investing in new ground handling equipment, acquiring a stake in companies like Travel Republic and Wings Inflight Services, launching joint ventures with companies such as Travel Counsellors, hiring and training more pilots and cabin crew, opening new passenger lounges in San Francisco, Istanbul and Colombo and even upgrading our Chauffeur Drive service for First Class passengers in our hometown.

A future guided by experience

The 11 new destinations added in 2011-12 didn't happen by accident. They're the result of rigorous planning processes that follow stringent economic criteria and months of detailed market analyses. Potential new destinations to our network must show market viability and passenger benefit.

Our past experience in launching other passenger and cargo destinations helps us refine our future forecasts, enabling us to evaluate future market opportunities in a timely, accurate manner. Our well-structured implementation plan allows us to launch a new route in a short period of time. Often, we can go from decision-making for a new destination to the inaugural flight in as little as nine months.

Building a solid base

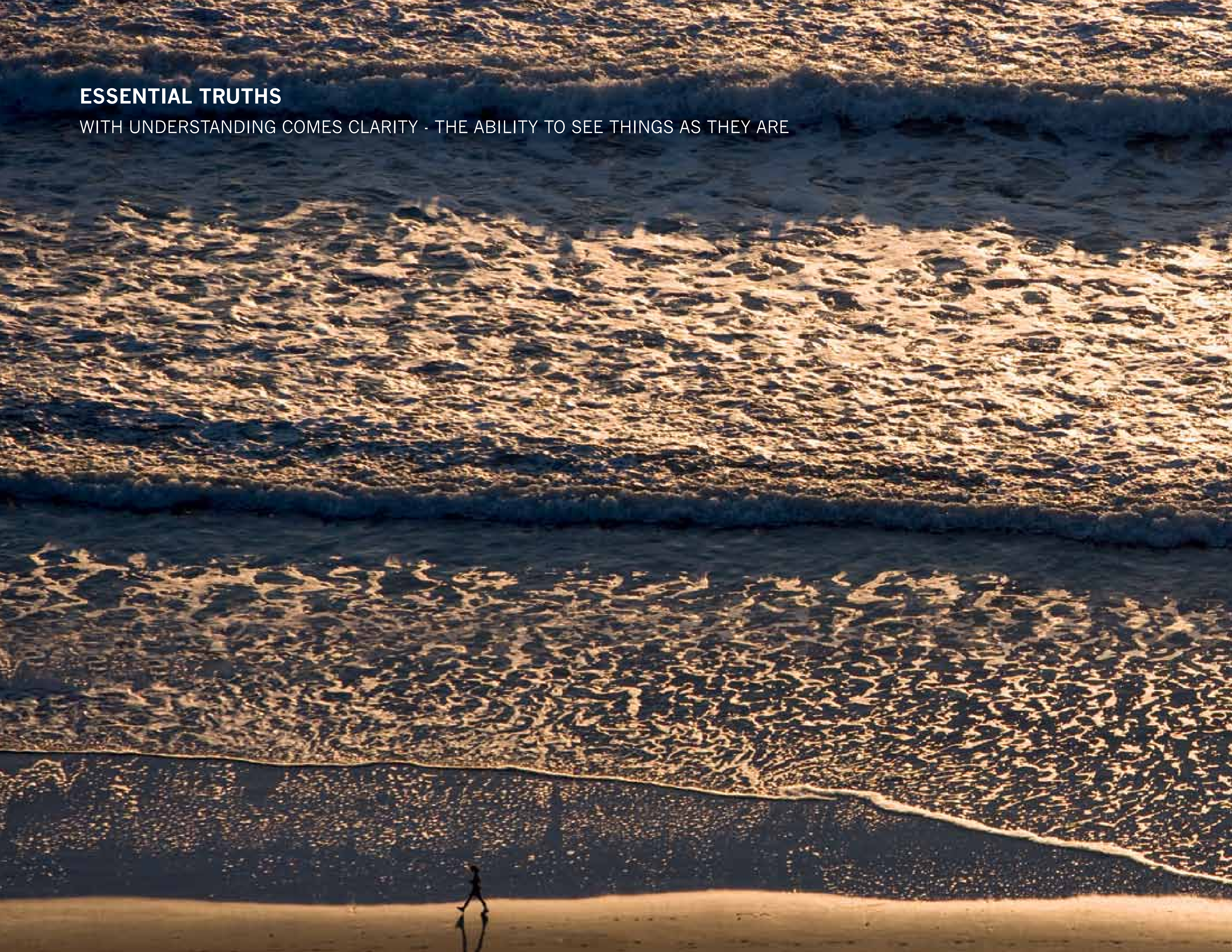
To help stimulate forward-bookings for the year ahead, Emirates launched a special promotion in the first two weeks of January 2012, discounting long-term airfares to over 100 cities. The results helped build brand loyalty, drawing many first-time Emirates passengers. Overall traffic to our website almost doubled during the promotional period, and remained higher afterwards.

Real-time decision making

Our understanding is gained from solid experience. At Emirates and dnata, it guides our swift decision-making process, helping us manage business on the move. It's a major reason why Emirates is now the fastest growing airline in the world.

In December 2011, Emirates became the first airline in the world to take delivery of five wide-body aircraft in a brief four-week span. To maximise revenue, each aircraft had to be airborne in commercial service within nine hours of delivery, complete with new cabin and flight crews.

Our quick response time also helps generate incremental business. For example, we add frequency and new equipment on an ad hoc basis for sporting events, pilgrimages, and other major holidays, such as the Chinese New Year. When passenger demand increased just three weeks after launching our Dublin-Dubai route, we announced an upgrade to a higher capacity aircraft – just as we did on 12 other routes.



ESSENTIAL TRUTHS

WITH UNDERSTANDING COMES CLARITY - THE ABILITY TO SEE THINGS AS THEY ARE

UNDERSTANDING THE VALUE OF NEW IDEAS

THE EMIRATES GROUP'S AWARD-WINNING IT DEPARTMENT EXPLORES EVERY NEW TECHNOLOGY, ADAPTING AND DEVELOPING INNOVATIVE SOLUTIONS AND APPS THAT INCREASE INTERNAL EFFICIENCY OR ENHANCE THE QUALITY OF THE CUSTOMER SERVICE EMIRATES AND DNATA PROVIDE.

Customer-focused technology
We understand passengers want more control over their travel plans. In 2011-12, Emirates launched several innovative services designed to make travel easier for them. Travellers who visit the Emirates website can now book their hotel, rental car and airline tickets on one integrated booking reference. And our new Connection Search on-line planning tool allows leisure, business and corporate travellers to build itineraries combining Emirates flights with low-cost airline connections outside the Emirates network. Our mobile boarding pass gives many passengers the convenient option of receiving their boarding pass on their smartphones or other internet-enabled mobile devices – an efficiency boost for us and a time saver for them.

The mobile website was also rebuilt in-house resulting in a faster and improved customer experience, gaining a 57 per cent increase in mobile check-in for flights.

A portal for the future
Up until two years ago, managing air cargo was a repetitive, paper-intensive process. Then dnata launched Calogi, a secure internet service portal that allows the airfreight community – airlines, agents, freight forwarders and government authorities – to seamlessly interact in an effortless, paperless environment.

Calogi's digital solutions support the entire airfreight process, from scheduling to air waybill management to shipment tracking. Calogi recently welcomed National Air Cargo Group, a leading US based air cargo provider as a new user. By the end of 2011-12, Calogi had increased its total user base to more than 500 companies and 1,500 discrete users.

dnata enters online travel
According to market research firm Euromonitor International, online travel and tourism is poised to "experience solid growth" over the next five years. To capitalise on this rising internet-based trend, dnata acquired a majority stake in Travel Republic, the largest privately owned online travel agency in the UK. It's a good fit. Travel Republic's annual turnover for 2011 was more than 40 per cent higher than the previous year. Going forward, dnata plans to grow its online business by using its existing global travel network to offer a broader range of price-competitive destinations and packages.

Mercator receives global recognition
Mercator develops cutting-edge technology solutions for the aviation industry. Integrated solutions range from loyalty programmes and CRM to financial management and cargo/logistics. SkyChain, its cargo IT solution, was voted World's Best at the 2011 *Air Cargo Week World Air Cargo Awards*. In 2011-12, AviancaTaca Holding, Latin America's second largest airline holding company, implemented SkyChain across its four airlines: TACA, Aerogal, TAMPA Cargo, and Avianca's international cargo. Now, all four airfreight operations seamlessly share shipping information across a single system.

UNDERSTANDING OTHER POINTS OF VIEW

THE EMIRATES GROUP IS A MICROCOSM OF THE WORLD, ITSELF - A COSMOPOLITAN, MULTICULTURAL ENVIRONMENT THAT BRINGS TOGETHER TALENTED PEOPLE FROM AROUND THE GLOBE. IT'S A DIVERSITY THAT CONTRIBUTES TO OUR UNIQUE UNDERSTANDING OF THE WORLD.

A common vision

When it comes to recruiting at the Emirates Group, Human Resources knows no boundaries. We go where the talent is, looking for bright, motivated people who are also capable of challenging the status quo. Why the last part? Because challenging established ideas remains an integral part of our business model.

Hiring is not a simple yes/no decision. We use a sophisticated recruitment model, with assessment tools and normative values proven across more than 165 different nationalities. To support our planned growth for 2012-13, we are recruiting more than 4,500 new cabin crew and pilots. Yet, no matter how many new people we add, or how many different languages we speak (127 at last count), we continue to share a common vision for success.

New communication channels

In addition to traditional advertising channels, Emirates and dnata are also using social media sites in an ancillary role to promote our brands and attract potential new hires. In simple terms, we are creating 'buzz' about our companies, inviting everyone to join in the conversation. We want to get people talking about us in positive ways, and in the process, develop brand ambassadors for both companies.

The approach is working. In 2011, Emirates advertised 4,000 cabin crew jobs on a leading European online music site, reaching nearly 10 million users. The results: a 30 per cent increase in applicants.

A future based on understanding

Human Resources at the Emirates Group is not only focused on recruiting outstanding individuals, but also on engaging them. That process starts with gaining a better understanding of people's needs and aspirations. One thing we've learned from all of this is that people function best in a supportive environment. So, we are constantly exploring ways to save time and boost productivity. Even little things help. For instance, employees based in Dubai can now manage most of their visa requirements at the Service Centre in our headquarters building, eliminating the time and hassle of having to make an outside trip.

Attracting more UAE nationals

Employees of the Emirates Group represent 167 nationalities. Included in that total, of course, are UAE nationals. But, as a Dubai-based company, we'd like to see more. To help make that a reality, Emirates and dnata have created on-the-job training programmes specifically designed for UAE nationals to encourage new recruits.

GLOBAL PERSPECTIVES

THE MORE UNDERSTANDING, THE WIDER THE VIEW, THE CLOSER THE WORLD

UNDERSTANDING OUR RESPONSIBILITIES

AS A GLOBAL LEADER IN AVIATION AND TRAVEL, AS WELL AS A CITIZEN OF THE WORLD, THE EMIRATES GROUP UNDERSTANDS AND TAKES ITS ENVIRONMENTAL RESPONSIBILITIES SERIOUSLY. OUR MISSION IS TO MAKE SUSTAINABILITY AND ECO-EFFICIENCY THE CORNERSTONES OF ALL EMIRATES GROUP OPERATIONS.

Age and weight matter

It's an engineering fact: the newer the aircraft and the more efficient its engines, the less greenhouse gases it emits. Emirates understands this. We have always operated one of the youngest, quietest, lightest, most fuel-efficient international fleets in the world, with an average age of 6.5 years (compared to the global average of 13 years). In 2011-12, we maintained our fleet's average age by introducing 22 new aircraft into service.

Age is only one factor that improves the CO_2 efficiency of Emirates passenger flights. Weight is another. So, we're constantly adding new materials and technology that help reduce aircraft weight, which in turn, reduces fuel burn.

Finding a better way

Shorter routes reduce CO_2 emissions. In 2011-12, Emirates trialled four new waypoints across the Mid-Atlantic. They increased crossing segments to the Europe/South American (EUR/SAM) corridor and introduced more entry and exit points to and from the Atlantic Ocean Random Routing Area (AORRA) airspace – all of which saves time and fuel burn.

Emirates also flew a demonstration flight carrying the UAE Delegation to the 2011 United Nations Framework Convention on Climate Change in Durban, South Africa. Through close coordination with air navigation providers in seven countries between the UAE and South Africa, Emirates used pioneering air and ground procedures to reduce flight emissions. Compared to the same aircraft following a conventional flight plan, this demonstration flight reduced CO_2 emissions by five tonnes.

Responsible asset management

Part of responsible asset management is a suitable disposal strategy for when it's replaced. So when we replaced the china used in our premium cabins, we knew what to do with the old crockery. Instead of sending it to a landfill, we placed 18 tonnes of it on the Gulf floor in the waters off Dubai. The reason: to encourage new populations of Gulf pearl oysters to grow. The china covered 100 square metres and provides a better substrate for young oysters to attach themselves to, rather than the sandy Gulf bottom.

Going paperless

It stands to reason; the best way to reduce paper waste is to not use any. Emirates and dnata continue to find efficient electronic solutions for paper-intensive processes. Emirates SkyCargo announced that electronic air waybills (e-AWBs) are now being used for 100 per cent of shipments from its Dubai hub. dnata has reduced paper consumption by two-thirds, simply by distributing weekly reports electronically. Calogi, our online air-cargo portal, offers subscribers complete e-freight solutions. Emirates Finance switched to nearly 100 per cent electronic banking, eliminating wasteful paper flow from more than 80 outstations, worldwide. It all adds up.

UNDERSTANDING TOMORROW

THE EMIRATES GROUP UNDERSTANDS THE PROMISE AND CHALLENGE THAT TOMORROW BRINGS. WE ARE NOW POSITIONING OUR COMPANIES AND BRANDS TO MEET THOSE CHALLENGES HEAD-ON, WHILE TAKING FULL ADVANTAGE OF OUR OPPORTUNITIES.

Experience the brand

The Emirates brand encompasses more than flying from one destination to another. Today, it is defined by the entire customer experience. As always, we're making certain the experience is an exceptional one. To the world, the Emirates brand increasingly reflects a lifestyle to aspire to, a sophisticated yet forward-thinking lifestyle – one that lives in tomorrow. Emirates Corporate Communications has been working on realigning the Emirates brand as the company continues its evolution from a travel brand to a global lifestyle brand. By the time you read this, our new brand platform 'Hello Tomorrow' will have been launched – the first step in our mission to become one of the world's top lifestyle brands.

One dnata

After a period of unprecedented growth, including the acquisition of Alpha Flight Group Limited last financial year, dnata has emerged as one of the world's largest combined air services providers. On top of that, dnata had its strongest financial year ever in 2011-12. Clearly, it was time for the dnata brand to catch up.

In April 2011, dnata launched a successful global brand refresh and realignment. In order to realise its new company vision to become the world's most admired air services provider, a new corporate mission and set of values were unveiled at the same time as a new visual identity. The reinvigorated dnata identity has been rolled out to most dnata companies and remote offices, where it's been met with tremendous approval.

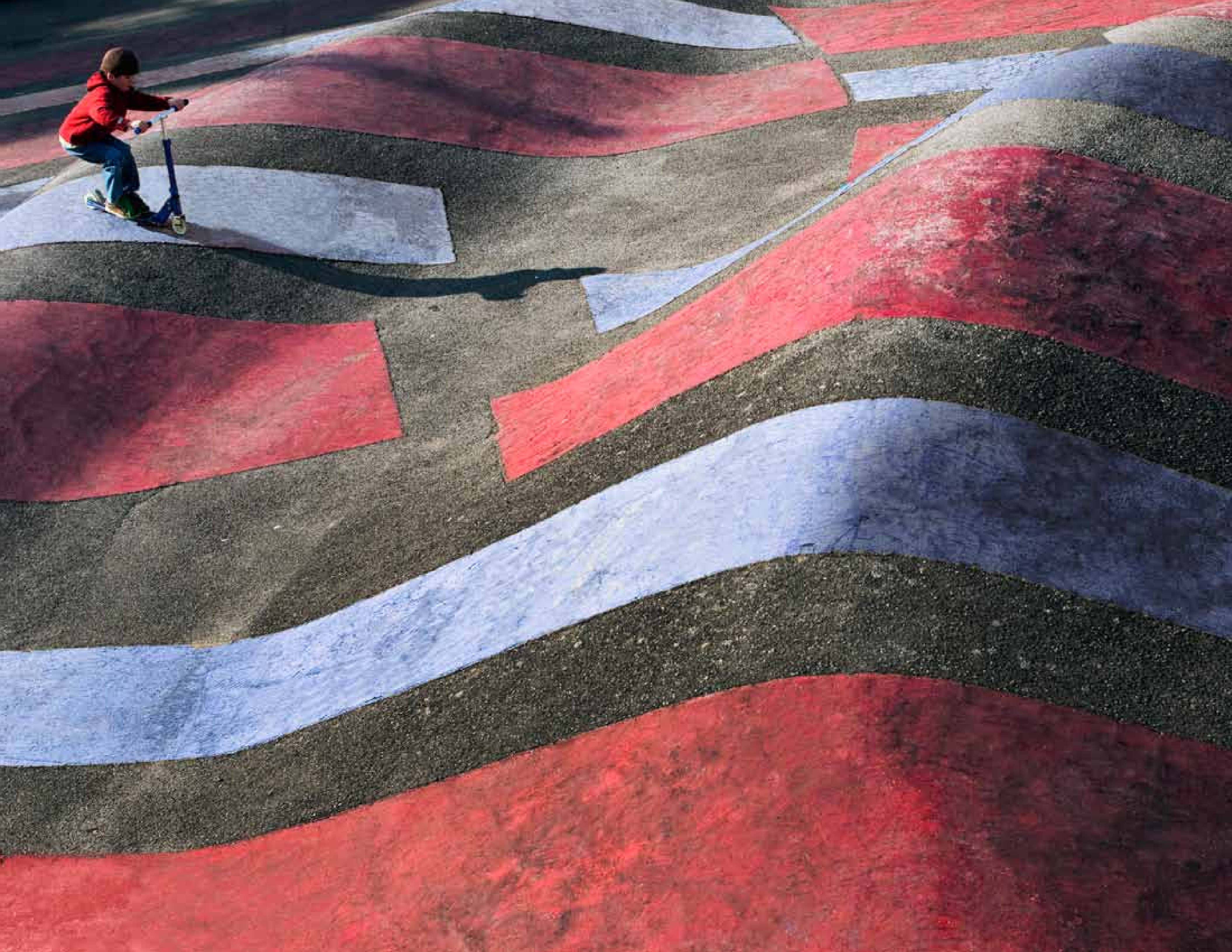
dnata's internal message – 'One dnata' – is designed to unify and create a sense of belonging amongst more than 20,000 employees in 39 countries. dnata's external brand message – "to deliver the promises our customers make to their customers" – resonates well with stakeholders.

Meeting tomorrow's challenges

As in 2011-12, there will be plenty of challenges to understand in the next financial year. Uncertainty surrounds them all. How long will the cost of fuel remain high? When will the global economic crisis begin to fade? Where will the tumultuous aftermath of the Arab Spring take us? What new natural disasters will strike? And perhaps the most important question of all: is this the new normal?

Whilst we don't know all the answers, we know how to plan for their potential outcomes. Our understanding of the world is a 20/20 view. We have the people, vision, systems and most importantly, the experience to use that understanding to our advantage. We are ready to face whatever tomorrow brings.

We understand tomorrow.



1ST QUARTER

APRIL TO JUNE 2011

Four quarters make a whole world of difference. Some of the highlights from the Emirates Group in the past year.

- Group
- Emirates
- dnata

Emirates SkyCargo marked a milestone with its inaugural 100 per cent paperless freighter flight between Nairobi, Kenya and Amsterdam, the Netherlands.

Shanghai welcomed its first scheduled Airbus A380 service, making the city the third Emirates A380 destination in China.

dnata unveiled a new company philosophy and visual branding after undergoing a global brand realignment following unprecedented growth worldwide.

The Emirates Group announced its 23rd consecutive year of profit for the financial year 2010-11 with a record performance of US$1.6 billion (AED 5.9 billion) net profit (despite a challenging business climate).

Skywards was voted the Middle East's Leading Airline Rewards Programme at the 2011 *World Travel Awards*.

Emirates announced the successful close of its US$ 'Reg S' bond issue at US$1 billion (AED 3.67 billion).

Emirates linked two renowned international hubs with the inaugural flight of its Dubai-Geneva service.

Emirates launched mobile boarding passes for customers, creating an efficient, stress-free, paperless travel experience.

Emirates temporarily suspended services to Cote D'Ivoire when political unrest closed all land, air and sea borders.

Calogi added an on-line Charges Correction Advice (CCA) solution to its paper-free range of products and services.

2ND QUARTER

JULY TO SEPTEMBER 2011

- Emirates' *ice* inflight entertainment system was awarded 'World's Best Airline Inflight Entertainment' for the seventh year in a row at the 2011 *Skytrax World Airline Awards*. The awards are based on voting by over 18.8 million passengers from 100 different nationalities.

- Emirates-CAE Flight Training (ECFT), the joint venture between Emirates Group and CAE, announced the opening of a second training facility in Dubai. The new facility will provide additional training capacity for airline pilots and aviation maintenance technicians.

- Civil unrest in the city of Sanaa, resulted in the temporary suspension of Emirates operations into and out of Yemen.

- Emirates signed an interline agreement with leading Nigerian carrier Arik Air, making it easy for customers to access a wide range of points across Nigeria and West Africa.

- Emirates announced a deal to become the Partner and Official Airline of the world's most successful football club, Real Madrid.

- Emirates announced an agreement to become the new naming rights sponsor for The Australian Open for the next three years.

- Emirates launched its non-stop daily service to Copenhagen, its first passenger service to Scandinavia.

- The Emirates Group released its first comprehensive environmental report, a study that revealed the airline's carbon dioxide emissions efficiency was 26 percent better than the global airline average.

- Emirates signed a sponsorship agreement becoming the Official Partner and Official Airline of the Zain Saudi Professional League.

- Emirates SkyCargo launched the inaugural service of its Far East and Australasia freighter route. Operated by a Boeing 777 freighter, the new weekly service flies Dubai-Singapore-Sydney-Hong Kong-Dubai.

- Wolgan Valley Resort & Spa was ranked second in the Overseas Leisure Hotel category in the Australasia and South Pacific region at the prestigious 2011 *Condé Nast UK Traveller Readers' Travel Awards*.

- Emirates.com hit a record high in flown revenue sales for July 2011. Of the total overall revenue for the airline, 13.4 per cent (US$155 million or AED 569 million) was produced through the online sales channel on the back of increased yield.

3RD QUARTER

OCTOBER TO DECEMBER 2011

- Emirates airline announced a net profit of US$225 million (AED 827 million), for the first six months of its current financial year ending 30th September 2011.

- Johannesburg welcomed its first Emirates A380 service marking the first destination for the double-decker in Africa.

- Emirates announced a GBP 36 million agreement between the airline, the Mayor's office and Transport for London for the 'Emirates Air Line' a new cable car system being built across the River Thames in London. The deal represents the company's biggest UK sponsorship deal since signing with Arsenal.

- dnata added four new de-icing vehicles to its fleet of ground support equipment at Geneva airport. The US$4.2 million (AED 15.4 million) investment will enable dnata to provide a more efficient service for its airline customers as the winter season approaches.

- dnata announced that it has been selected by Oman Air to provide ground handling services at Zurich Airport.

- Emirates was welcomed in Russia's 'Northern Capital' after the airline's inaugural flight to St Petersburg arrived from Dubai.

- Emirates SkyCargo, set a new record for the heaviest recorded single item ever carried by a Boeing 777 Freighter. Weighing in at 21.2 tonnes the item - a specialised valve used to seal, control and monitor oil and gas wells – was just short of the aircraft's 21.6 tonne limit.

- Emirates placed the single largest aircraft order in dollar value in Boeing's history for an additional 50 777-300 ER aircraft, worth approximately US$18 billion (AED 66 billion) in list price. The order also included 20 777-300 ER options valued at US$8 billion (AED 29 billion).

- Emirates touched down in Baghdad, marking its first flight to the capital city of Iraq.

- dnata announced a combined global investment spend of over US$70 million (AED 256 million) for new equipment and facilities following a period of unprecedented growth worldwide.

- dnata was named Ground Handling Provider of the Year in the Middle East at the *Aviation Business Awards* for the fourth year in a row.

- Emirates announced plans to establish Emirates Flight Training Academy, a dedicated flight training centre that will be located at Dubai World Central Airport.

- Emirates SkyCargo launched a new service on the burgeoning UAE-Africa trade route: a new weekly service between Dubai and Ghana.

- dnata announced its first foray into the Indian market with the official launch of its travel services operation in India.

- Emirates extended its A380 route network into Germany and Italy with the launch of services to Munich and Rome.

- dnata announced a partnership with Cox & Kings Global Services (CKGS), a 100 per cent subsidiary of Cox & Kings Ltd to provide visa processing and Marhaba Meet and Greet Services for travellers visiting Dubai and Sharjah.

- Emirates announced the renewal of its sponsorship of Greek Football Club Olympiacos FC for another two seasons.

- Emirates launched Wi-Fi internet connectivity for a growing number of Emirates A380s with leading industry service provider, OnAir.

- dnata acquired a 50 per cent interest in Wings Inflight Services, an inflight catering services provider with operations in Johannesburg and Cape Town.

4TH QUARTER

JANUARY TO MARCH 2012

- Emirates became the first airline to operate a scheduled Airbus A380 service to Kuala Lumpur.

- Emirates extended its South American network with the launch of inagural flights to Buenos Aires and Rio de Janeiro.

- dnata acquired a majority stake in Travel Republic the largest privately owned online travel agency in the UK. The deal represents one of dnata's biggest business transactions in the company's 52 year history.

- Marhaba, the premium Meet and Greet service for passengers at Dubai International Airport celebrated its 20th anniversary.

- Emirates landed in the Emerald Isle with the launch of its inaugural service to Dublin.

- Dubai Desert Conservation Reserve (DDCR), the first and largest protected wildlife conservation area in the UAE, announced the start of a new long-term research expedition programme in partnership with Biosphere Expeditions.

- Emirates extended its reach into Africa with the launch of a new linked service to Lusaka and Harare.

- Emirates announced a renewed sponsorship agreement with Hamburg SV until June 2015, highlighting its on-going commitment to Germany and to sports around the world.

- Emirates launched its new Dallas-Fort Worth service, the fifth gateway for Emirates in the United States of America.

- Emirates officially inaugurated its dedicated customer contact centre in the Outsource Zone Dubai.

- Mercator developed a fully integrated Cargo Revenue Management Solution in partnership with US based Revenue Technology Services (RTS).

- Emirates opened its first airport lounge on the US West Coast, at San Francisco International Airport (SFO). The new lounge represents a US$4 million (AED 14.7 miilion) investment in the area.

- In partnership with the United States Tennis Association, Emirates announced a global integrated sponsorship of the US Open and US Open Series. As part of the agreement, Emirates will become the Official Airline of the US Open and the title sponsor of the Emirates Airline US Open Series.

- Calogi added another paper-free feature to their range of supply chain products, with a new solution to simplify the courier business.

- Latin America's second largest airline holding company, AviancaTaca Holding, became the latest customer to go live with Mercator's SkyChain cargo solution.

- Emirates launched the first direct air bridge between the Middle East and America's Pacific Northwest as its inaugural service from Dubai arrived at Seattle-Tacoma International Airport. This marks Emirates' eleventh new destination for the 2011-12 financial year.

- Emirates celebrated the unveiling of the 1,000th Boeing 777 during a special event at the manufacturer's plant in Everett, Washington State. The landmark aircraft is the 102nd to join the airline's Boeing 777 fleet.

- Emirates SkyCargo won the Platinum Award (Air Cargo Carrier – 800,000 or more tonnes) at the prestigious *Air Cargo Excellence Awards* 2012.

- Emirates Group received the award for Excellence in Financial Reporting at *The ICAEW Middle East Accountancy & Finance Excellence Awards*.

- dnata unveiled a new, high quality uniform which has been created for more than 20,000 staff worldwide.

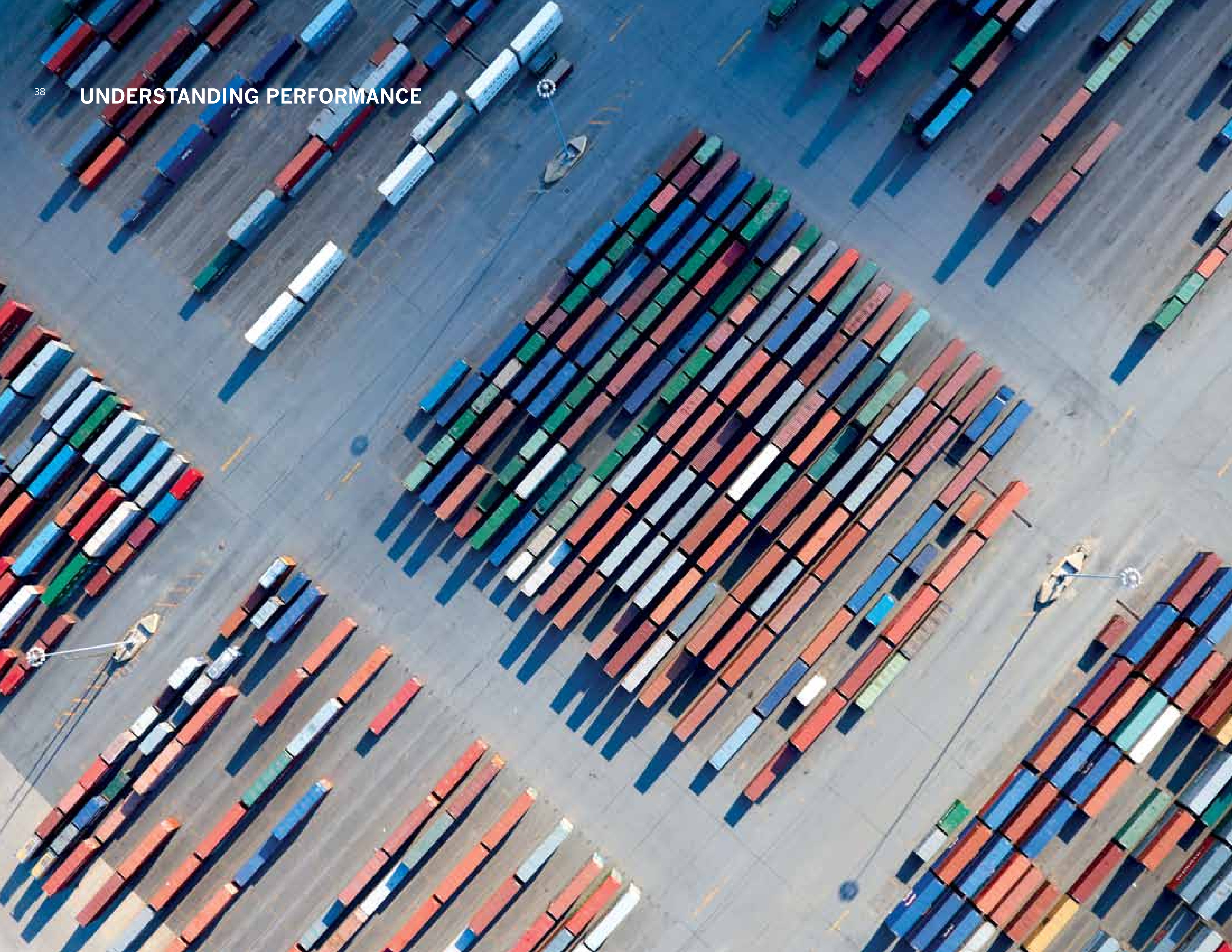
THE EMIRATES GROUP

OUR WORLD TODAY

Seattle
San Francisco
Los Angeles
Dallas
Houston
Toronto
Washington
New York
Sanford
Buenos Aires
Campinas
São Paulo
Rio de Janeiro

- Emirates destination
- Emirates presence
- dnata presence

Tokyo
Osaka
Seoul
Shanghai
Beijing
Taipei
Manila
Hong Kong
Guangzhou
Ho Chi Minh City
Bangkok
Singapore
Phuket
Kuala Lumpur
Jakarta
Almaty
Dhaka
Kolkatta
Kathmandu
St.Petersburg
Moscow
Islamabad
Bagram
Lahore
Delhi
Kabul
Peshawar
Gothenburg
Copenhagen
Amsterdam
Hamburg
Düsseldorf
Liege
Prague
Frankfurt
Vienna
Bucharest
Paris
Munich
Geneva
Zurich
Sofia
Istanbul
Nice
Hyderabad
Chennai
Ahmedabad
Bengaluru
Colombo
Karachi
Mumbai
Kozhikode
Thiruvananthapuram
Kochi
Malé
Larnaca
Beirut
Dubai
Zaragoza
Barcelona
Athens
Damascus
Madrid
Lisbon
Tunis
Malta
Cairo
Amman
Tripoli
Casablanca
Khartoum
Addis Ababa
Seychelles
Mauritius
Eldoret
Entebbe
Nairobi
Zanzibar
Dar es Salaam
Dakar
Lagos
Accra
Abidjan
Lilongwe
Luanda
Lusaka
Harare
Johannesburg
Durban
Cape Town
Suva
Auckland
Christchurch
Brisbane
Coolangatta
Townsville
Sydney
Wolgan Valley
Canberra
Launceston
Melbourne
Hobart
Darwin
Adelaide
Perth
Tehran
Erbil
Baghdad
Basra
Kuwait
Ras Al Khaimah
Jubail
Ajman
Fujairah
Dammam
Bahrain
Sharjah
Al Khobar
Doha
Dubai
Muscat
Abu Dhabi
Riyadh
Al Medinah
Yanbu
Jeddah
Salalah
Sanaa



THE EMIRATES GROUP

CONTENTS

FINANCIAL INFORMATION

EMIRATES FINANCIAL COMMENTARY 44

DNATA FINANCIAL COMMENTARY 52

EMIRATES INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 57

DNATA INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 99

ADDITIONAL INFORMATION

EMIRATES TEN-YEAR OVERVIEW 132

DNATA TEN-YEAR OVERVIEW 134

GROUP COMPANIES OF EMIRATES 136

GROUP COMPANIES OF DNATA 137

GLOSSARY 138

EMIRATES

FINANCIAL COMMENTARY

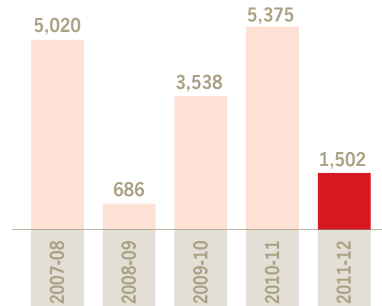
Emirates continued unabated with its growth plans during the year by adding 22 aircraft to its fleet and expanding its route network by eleven new destinations despite the challenging environment in the airline industry.

PROFITABILITY

In its 24th consecutive year of profitable operations, Emirates profit attributable to the Owner stood at AED 1,502 million, 72.1% lower than last year's record profit of AED 5,375 million. Despite a healthy growth in revenues, Emirates result was adversely impacted by an increased jet fuel bill due to significantly higher rates.

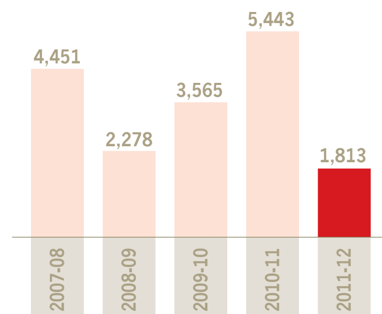
Emirates profit margin at 2.4% (2010-11: 9.9%) represented a positive result in a challenging year marked by the significant increase in jet fuel cost, political unrest in the Middle East and African regions and volatile exchange rates due to the global economic situation.

Profit attributable to the Owner in AED m



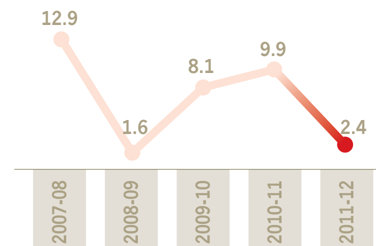
Emirates operating profit, lower at AED 1,813 million (2010-11: AED 5,443 million), was the result of operating costs growing faster than the increase in revenues. This resulted in an operating margin of 2.9% (2010-11: 10%).

Operating profit in AED m

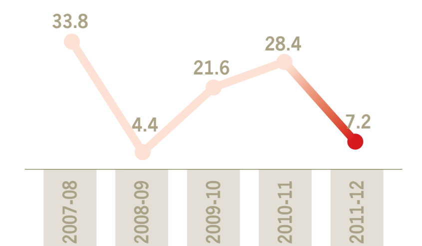


Consequently, the return on shareholder's funds was impacted in these difficult economic conditions and stood at 7.2% (2010-11: 28.4%).

Profit margin in %



Return on shareholder's funds in %



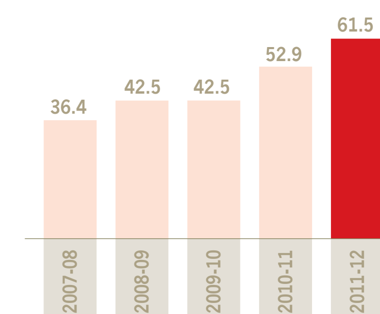
REVENUE

	2011-12 AED m	2010-11 AED m	% change
Passenger	48,950	41,415	18.2
Cargo	9,546	8,803	8.4
Excess baggage	332	293	13.3
Transport revenue	**58,828**	**50,511**	**16.5**
Sale of goods	2,017	1,774	13.7
Destination and leisure	245	226	8.4
Other	418	434	(3.7)
Total	**61,508**	**52,945**	**16.2**

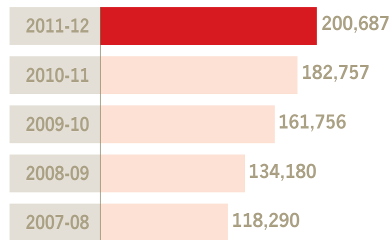
Revenue crossed the AED 60 billion mark for the first time growing 16.2% to AED 61,508 million (2010-11: AED 52,945 million). Transport revenue rose faster than the growth in capacity buoyed by a robust increase in passenger revenue and stood at AED 58,828 million, an improvement of 16.5% over the last financial year (2010-11: AED 50,511 million). Passenger (including excess baggage) and cargo revenue continued to account for 95.6% (2010-11: 95.4%) of total revenue.

Passenger revenue surged 18.2% or AED 7,535 million over the previous year to AED 48,950 million, the result of a 9.8% growth in RPKM and a 7.7% higher yield per RPKM. Passenger seat factor at 80% matching exactly last year's figure was an achievement in itself given a 9.8% increase in ASKMs. Premium class seat factor continued its upward trend for a second

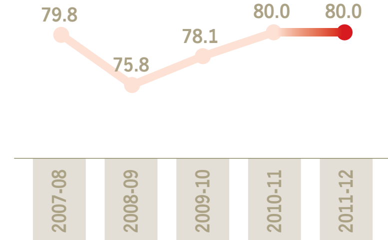
Development of revenue in AED bn



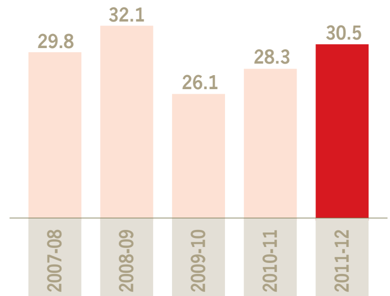
Available seat kilometres (ASKM) in millions



Passenger seat factor in %



Passenger yield in fils per RPKM



year and was 1.9% points higher than the previous year, while economy class seat factors remained stable at 83.3% (2010-11: 83.7%). The impressive passenger seat factor over an expanded capacity has resulted in the number of passengers carried reaching the 34 million mark for the first time, an increase of 8.1% or 2.6 million passengers over last year.

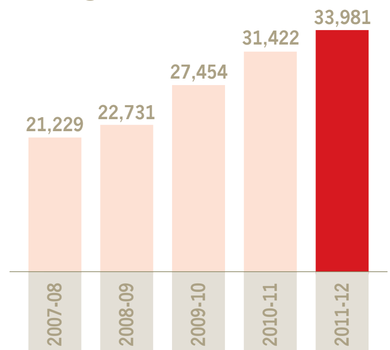
Cargo revenue was up 8.4% to AED 9,546 million (2010-11: AED 8,803 million). Cargo tonnage increased 1.7% over the previous year to 1,796 thousand tonnes in a difficult market environment which saw cargo markets contracting 0.7% globally in 2011. The increase in cargo revenue was primarily on account of a 5.4% increase in yield per FTKM. Cargo revenue continues to constitute an important 16.2% (2010-11: 17.4%) of Emirates transport revenue keeping pace with the expanded revenue base.

Geographical revenue in AED m

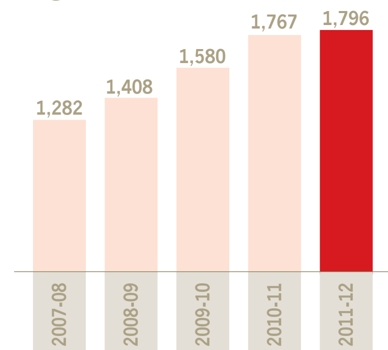
Year	East Asia and Australasia	Europe	West Asia and Indian Ocean	Americas	Middle East	Africa	Total
2011-12	18,227	17,058	7,083	6,696	6,314	6,130	61,508
2010-11	15,503	14,433	6,405	5,518	5,488	5,598	52,945
% change	17.6%	18.2%	10.6%	21.3%	15.1%	9.5%	16.2%

Emirates continued to benefit from a diverse revenue base, with no region contributing more than 30% of revenues. Growth in revenue has been witnessed across all geographical regions lead by East Asia and Australasia (up AED 2,724 million or 17.6%), Europe (up AED 2,625 million or 18.2%) and the Americas (up AED 1,178 million or 21.3%). The Americas has jumped two places in rank to number four in geographical revenues as a consequence of adding new destinations and frequencies on these routes. The change in revenue by geographical area are generally in line with the overall revenue growth, reflecting the introduction of eleven new destinations as well as the increased frequencies and capacity to existing destinations.

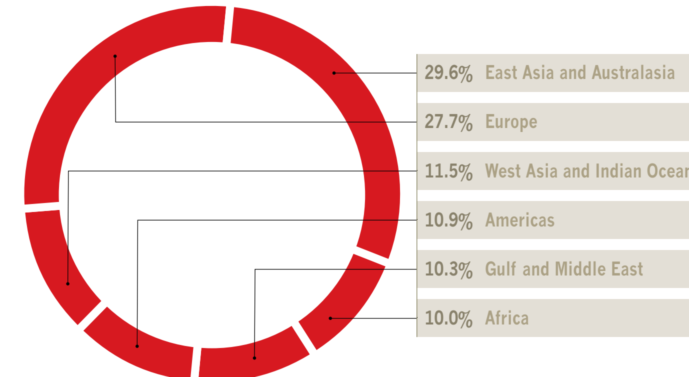
Passengers carried in '000



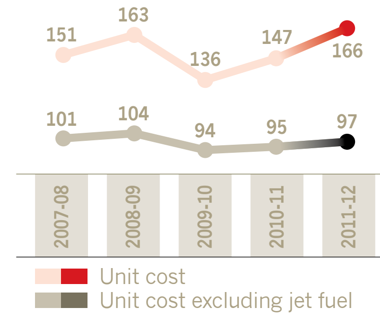
Cargo carried in tonnes '000



Geographical revenue in %



Unit costs in fils per ATKM



Unit cost
Unit cost excluding jet fuel

Employee cost as % of total operating costs

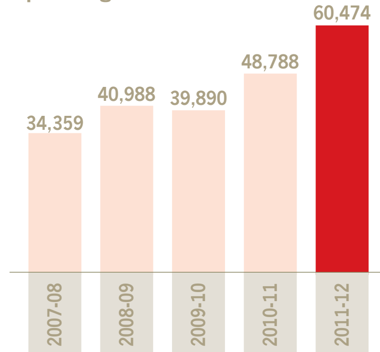
	Employee cost	Operating costs
2011-12	13.1	86.9
2010-11	15.6	84.4
2009-10	15.9	84.1
2008-09	14.3	85.7
2007-08	15.9	84.1

Employee cost
Operating costs

EXPENDITURE

Emirates operating costs rose faster than the growth in revenue and at AED 60,474 million were 24% or AED 11,686 million higher than the previous year predominantly on account of substantially higher jet fuel costs and airline direct operating costs. The proportion of jet fuel costs to total operating cost at 40.2% is the highest in Emirates' history, well over the previous high of 35.2% witnessed in 2008-09.

Operating costs in AED m



Airline employee numbers grew 11.2% on the back of a 10.6% growth in capacity. Overall employee costs were up 4.2% or AED 321 million which is not proportionate to the increase in employee numbers mainly due to a higher charge in the last financial year towards the Emirates Group employee profit share scheme. This second largest cost element of Emirates constituted 13.1% of operating costs (2010-11: 15.6%).

The rise in direct operating costs (handling, in-flight costs, overflying, landing and parking and aircraft maintenance) of AED 1,656 million or 18.3% was on account of rate increases and an increase in activity levels. The 23% increase in in-flight catering costs was also the result of upgrading the product offering. The higher depreciation charge (up AED 453 million or 12.6%) is mainly on account of an increase in aircraft fleet and related assets. In addition, corporate overhead expenses were up AED 892 million primarily from accounting for currency exchange losses, higher credit card related charges from a growth in on-lines sales and added training costs for flight deck crew.

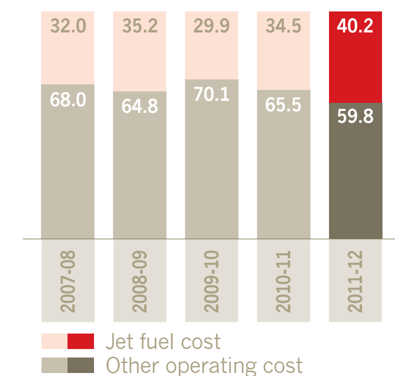
Operating costs

	2011-12 AED m	2010-11 AED m	% change	2011-12 % of operating costs
Jet fuel	24,292	16,820	44.4	40.2
Employee	7,936	7,615	4.2	13.2
Aircraft operating leases	4,788	4,317	10.9	7.9
Depreciation	4,053	3,600	12.6	6.7
Sales and marketing	4,023	3,862	4.2	6.7
Handling	3,584	3,137	14.2	5.9
In-flight catering and related costs	2,836	2,305	23.0	4.7
Overflying	1,878	1,620	15.9	3.1
Office accommodation and IT costs	1,450	1,281	13.2	2.4
Aircraft maintenance	1.296	1,030	25.8	2.1
Landing and parking	1,128	974	15.8	1.9
Cost of goods sold	926	839	10.4	1.5
Amortisation	81	77	5.2	0.1
Corporate overheads	2,203	1,311	68.0	3.6
Total operating costs	**60,474**	**48,788**	**24.0**	**100.0**

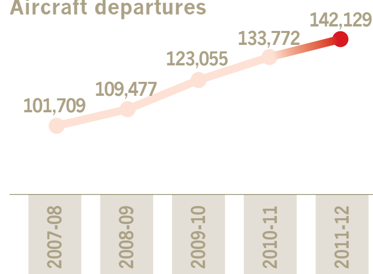
Jet fuel costs at AED 24,292 million (2010-11: AED 16,820 million) comprised the highest ever share of operating costs at 40.2% (2010-11: 34.5%). The increase in cost is the result of a 31.9% escalation in average jet fuel price per US gallon and a 9.5% increase in quantity uplifts. These factors have resulted in a 30.5% increase in fuel cost per ATKM.

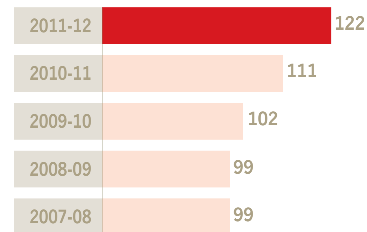
The increase in jet fuel costs has impacted the unit cost of the airline which has grown significantly by 12.4% to 166 fils per ATKM (2010-11: 147 fils per ATKM). Excluding jet fuel costs, unit costs have marginally increased by 2.4% to 97 fils per ATKM (2010-11: 95 fils per ATKM).

Jet fuel cost as % of operating cost



Jet fuel cost
Other operating cost





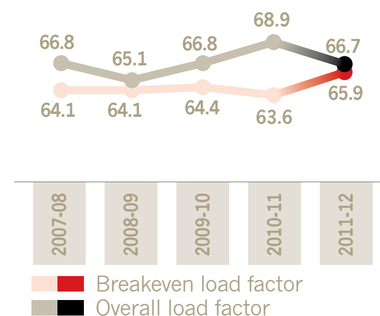
CAPACITY, TRAFFIC AND LOAD FACTOR

		2011-12	2010-11	% change
Capacity (ATKM)	million	35,467	32,057	10.6
Load carried (RTKM)	million	23,672	22,078	7.2
Load factor	%	66.7	68.9	(2.2) pts
Break even load factor	%	65.9	63.6	2.3 pts

The airline's capacity measured in terms of ATKM rose 10.6% to 35,467 million tonne-kilometers (2010-11: 32,057 million tonne-kilometers) with the resultant traffic or RTKM growing at a slower pace to 23,672 million tonne-kilometers (2010-11: 22,078 million tonne-kilometers). Consequently the overall load factor achieved was 66.7% which is 2.2 percentage points lower than the previous year (2010-11: 68.9%) reflecting the moderate growth in cargo tonnage.

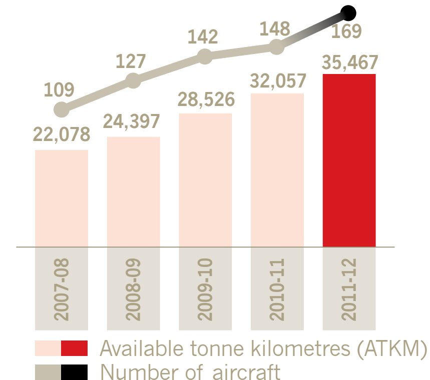
With 21 flagship A380 aircraft in the fleet at 31 March 2012, Emirates continues to be the largest operator of this superjumbo. With the aircraft returning load and seat factors well above the network average, both in the premium and economy cabins, the A380 fleet remains the aircraft of choice amongst our discerning customers. The A380 fleet now serves a total of fifteen destinations on our network.

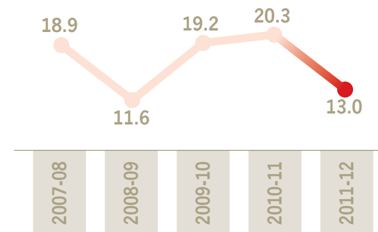
Four new airport lounges were opened across the network in San Francisco, Istanbul, Colombo and a fourth new lounge in Dubai. This takes the total number of Emirates dedicated airport lounges to 32.

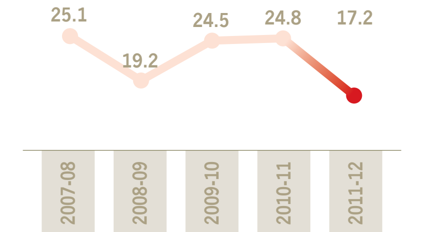


Aircraft departures increased by 6.2% to 142,129 (2010-11: 133,772) with the increase in traffic coming principally from:

- introduction of new passenger services to eleven new destinations – Geneva and Copenhagen launched in the first half; St. Petersburg, Baghdad, Rio de Janeiro, Buenos Aires, Dublin, Lusaka, Harare, Dallas and Seattle launched in the second half of the financial year.
- increased frequencies to several existing destinations, including Manchester, Hamburg, Frankfurt, Hong Kong, Khartoum, Lahore and Tunis.
- increased capacity to several existing destinations with bigger aircraft mainly Luanda, Zurich, Madrid, Milan as well as A380 services to Munich, Rome, Shanghai, Kuala Lumpur and Johannesburg.







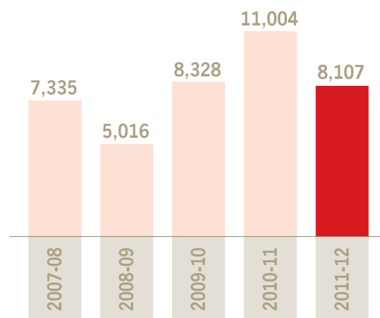
CASH POSITION

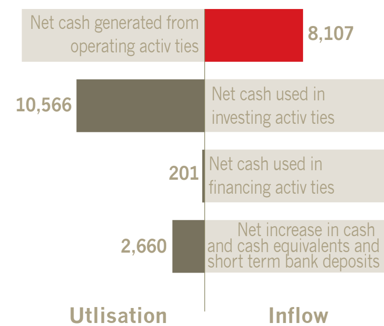
Emirates generated AED 8,107 million (2010-11: AED 11,004 million) of cash from operating activities, impacted by the lower profitability. However this must be considered against the backdrop of the record AED 11,004 million achieved last year and it remains as the third highest cash ever generated from operating activities in Emirates' history. As a consequence, the operating cash margin stood at 13.0% (2010-11: 20.3%).

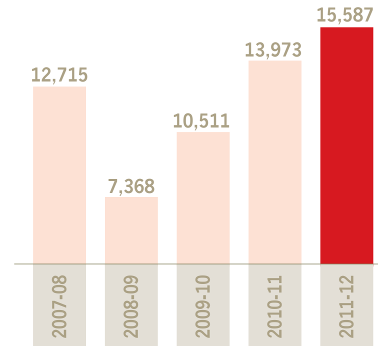
Cash generated from operations was adequate to finance the investment in property, plant and equipment of AED 6,800 million and along with the additional AED 4,278 million invested in short terms bank deposits constituted the majority of the AED 10,566 million (2010-11: AED 5,092 million) net cash used in investing activities. The lower AED 201 million (2010-11: AED 5,046 million) net cash used in financing activities was the result of the proceeds from the US Dollar bond issue offsetting the cash used in this activity.

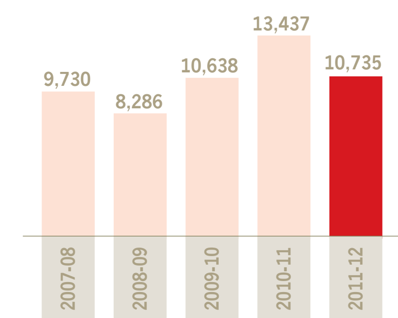
As a result, cash assets which include short term bank deposits were up by AED 1,614 million or 11.6% to a healthy AED 15,587 million at 31 March 2012 and are expected to be sufficient to cover all requirements due in the next financial year when supplemented by our aircraft and corporate financing programme. The available cash balance represents a healthy and stable ratio of cash assets to revenue and other operating income at 25% (2010-11: 25.8%).

Emirates cash profit from operations (or EBITDAR) for the year ended 31 March 2012 was AED 10,735 million or 17.2 % of revenue and other operating income. Although down from the record highs of the previous year (2010-11: AED 13,437 million), it remains the second highest level ever achieved. EBITDAR for the year equated to more than 12 months of debt service and lease rentals, including periodic principal and interest payments on aircraft financing and bond issues.

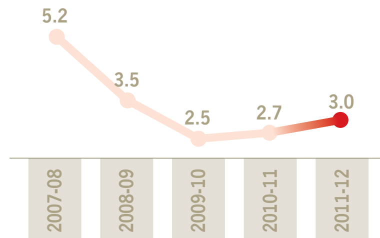




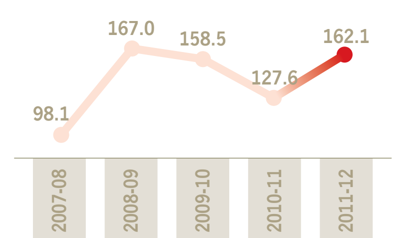




Effective interest rate on borrowings and lease liabilities in %



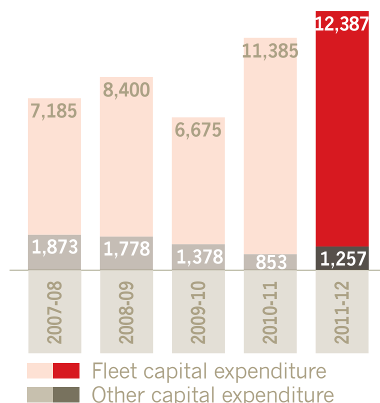
Net debt (including aircraft leases) equity ratio in %



CAPITAL EXPENDITURE

Emirates continued to invest heavily in its revenue generating assets with capital expenditure during the year amounting to AED 13,644 million (2010- 11: AED 12,238 million). Primary capital expenditure consisting of the spend on aircraft, major overhauls, spare engines and parts comprised 91% 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 1,257 million (2010-11: AED 853 million) of which AED 802 million (2010-11: AED 613 million) has been spent on building projects.

Fleet and other capital expenditure in AED m



FLEET ACQUISITION AND FINANCING

In 2011-12, Emirates placed the single largest aircraft order by dollar value in Boeing's history for 50 B777-300ER aircraft worth USD 18 billion at list price, with options to purchase an additional 20 B777-300ERs valued at USD 8 billion. This record breaking order takes Emirates total order book size, excluding options, to 223 aircraft at 31 March 2012.

During the financial year Emirates took delivery of 22 aircraft; fourteen B777-300ERs and two B777-200LRF from Boeing, and six A380s from Airbus taking the fleet size to 169 aircraft. A significant milestone was achieved when Emirates took delivery of its 100th B777 aircraft and was also the recipient of Boeing's 1000th B777 aircraft. Emirates continues to remain the world's largest B777 operator with 102 aircraft comprising all variants of the B777 family. The airline is also the largest A380 operator with 21 twin deck units on its fleet.

Emirates raised a total of AED 12.4 billion (USD 3.4 billion) in aircraft financing over the period under review (funded through both finance and operating leases), and has already received offers of finance covering all deliveries due in the forthcoming financial year. Emirates also successfully closed a sale and leaseback transaction for one B777-200ER during the financial year.

The financing highlight of the year was the successful issue of a USD 1 billion 'Reg S' bond in the first quarter which was listed on the London Stock Exchange. Emirates received an overwhelmingly positive response, indicative of its financial strength and high level of investor confidence in its successful business model and growth plans. The bond issue is in line with Emirates' strategy of diversification of financing sources and has, in effect, tapped a deeper and wider geographical investor base.

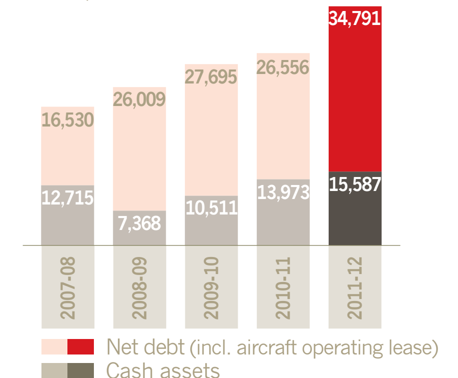
DEBT

Emirates total borrowing and lease liabilities increased to AED 30,880 million, up AED 7,650 million or 32.9% over the previous year mainly on account of an increase in lease liabilities and the issuance of a new 'Reg S' bond (AED 3,673 million) partially offset by bond repayments of AED 744 million. As a result, the ratio of borrowings and lease liabilities to total equity at 31 March 2012 was at 143.9% (2010-11: 111.6%).

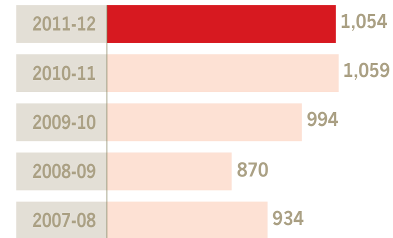
Emirates net debt to equity ratio at 31 March 2012 stood at 71.2% (2010-11: 44.5%) due to the increase in borrowings in support of the fleet growth plans. After capitalising aircraft operating leases, the same ratio at 31 March 2012 was 162.1% (2010-11: 127.6%).

During the year, Emirates repaid a Singapore Dollar 250 million bond tranche in full on its maturity date. The Singapore Stock Exchange listed bond was originally issued in 2006 with a five year term.

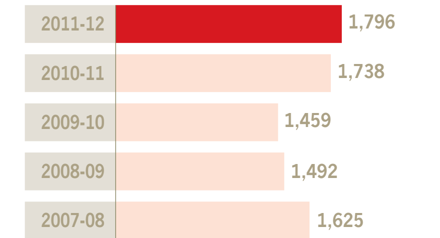
Net debt (including aircraft operating leases) and cash assets in AED m



Capacity per airline employee in ATKM '000



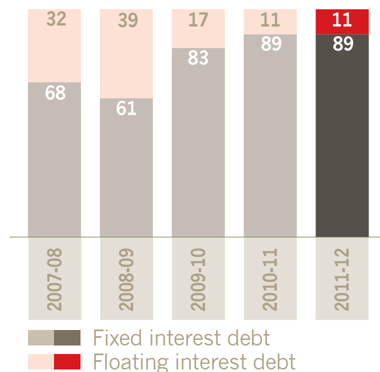
Revenue per airline employee in AED '000



CURRENCY, INTEREST RATE RISK AND FUEL PRICE 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 2012, comprised 89% on a fixed interest rate basis with the balance 11% on floating interest rates.

Fixed vs floating interest rate ratio in %



A one percentage point increase in interest rates would increase the interest charge and the operating lease charge (net of interest income) during the next financial year by AED 28.8 million (2010-11: AED 26 million). At 31 March 2012, Emirates borrowings and lease liabilities carried an effective interest rate of 3.0% (2010-11: 2.7%).

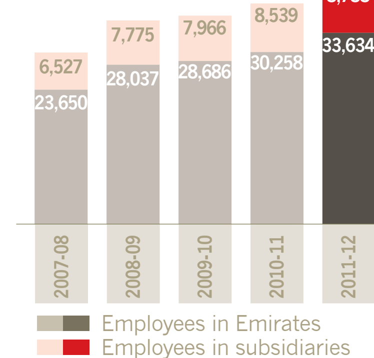
Emirates proactively managed its currency exposure by using prudent hedging solutions including currency swaps, options and natural hedges through outflows denominated in Pound sterling, Euro, Australian dollars, New Zealand dollars, Japanese yen, Indian rupees and South African rand. For the year ended 31 March 2012, hedging coverage in these currencies were between 27% and 50%.

Jet fuel cost is Emirates' most significant operating cost, accounting for 40.2% and 34.5% of the total operating costs in its 2012 and 2011 financial years respectively. Emirates has a dynamic approach to managing fuel price risk based upon a continuous assessment of the market. During the 2012 financial year the strategy was to remain largely un-hedged, reflecting a view that the balance of risk was considered greater to the downside given historically high price levels and the backdrop of global economic uncertainty.

EMPLOYEE STRENGTH AND PRODUCTIVITY

The average workforce rose by 3,625 or 9.3% to 42,422.

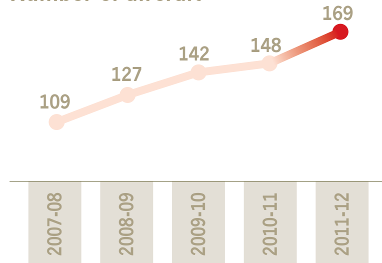
Average workforce

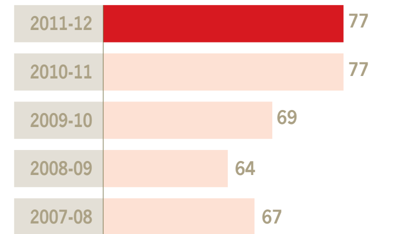


The average number of employees in the airline grew by 3,376 (11.2%) to 33,634 with the bulk of the growth coming from cabin and flight deck crew, the result of adding 22 aircraft to the fleet including the additional crew complement necessary to operate to four new ultra-long haul destinations. The growth in airline staff based at the outstations was primarily the result of adding eleven new destinations during the year.

Productivity figures are impacted in part due to the ramp up in staff numbers to cater to the growth which came mainly in the second half of the financial year and the substantial growth planned for the next financial year. Employee productivity for the airline, measured in terms of revenue per employee rose 3.3% to AED 1.8 million (2010-11: AED 1.7 million), while capacity per airline employee was flat at ATKM 1,054 thousand (2010-11: ATKM 1,059 thousand). The load carried per airline employee stood at RTKM 704 thousand (2010-11: RTKM 730 thousand).

	2011-12	2010-11
UAE		
Cabin crew	13,277	11,715
Flight deck crew	2,845	2,434
Engineering	2,241	2,083
Other	9,911	9,086
	28,274	**25,318**
Overseas stations	5,360	4,940
Total Emirates	**33,634**	**30,258**
Subsidiary companies	**8,788**	**8,539**
Average employee strength	**42,422**	**38,797**





Fleet Information

At 31 March 2012

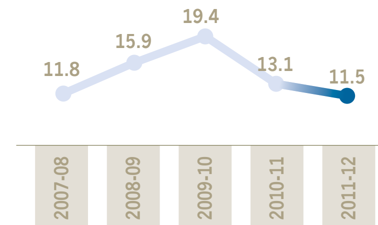
Aircraft	In operation	of which on operating lease	of which on finance lease	of which owned	Change from 31-Mar-11	On firm order	Additional options
A330-200	26	21		5	-1		
A340-300	8	8					
A340-500	10	8	2				
A350-900/1000 XWB						70	50
A380-800	21	7	14		+6	69	
B777-200	3	2		1			
B777-200ER	6	6					
B777-200LR	10	4	6				
B777-300	12	12					
B777-300ER	67	39	28		+14	84	20
Passenger	**163**	**107**	**50**	**6**	**+19**	**223**	**70**
B777-200LRF	4	4			+2		
B747-400ERF	2	2					
Total	**169**	**113**	**50**	**6**	**+21**	**223**	**70**

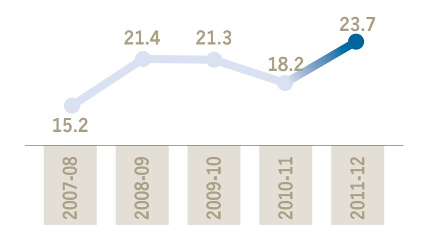
Emirates also has two B747 freighters on wet lease for its cargo operations at 31 March 2012.

In addition to the above, Emirates has contracted for nine B777-200LRFs 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 77 months compared with an industry average of 136* months for wide bodied aircrafts in service.

*Source: WATS report dated June 2011





dnata's profits and revenues this year are the highest ever achieved in its 52 year history. The top line revenue growth is largely the result of dnata's expanding international footprint achieved through a strategy of acquisitions. In December 2011, dnata augmented its global presence through the acquisition of Travel Republic Ltd, the largest privately owned online travel agency in the UK. Consequently dnata's travel services revenue is set to double in the next financial year. This year's financial statements also include the full year impact of Alpha Flight Group's in-flight catering business acquired in December 2010.

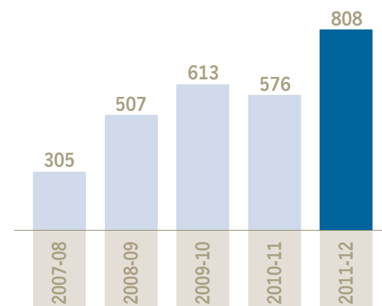
PROFITABILITY

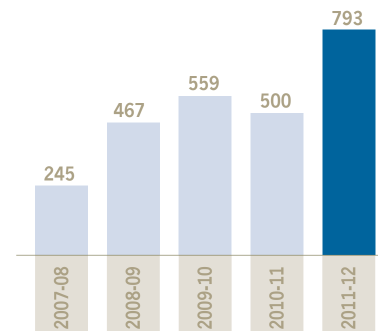
dnata generated its highest ever profit attributable to the Owner of AED 808 million, up 40.3% over last year's profit of AED 576 million establishing it as one of the key as well as most profitable combined global air services providers. This healthy increase is attributed to a robust growth in profits from the Dubai based operations as well as the inclusion of the full year results of Alpha Flight Group.

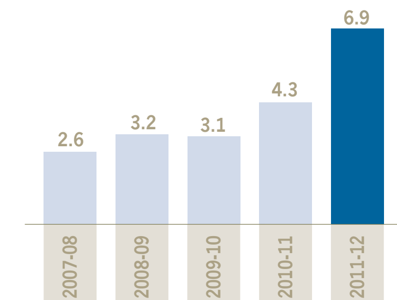
The increased profitability boosted the return on shareholder's funds by 5.7 percentage points to a healthy 23.7% (2010-11: 18%). dnata's operating profit grew substantially to AED 793 million (2010-11: AED 500 million), an increase of 58.6% over the last year. The operating margin of 11.3% remained flat (2010-11: 11.3%) mainly on account of lower margins in its overseas business interests while dnata's profit margin for the year was lower at 11.5% (2010-11: 13.1%).

REVENUE

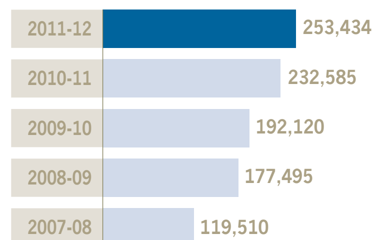
dnata's revenue grew considerably to AED 6,907 million, up 59.6%, compared to AED 4,327 million in the previous year. Sale of goods revenue increased substantially by AED 1,932 million along with a 17.3% or AED 648 million growth in services revenue. dnata's share of revenue from its international operations expanded in the current year and stands at 55% (2010-11: 38%).





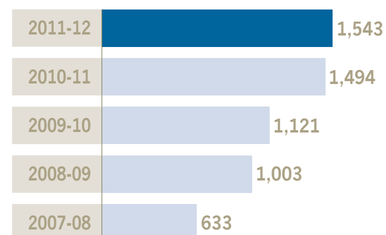


Aircraft handled



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

Cargo handled in tonnes '000



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

Revenue from in-flight catering has emerged as dnata's largest revenue stream and stands at AED 2,452 million, which reflects the full year impact from Alpha Flight Group (2010-11: AED 576 million). During the current year, Alpha has sent over 48 million meals into the skies from 61 airports in 11 countries. The previous year meal uplift numbers are not comparable, being included for three months only, and hence not quoted.

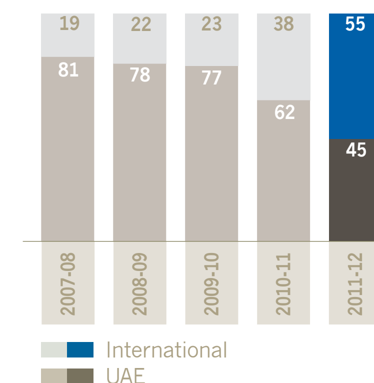
Airport operations revenue increased by 17.2% or AED 341 million to AED 2,321 million due to increased volumes and higher rates at Dubai International Airport after holding prices steady for close to 3 years. Cargo handling revenue jumped to AED 993 million, an increase of 12.6% or AED 111 million predominantly on account of increased tonnage at Dubai and Singapore.

The number of aircraft handled during the financial year increased 9% while the total cargo handled increased by 3.3%. dnata, the world's largest ground handler of the A380 superjumbo, handles close to 250 airlines at 19 airports in 8 countries across the globe. Cargo throughput at Dubai's second Airport, Dubai World Central has grown steadily through the year and now accounts for 18% of Dubai cargo handling activity, reflecting a gradual shift of cargo handling from Dubai International Airport.

Information technology services revenue was up 18.9% to AED 649 million (2010-11: AED 546 million) mainly on account of increased demand from airlines for support, development, hosting and revenue accounting services.

Travel services revenues increased 31.3% to AED 319 million (2010-11: AED 243 million) primarily on account of the newly acquired online travel services provider, Travel Republic Ltd, UK.

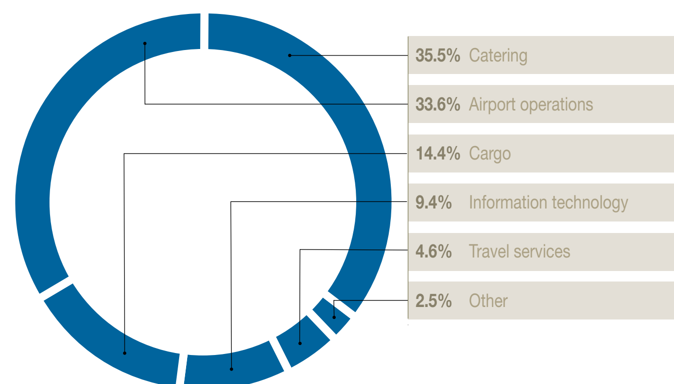
Geographical revenue in %



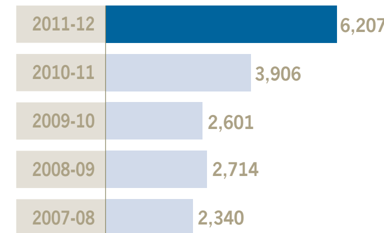
Revenue

	2011-12 AED m	2010-11 AED m	% change
Inflight Catering	2,452	576	325.7
Airport operations	2,321	1,980	17.2
Cargo	993	882	12.6
Information technology	649	546	18.9
Travel services	319	243	31.3
Other	173	100	73.0
Total	6,907	4,327	59.6

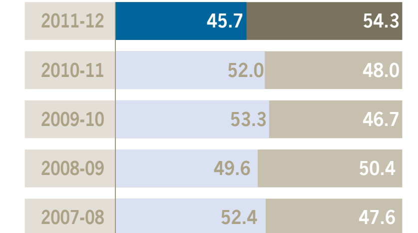
Revenue by line of business in %



Operating costs in AED m



Employee costs as % of total operating costs



EXPENDITURE

dnata's operating costs at AED 6,207 million were up 58.9% or AED 2,301 million (2010-11: AED 3,906 million) principally on account of the full year impact from Alpha Flight Group and the newly acquired travel services business. There was also a general increase in costs in line with the increase in revenues.

Employee costs at AED 2,838 million (2010-11: AED 2,032 million) continue to dominate and comprised 45.7% (2010-11: 52.0%) of dnata's operating costs. The increase in employee costs of AED 806 million primarily results from the full year impact of 4,500 employees in Alpha Flight Group. Employee costs at the Singapore and Switzerland operations were up 30% on average, while Dubai employee costs grew moderately by 6.1% mainly due to a higher charge in the last financial year towards the Emirates Group employee profit share scheme.

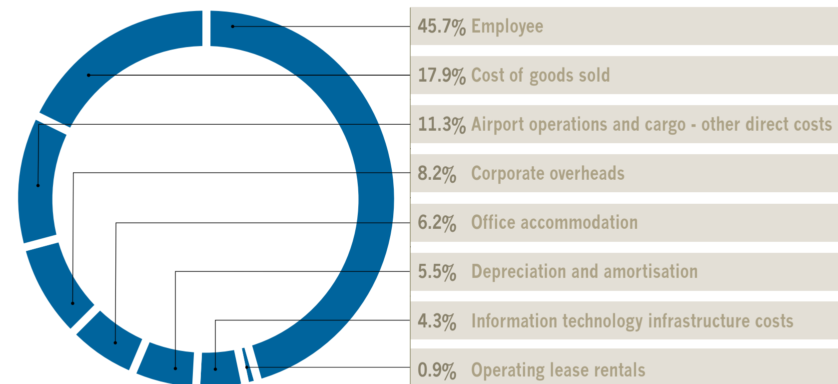
The AED 120 million or 20.6% increase in airport operations and cargo – other direct costs to AED 702 million primarily reflects additional costs incurred in line with our commitment to further enhance service quality for our customers at Dubai International Airport as well as increase in activity levels in Singapore.

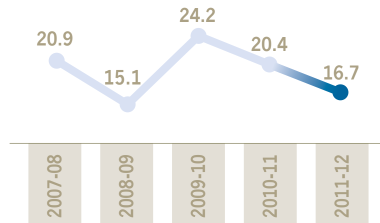
The increase in the cost of goods sold, AED 868 million, resulted from the full year impact of the catering business while the increase in office accommodation costs (AED 166 million) and corporate overheads (AED 182 million) stems primarily from the full year impact of Alpha Flight as well as the inclusion of Travel Republic.

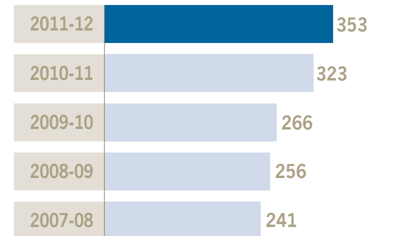
Operating costs

	2011-12 AED m	2010-11 AED m	% change
Employee	2,838	2,032	39.7
Cost of goods sold	1,109	241	360.2
Airport operations and cargo - other direct costs	702	582	20.6
Office accommodation	382	216	76.9
Depreciation and amortisation	347	260	33.5
Information technology infrastructure costs	264	198	33.3
Operating lease rentals	59	53	11.3
Corporate overheads	506	324	56.2
Total	6,207	3,906	58.9

Operating costs in %







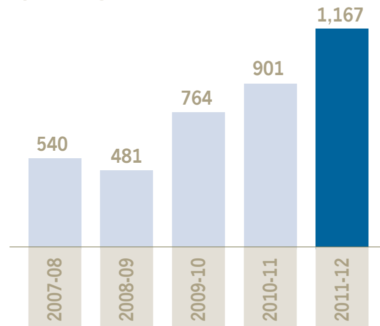
Note: Figures for 2007-08 and prior year exclude subsidiaries.

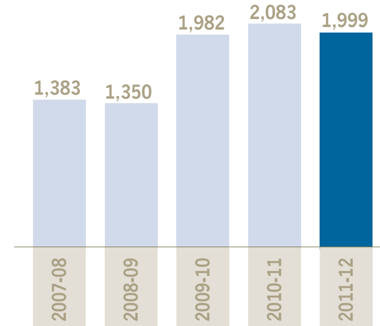
CASH POSITION

dnata's cash generated from operating activities is significantly higher by 29.5% at AED 1,167 million (2010-11: AED 901 million) on account of the increase in profitability.

Operating cash margin remained strong at 16.7%, though lower than the previous year (2010-11: 20.4%) on account of the strong top line growth in revenues.

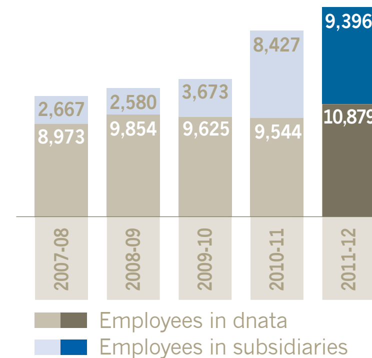
Cash assets also remained robust at AED 1,999 million (2010-11: AED 2,083 million) despite payouts of AED 243 million towards the acquisition of the travel services business, dividend of AED 500 million to the Owner as well as AED 135 million towards the previous years' profit share to employees.





EMPLOYEE STRENGTH AND PRODUCTIVITY

During the year in review, the average workforce increased by 2,304 or 12.8% to 20,275. The average staff count of the Dubai operation rose 14% to 10,879 (2010-11: 9,544) while the average number of employees in the subsidiaries grew 11.4% to 9,396. As a consequence, 46.3% (2010-11: 46.9%) of the workforce is based internationally, outside Dubai.



Productivity measured in terms of revenue per employee has risen 9.3% to AED 353 thousand from AED 323 thousand in 2010-11. The number for the current year has been normalised due to the addition of Travel Republic in Dec 2011.

A breakdown of the average number of employees by category is as follows:

Employee strength

	2011-12	2010-11
Airport operations	7,461	6,300
Cargo handling	914	847
Information technology	1,214	1,084
Travel services	790	799
Other	500	514
Total dnata (parent co.)	**10,879**	**9,544**
Subsidiaries	**9,396**	**8,427**
Average employee strength	**20,275**	**17,971**

The number of aircraft handled during the year increased 9% to 253,434 (2010-11: 232,585). The growth stems from a 9% growth in aircraft handled at Dubai International Airport and a 23.2% growth in Singapore. Productivity measured in terms of man hours per aircraft turn stood at 132 (2010-11: 122), impacted by additional man hours deployed at Dubai to enhance the quality of service.

Cargo handled during the year grew at a slower pace due to the global economic situation and was up 3.3% to 1,543 thousand tonnes (2010-11: 1,494 thousand tonnes) mainly from increased volumes in Dubai and Singapore. Productivity measured in terms of cargo handled per man hour rose marginally by 2.1% to 289 kgs (2010-11: 283 kgs).

EMIRATES

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF EMIRATES

Report on the consolidated 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 2012 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 consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
2 May 2012

Warwick Hunt
Registered Auditor Number 643
Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 AED m	2011 AED m
Revenue	4	61,508	52,945
Other operating income	5	779	1,286
Operating costs	6	(60,474)	(48,788)
Operating profit		**1,813**	**5,443**
Other gains and losses	7		(4)
Finance income	8	414	521
Finance costs	8	(657)	(506)
Share of results in associates and joint ventures	13	103	91
Profit before income tax		**1,673**	**5,545**
Income tax expense	9	(53)	(78)
Profit for the year		**1,620**	**5,467**
Profit attributable to non-controlling interests		**118**	**92**
Profit attributable to Emirates' Owner		**1,502**	**5,375**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 AED m	2011 AED m
Profit for the year		**1,620**	**5,467**
Currency translation differences	19	(9)	38
Cash flow hedges	19	(259)	(282)
Actuarial losses on retirement benefit obligations	24	(116)	(57)
Other comprehensive income		**(384)**	**(301)**
Total comprehensive income for the year		**1,236**	**5,166**
Total comprehensive income attributable to non-controlling interests		**118**	**92**
Total comprehensive income attributable to Emirates' Owner		**1,118**	**5,074**

Notes 1 to 39 form an integral part of the consolidated financial statements.

EMIRATES

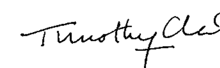
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Note	2012 AED m	2011 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	49,198	39,848
Intangible assets	12	902	901
Investments in associates and joint ventures	13	430	386
Advance lease rentals	14	370	384
Loans and other receivables	15	917	1,704
Derivative financial instruments	33	69	-
Deferred income tax asset	27	10	-
		51,896	**43,223**
Current assets			
Inventories	16	1,469	1,290
Trade and other receivables	17	8,126	6,481
Derivative financial instruments	33	8	123
Short term bank deposits	31	8,055	3,777
Cash and cash equivalents	31	7,532	10,196
		25,190	**21,867**
Total assets		**77,086**	**65,090**

	Note	2012 AED m	2011 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	18	801	801
Retained earnings		21,256	20,370
Other reserves	19	(833)	(565)
Attributable to Emirates' Owner		**21,224**	**20,606**
Non-controlling interests		**242**	**207**
Total equity		**21,466**	**20,813**
Non-current liabilities			
Borrowings and lease liabilities	20	26,843	20,502
Retirement benefit obligations	24	631	479
Deferred revenue	25	1,074	930
Deferred credits	26	350	401
Deferred income tax liability	27	-	2
Trade and other payables	28	-	31
Derivative financial instruments	33	957	642
		29,855	**22,987**
Current liabilities			
Trade and other payables	28	20,601	17,551
Income tax liabilities		36	22
Borrowings and lease liabilities	20	4,037	2,728
Deferred revenue	25	915	792
Deferred credits	26	136	136
Derivative financial instruments	33	40	61
		25,765	**21,290**
Total liabilities		**55,620**	**44,277**
Total equity and liabilities		**77,086**	**65,090**

The consolidated financial statements were approved on 2 May 2012 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive



Timothy Clark
President

Notes 1 to 39 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Attributable to Emirates' Owner					
	Capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	AED m	AED m	AED m	AED m	AED m	AED m
1 April 2010 - as reported earlier	801	(321)	16,794	17,274	201	17,475
Effect of change in accounting policy (Note 38)	-	-	(34)	(34)	-	(34)
1 April 2010 - as restated	801	(321)	16,760	17,240	201	17,441
Currency translation differences	-	38	-	38	-	38
Cash flow hedges	-	(282)	-	(282)	-	(282)
Actuarial losses on retirement benefit obligations	-	-	(57)	(57)	-	(57)
Other comprehensive income	**-**	**(244)**	**(57)**	**(301)**	**-**	**(301)**
Profit for the year	-	-	5,375	5,375	92	5,467
Total comprehensive income for the year	**-**	**(244)**	**5,318**	**5,074**	**92**	**5,166**
Dividends	-	-	(1,708)	(1,708)	(86)	(1,794)
Transactions with owners	**-**	**-**	**(1,708)**	**(1,708)**	**(86)**	**(1,794)**
31 March 2011	**801**	**(565)**	**20,370**	**20,606**	**207**	**20,813**
Currency translation differences	-	(9)	-	(9)	-	(9)
Cash flow hedges	-	(259)	-	(259)	-	(259)
Actuarial losses on retirement benefit obligations	-	-	(116)	(116)	-	(116)
Other comprehensive income	**-**	**(268)**	**(116)**	**(384)**	**-**	**(384)**
Profit for the year	-	-	1,502	1,502	118	1,620
Total comprehensive income for the year	**-**	**(268)**	**1,386**	**1,118**	**118**	**1,236**
Dividends	-	-	(500)	(500)	(83)	(583)
Transactions with owners	**-**	**-**	**(500)**	**(500)**	**(83)**	**(583)**
31 March 2012	**801**	**(833)**	**21,256**	**21,224**	**242**	**21,466**

Notes 1 to 39 form an integral part of the consolidated financial statements.

EMIRATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	2012 AED m	2011 AED m
Operating activities		
Profit before income tax	1,673	5,545
Adjustments for:		
Depreciation and amortisation (Note 6)	4,134	3,677
Finance costs - net (Note 8)	243	(15)
Gain on sale of property, plant and equipment	(52)	(454)
Gain on sale of available-for-sale investments (Note 5)	-	(195)
Gain on sale of associate	-	(15)
Share of results in associates and joint ventures (Note 13)	(103)	(91)
Net provision for impairment of trade receivables (Note 17)	24	42
Provision for employee benefits (Note 6)	430	371
Change in fair value of derivative financial instruments at fair value through profit or loss	-	4
Net movement on derivative financial instruments	27	(40)
Employee benefit payments	(394)	(347)
Income tax paid	(82)	(77)
Change in inventories	(179)	(204)
Change in receivables and advance lease rentals	(738)	133
Change in payables, deferred credits and deferred revenue	3,124	2,670
Net cash generated from operating activities	**8,107**	**11,004**

	2012 AED m	2011 AED m
Investing activities		
Proceeds from sale of property, plant and equipment	223	3,241
Additions to intangible assets (Note 12)	(83)	(49)
Additions to property, plant and equipment (Note 32)	(6,800)	(6,504)
Investments in associates and joint ventures (Note 13)	(23)	-
Proceeds from sale of investments in associates and joint ventures (Note 13)	-	82
Proceeds from sale of available-for-sale investments	-	195
Movement in short term bank deposits	(4,278)	(2,601)
Interest income	312	451
Dividends from associates and joint ventures (Note 13)	83	93
Net cash used in investing activities	**(10,566)**	**(5,092)**
Financing activities		
Proceeds from bonds and loans	3,706	979
Repayment of bonds and loans	(885)	(2,077)
Aircraft financing costs	(500)	(412)
Other finance charges	(40)	(59)
Repayment of lease liabilities	(1,899)	(1,083)
Dividend paid	(500)	(2,308)
Dividend paid to non-controlling shareholders	(83)	(86)
Net cash used in financing activities	**(201)**	**(5,046)**
Net (decrease) / increase in cash and cash equivalents	**(2,660)**	**866**
Cash and cash equivalents at beginning of year	10,187	9,322
Effects of exchange rate changes	-	(1)
Cash and cash equivalents at end of year (Note 31)	**7,527**	**10,187**

Notes 1 to 39 form an integral part of the consolidated financial statements.

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 in the preparation of these consolidated financial statements, is set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations. 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 after 1 April 2012 or later periods, but have not been early adopted. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Emirates' operations:

- IAS 1 (revised), Presentation of Financial Statements (effective from 1 July 2012)
- IAS 19 (revised), Employee Benefits (effective from 1 January 2013)
- IAS 28 (revised), Investments in Associates and Joint Ventures (effective from 1 January 2013)
- IFRS 10, Consolidated Financial Statements (effective from 1 January 2013)
- IFRS 11, Joint Arrangements (effective from 1 January 2013)
- IFRS 12, Disclosure of Interest in Other Entities (effective from 1 January 2013)
- IFRS 13, Fair value Measurement (effective from 1 January 2013)
- IFRS 9, Financial Instruments (effective from 1 January 2015)

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 subsidiaries are eliminated.

2. Summary of significant accounting policies (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred and the liabilities incurred to the former owners of the acquiree. Acquisition-related costs are expensed as incurred. Identifiable assets, including intangible assets acquired, liabilities and contingent liabilities incurred or assumed in a business combination, are measured initially at their fair values at the acquisition date. Any non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates are those entities in which Emirates has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition.

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

All material 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, associates and joint ventures have been changed where necessary to ensure consistency with Emirates' accounting policies.

When control or significant influence ceases, the retained interest in the entity is remeasured to fair value as at that date, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the related assets or liabilities have been directly disposed of. This could result in amounts previously recognised in other comprehensive income being reclassified to profit or loss. If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Revenue

Passenger and cargo 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 that functional currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the end of the reporting period. The resultant foreign exchange gains and losses, other than those on qualifying cash flow hedges deferred in other comprehensive income, are recognised in the consolidated income statement.

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 other comprehensive income.

2. Summary of significant accounting policies (continued)

Share of results in associates and joint ventures are translated into UAE Dirhams at average exchange rates for the year. Translation differences relating to investments in subsidiaries, associates, joint ventures and monetary assets and liabilities that form part of a net investment in a foreign operation, are recognised in other comprehensive income. When investments in subsidiaries, associates 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 prevailing at the end of reporting period.

Emissions liability

Under the European Union Emissions Trading Scheme ("ETS") regulations, effective 1 January 2012, airlines with flights originating or landing in the European Union member states must monitor their CO_2 emissions, annually report them and are obliged every year to return an amount of emission allowances to the government that is equivalent to their CO_2 emissions in that year. Emirates is allocated an initial emission allowance free of charge under the scheme and has an obligation to return any excess emission over the free allowance through the purchase of additional allowances. An expense is recognised on actual usage and is measured on the basis of the estimated weighted average cost expected to be incurred for the annual reporting period under the ETS.

Taxation

The tax expense for the period comprises current and deferred tax.

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

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. Also deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill in a business combination. 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 measured reliably. Repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost, less estimated residual values, over the estimated useful lives of the assets or the lease term, if shorter.

The estimated useful lives and residual values are:

Aircraft – new	15 years (residual value 10%)
Aircraft – used	5 - 8 years (residual value 10 - 20%)
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, the remaining lease term or the useful life of the asset concerned.

The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An impairment review is carried out whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2. Summary of significant accounting policies (continued)

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.

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 for 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 consideration transferred over the fair value of the share of the net identifiable assets at the date of acquisition.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units or group of 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.

2. Summary of significant accounting policies (continued)

An impairment review is carried out whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

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.

Unrealised gains and losses arising from a change in fair value are recognised in other comprehensive income 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 reclassified from equity to 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 or dealer quotes for similar instruments, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2. Summary of significant accounting policies (continued)

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

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

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

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income. 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. 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.

2. Summary of significant accounting policies (continued)

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through other comprehensive income in the period in which they arise.

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 miles could be redeemed. Miles accrued through utilising the services of programme partners and paid for by the participating partners are 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 they are 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. 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 in 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

	2012 AED m	2011 AED m
Services		
Passenger	48,950	41,415
Cargo	9,546	8,803
Excess baggage	332	293
Destination and leisure	245	226
Hotel operations	155	148
Others	263	286
	59,491	**51,171**
Sale of goods		
Consumer goods	1,081	957
In-flight catering	482	395
Food and beverage	454	422
	2,017	**1,774**
	61,508	**52,945**

5. Other operating income

Other operating income includes AED 194 m (2011: AED 209 m) from liquidated damages, AED 69 m (2011: AED 479 m) being the gain on sale and leaseback of aircraft, aircraft engines and parts, AED Nil (2011: AED 195 m) being the gain on sale of available-for-sale financial assets, AED Nil (2011: AED 5 m) being net foreign exchange gain and income from ancilliary services and activities incidental to Emirates' operations is AED 516 m (2011: AED 398 m).

6. Operating costs

	2012 AED m	2011 AED m
Jet fuel	24,292	16,820
Employee (see (a) below)	7,936	7,615
Aircraft operating leases (see (b) below)	4,788	4,317
Depreciation (Note 11)	4,053	3,600
Sales and marketing	4,023	3,862
Handling	3,584	3,137
In-flight catering and related costs	2,836	2,305
Overflying	1,878	1,620
Office accommodation and IT costs	1,450	1,281
Aircraft maintenance	1,296	1,030
Landing and parking	1,128	974
Cost of goods sold	926	839
Amortisation (Note 12)	81	77
Corporate overheads (see (c) below)	2,203	1,311
	60,474	**48,788**

(a) Employee costs include AED 430 m (2011: AED 371 m) in respect of post-employment benefits and AED Nil (2011: AED 770 m) in respect of an employee profit share scheme.

(b) Aircraft operating lease charges include AED 361 m (2011: AED 433 m) in respect of "wet" leases of freighter aircraft.

(c) Corporate overheads include non-aircraft operating lease charges amounting to AED 474 m (2011: AED 451 m) and a net foreign exchange loss of AED 356 m (2011: Nil).

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 certain derivatives that do not qualify for hedge accounting.

8. Finance income and costs

	2012 AED m	2011 AED m
Finance income		
Interest income on short term bank deposits	336	448
Related parties (Note 35)	76	68
Other finance income	2	5
	414	**521**
Finance costs		
Aircraft financing costs	(559)	(444)
Interest charges on borrowings	(95)	(59)
Other finance costs	(3)	(3)
	(657)	**(506)**

Finance costs of AED 209 m (2011: AED 84 m) were capitalised during the year using a weighted average capitalisation rate of 4.1% (2011: 2.4%).

9. Income tax expense

	2012 AED m	2011 AED m
The components of income tax expense are:		
Current tax expense	65	80
Deferred tax credit (Note 27)	(12)	(2)
	53	**78**

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 and cargo services, is the main reportable segment.

The in-flight catering operation qualifies as a reportable segment in the current year. Prior year numbers are restated for comparative purposes.

Other segments include 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".

The performance of airline, in-flight catering 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 the airline segment but adjusted against operating costs when preparing the consolidated financial statements. This adjustment is presented in the 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 the reconciliation.

The segment information for the year ended 31 March 2012 is as follows:

	Airline	In-flight catering	All other segments	Recon-ciliation	Total
	AED m	AED m	AED m	AED m	AED m
Total segment revenue	59,596	1,733	1,596	(124)	62,801
Inter-segment revenue	-	1,251	42	-	1,293
Revenue from external customers	59,596	482	1,554	(124)	61,508
Segment profit for the year	1,176	301	143	-	1,620
Finance income	438	4	1	(29)	414
Finance costs	(651)	(6)	29	(29)	(657)
Income tax expense	(93)	-	40	-	(53)
Depreciation and amortisation	(3,949)	(68)	(117)	-	(4,134)
Share of results in associates and joint ventures	-	-	103	-	103
Segment assets	71,908	1,789	4,385	(996)	77,086
Investments in associates and joint ventures	-	-	430	-	430
Additions to property, plant and equipment	12,955	120	486	-	13,561
Additions to intangible assets	79	-	4	-	83
Additions to advance lease rentals	93	-	-	-	93

10. Segment information (continued)

The segment information for the year ended 31 March 2011 is as follows:

	Airline	In-flight catering	All other segments	Recon-ciliation	Total
	AED m	AED m	AED m	AED m	AED m
Total segment revenue	51,261	1,351	1,449	(124)	53,937
Inter-segment revenue	-	956	36	-	992
Revenue from external customers	51,261	395	1,413	(124)	52,945
Segment profit for the year	4,939	252	276	-	5,467
Finance income	540	5	3	(27)	521
Finance costs	(497)	(9)	27	(27)	(506)
Income tax expense	(76)	-	(2)	-	(78)
Depreciation and amortisation	(3,509)	(62)	(106)	-	(3,677)
Share of results in associates and joint ventures	-	-	91	-	91
Segment assets	60,611	1,448	3,899	(868)	65,090
Investments in associates and joint ventures	-	-	386	-	386
Additions to property, plant and equipment	11,787	51	351	-	12,189
Additions to intangible assets	44	-	5	-	49
Additions to advance lease rentals	262	-	-	-	262

Geographical information

	2012	2011
	AED m	AED m
Revenue from external customers:		
East Asia and Australasia	18,227	15,503
Europe	17,058	14,433
West Asia and Indian Ocean	7,083	6,405
Americas	6,696	5,518
Gulf and Middle East	6,314	5,488
Africa	6,130	5,598
	61,508	**52,945**

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 by geographical areas is not considered meaningful.

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

11. Property, plant and equipment

	Aircraft	Aircraft engines and parts	Land and buildings	Other property, plant and equipment	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2010	21,866	3,546	6,167	7,219	4,215	43,013
Additions	487	393	13	1,488	9,808	12,189
Transfer from capital projects	5,901	222	378	428	(6,929)	-
Disposals / write off	(3,275)	(783)	(162)	(787)	-	(5,007)
Currency translation differences	-	-	51	10	(1)	60
31 March 2011	**24,979**	**3,378**	**6,447**	**8,358**	**7,093**	**50,255**
Depreciation						
1 April 2010	3,723	1,152	1,216	3,169	-	9,260
Charge for the year	1,535	200	302	1,563	-	3,600
Disposals / write off	(1,307)	(441)	(162)	(548)	-	(2,458)
Currency translation differences	-	-	3	2	-	5
31 March 2011	**3,951**	**911**	**1,359**	**4,186**	**-**	**10,407**
Net book amount						
31 March 2011	**21,028**	**2,467**	**5,088**	**4,172**	**7,093**	**39,848**

11. Property, plant and equipment (continued)

	Aircraft	Aircraft engines and parts	Land and buildings	Other property, plant and equipment	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2011	24,979	3,378	6,447	8,358	7,093	50,255
Additions	-	201	16	1,629	11,715	13,561
Transfer from capital projects	8,069	312	970	408	(9,759)	-
Disposals / write off	(459)	(23)	(1)	(586)	-	(1,069)
Currency translation differences	-	-	3	1	(5)	(1)
31 March 2012	**32,589**	**3,868**	**7,435**	**9,810**	**9,044**	**62,746**
Depreciation						
1 April 2011	3,951	911	1,359	4,186	-	10,407
Charge for the year	1,698	211	349	1,795	-	4,053
Disposals / write off	(345)	(16)	(1)	(552)	-	(914)
Currency translation differences	-	-	-	2	-	2
31 March 2012	**5,304**	**1,106**	**1,707**	**5,431**	**-**	**13,548**
Net book amount						
31 March 2012	**27,285**	**2,762**	**5,728**	**4,379**	**9,044**	**49,198**

The net book amount of property, plant and equipment includes AED 25,479 m (2011: AED 19,497 m) in respect of aircraft held under finance leases.

The net book amount of aircraft, aircraft engines and parts includes an amount of AED 1,125 m (2011: AED 1,209 m) in respect of assets provided as security against term loans.

Land of AED 306 m (2011: AED 306 m) is carried at cost and is not depreciated.

Property, plant and equipment includes capitalised interest amounting to AED 209 m (2011: AED 84 m) using a weighted average capitalisation rate of 4.1% (2011: 2.4%).

Capital projects include pre-delivery payments of AED 6,165 m (2011: AED 4,995 m) in respect of aircraft (Note 29) due for delivery between 2012 and 2024.

12. Intangible assets

	Goodwill	Service rights	Trade names	Contractual rights	Computer software	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2010	564	162	19	19	496	1,260
Additions	-	-	-	5	44	49
Disposals / write off	-	-	-	-	(1)	(1)
Currency translation differences	-	-	-	3	-	3
31 March 2011	**564**	**162**	**19**	**27**	**539**	**1,311**
Amortisation and impairment						
1 April 2010	7	55	1	1	269	333
Amortisation for the year	-	10	1	2	64	77
Disposals / write off	-	-	-	-	(1)	(1)
Currency translation differences	-	-	-	1	-	1
31 March 2011	**7**	**65**	**2**	**4**	**332**	**410**
Net book value						
31 March 2011	**557**	**97**	**17**	**23**	**207**	**901**

12. Intangible assets (continued)

	Goodwill	Service rights	Trade names	Contractual rights	Computer software	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2011	564	162	19	27	539	1,311
Additions	-	-	-	-	83	83
Disposals / write off	-	-	-	-	(1)	(1)
31 March 2012	**564**	**162**	**19**	**27**	**621**	**1,393**
Amortisation and impairment						
1 April 2011	7	65	2	4	332	410
Amortisation for the year	-	11	1	2	67	81
31 March 2012	**7**	**76**	**3**	**6**	**399**	**491**
Net book value						
31 March 2012	**557**	**86**	**16**	**21**	**222**	**902**

Computer software includes an amount of AED 80 m (2011: AED 52 m) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, the recoverable amounts for cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a three year period. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate, growth rates based on management's expectations for market development and historical gross margins. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate. The goodwill allocated to the cash generating unit, or group of cash generating units, and the key assumptions used in the value-in-use calculations are as follows:

Cash generating unit	Location	Reportable segment	Goodwill		Gross margin	Terminal growth	Discount rate
			2012	2011			
			AED m	AED m	%	%	%
Consumer goods	UAE	Others	159	159	25	4	12
In-flight catering	UAE	In-flight catering	369	369	35	4	12
Food and beverages	UAE	Others	25	25	21	3	10
Food and beverages	Australia	Others	4	4	20	3	12
			557	**557**			

13. Investments in subsidiaries, associates 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	In-flight and institutional catering	UAE

Principal associates

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

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
CAE Middle East Holdings Limited	50.0	Holding company	UAE
Independent Wine and Spirit (Thailand) Company Limited	49.0	Wholesale and retail of consumer goods	Thailand

The investment in CAE Middle East Holdings Limited was made during the year and the investment in Independent Wine and Spirit (Thailand) Company Limited was acquired during the year.

Premier Inn Hotels L.L.C. and Independent Wine and Spirit (Thailand) Company Limited are subject to joint control and therefore accounted for as jointly controlled entities.

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

Movement of investments in associated companies and joint ventures

	2012 AED m	2011 AED m
Balance brought forward	**386**	**461**
Investments during the year	10	-
Acquisition	13	-
Share of results	103	91
Dividends	(83)	(93)
Currency translation differences	1	9
Disposal during the year	-	(82)
Balance carried forward	**430**	**386**

The carrying value of the investments in associates amounted to AED 91 m (2011: AED 91 m) and the share of results amounted to AED 71 m (2011: AED 76 m).

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

	2012 AED m	2011 AED m
Total assets	390	382
Total liabilities	112	114
Net assets	278	268
Revenue	572	938
Profit for the year	169	176

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

	2012 AED m	2011 AED m
Non-current assets	588	550
Current assets	82	74
Non-current liabilities	278	274
Current liabilities	53	55
Total income	176	135
Total expense	144	120

14. Advance lease rentals

	2012 AED m	2011 AED m
Balance brought forward	**480**	**283**
Additions during the year	93	262
Charge for the year	(99)	(65)
Balance carried forward	**474**	**480**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 17)	**104**	**96**
Total over one year	**370**	**384**

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

15. Loans and other receivables

	2012 AED m	2011 AED m
Related parties (Note 35)	784	1,558
Other receivables	62	65
	846	**1,623**
Prepayments	71	81
	917	**1,704**
The amounts (excluding prepayments) are receivable as follows:		
Between 2 and 5 years	831	1,596
After 5 years	15	27
	846	**1,623**
Loans and other receivables (excluding prepayments) are denominated in the following currencies:		
UAE Dirhams	64	55
US Dollars	747	1,523
Others	35	45

The fair value of loans and receivables amounts to AED 851 m (2011: AED 1,623 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 spreads 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.

16. Inventories

	2012 AED m	2011 AED m
Engineering	577	548
In-flight consumables	551	454
Consumer goods	217	186
Other	124	102
	1,469	**1,290**

In-flight consumables include AED 286 m (2011: AED 239 m) relating to items which are not expected to be consumed within twelve months after the reporting period.

17. Trade and other receivables

	2012 AED m	2011 AED m
Trade receivables - net of provision	4,332	3,487
Related parties (Note 35)	2,226	1,977
Prepayments	1,045	1,026
Advance lease rentals (Note 14)	104	96
Operating lease and other deposits	767	905
Other receivables	569	694
	9,043	**8,185**
Less: Receivables over one year (Note 15)	(917)	(1,704)
	8,126	**6,481**

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.

17. Trade and other receivables (continued)

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

	2012 AED m	2011 AED m
Balance brought forward	**122**	**90**
Charge for the year	66	76
Unused amounts reversed	(42)	(34)
Amounts written off as uncollectible	(9)	(13)
Currency translation differences	(2)	3
Balance carried forward	**135**	**122**

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:

	2012 AED m	2011 AED m
Below 3 months	292	275
3-6 months	41	19
Above 6 months	104	109
	437	**403**

18. Capital

Capital represents the permanent capital of Emirates.

19. Other reserves

	Fair value reserve			
	Hedging instruments	Other	Translation reserve	Total
	AED m	AED m	AED m	AED m
1 April 2010	**(379)**	**-**	**58**	**(321)**
Currency translation differences	-	-	53	53
Loss on available-for-sale financial assets	-	195	-	195
Loss on fair value of cash flow hedges	(525)	-	-	(525)
Transferred to the consolidated income statement	243	(195)	(15)	33
31 March 2011	**(661)**	**-**	**96**	**(565)**
Currency translation differences	-	-	(9)	(9)
Loss on fair value of cash flow hedges	(476)	-	-	(476)
Transferred to the consolidated income statement	217	-	-	217
31 March 2012	**(920)**	**-**	**87**	**(833)**

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

	2012	2011
	AED m	AED m
Revenue	103	(41)
Other operating income	-	210
Operating costs	(29)	(38)
Finance costs	(291)	(164)
	(217)	**(33)**

20. Borrowings and lease liabilities

	2012 AED m	2011 AED m
Non-current		
Bonds (Note 21)	5,933	4,290
Term loans (Note 22)	914	1,009
Lease liabilities (Note 23)	19,996	15,203
	26,843	**20,502**
Current		
Bonds (Note 21)	2,020	727
Term loans (Note 22)	145	139
Lease liabilities (Note 23)	1,867	1,853
Bank overdrafts (Note 31)	5	9
	4,037	**2,728**
	30,880	**23,230**
Borrowings and lease liabilities are denominated in the following currencies:		
UAE Dirhams	2,015	2,023
US Dollars	28,427	19,860
Singapore Dollars	438	1,164
Others	-	183

The effective interest rate per annum on lease liabilities and term loans was 2.9% (2011: 3.0%) and on bonds was 3.4% (2011: 1.8%).

21. Bonds

	2012 AED m	2011 AED m
Bonds are denominated in the following currencies:		
UAE Dirhams	1,837	1,836
Singapore Dollars	438	1,164
US Dollars	5,693	2,020
	7,968	**5,020**
Less: Transaction costs	(15)	(3)
	7,953	**5,017**

	2012 AED m	2011 AED m
Bonds are repayable as follows:		
Within one year (Note 20)	**2,020**	**727**
Between 2 and 5 years	5,933	3,854
After 5 years	-	436
Total over one year (Note 20)	**5,933**	**4,290**

Contractual repricing dates are set at six month intervals except for bonds denominated in Singapore Dollars amounting to AED 438 m (2011: AED 582 m) and US Dollars amounting to AED 3,673 m (2011: Nil) which carry a fixed interest rate over their term.

USD bonds, carried at AED 2,020 m (2011: 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 the bonds in aggregate amounts to AED 8,009 m (2011: AED 4,802 m). The fair value of the Singapore Dollar bonds is AED 405 m (2011: AED 1,095 m) and the fair value of the fixed rate US Dollar bonds is AED 3,802 m (2011: Nil), which are based on listed prices. The fair value of the other bonds is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

22. Term loans

	2012 AED m	2011 AED m
Balance brought forward	**1,161**	**409**
Additions during the year	50	992
Repayments during the year	(141)	(240)
Balance carried forward	**1,070**	**1,161**
Less: Transaction costs	(11)	(13)
	1,059	**1,148**
Loans are repayable as follows:		
Within one year (Note 20)	**145**	**139**
Between 2 and 5 years	481	498
After 5 years	433	511
Total over one year (Note 20)	**914**	**1,009**

22. Term loans (continued)

	2012 AED m	2011 AED m
Loans are denominated in the following currencies:		
UAE Dirhams	175	189
US Dollars	884	959

Contractual repricing dates are set at three to six month intervals. Term loans amounting to AED 895 m (2011: AED 973 m) are secured on aircraft, aircraft engines and parts.

The fair value of the term loans amounts to AED 1,045 m (2011: AED 1,129 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.

23. Lease liabilities

Finance leases

	2012 AED m	2011 AED m
Gross lease liabilities:		
Within one year	2,481	2,390
Between 2 and 5 years	10,413	7,671
After 5 years	13,453	11,238
	26,347	**21,299**
Future interest	(4,484)	(4,243)
Present value of finance lease liabilities	**21,863**	**17,056**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 20)	**1,867**	**1,853**
Between 2 and 5 years	8,039	5,549
After 5 years	11,957	9,654
Total over one year (Note 20)	**19,996**	**15,203**

	2012 AED m	2011 AED m
The present value of finance lease liabilities are denominated in the following currencies:		
US Dollars	21,863	16,878
Others	-	178

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 2012, the penalties would have been AED Nil (2011: AED 64 m).

The fair value of lease liabilities amounts to AED 21,297 m (2011: AED 16,377 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

	2012 AED m	2011 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	32,497	28,832
Other	2,276	2,444
	34,773	**31,276**
Within one year	5,148	4,485
Between 2 and 5 years	18,317	16,807
After 5 years	11,308	9,984
	34,773	**31,276**

In the event of the aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2012, the penalties would have been AED 459 m (2011: AED 414 m).

23. Lease liabilities (continued)

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 thirteen out of one hundred and thirteen (2011: fifteen out of one hundred and three) aircraft under these leases.

In addition, Emirates has nine (2011: seven) Boeing aircraft contracted on operating leases for delivery between April 2012 and March 2016.

24. 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 2012, 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% (2011: 5.0%) and a discount rate of 5.0% (2011: 6.0%) per annum. The present values of the defined benefit obligations at 31 March 2012 were computed using the actuarial assumptions set out above.

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

	2012 AED m	2011 AED m
Funded scheme		
Present value of defined benefit obligations	1,251	1,099
Less: Fair value of plan assets	(1,236)	(1,087)
	15	**12**
Unfunded scheme		
Present value of defined benefit obligations	**616**	**467**
Liability recognised in the consolidated statement of financial position	**631**	**479**

(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 15 m (2011: AED 12 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 as follows:

	2012 AED m	2011 AED m
Balance brought forward	**1,087**	**851**
Contributions received	195	170
Benefits paid	(55)	(41)
Change in fair value	9	107
Balance carried forward	**1,236**	**1,087**

24. Retirement benefit obligations (continued)

Contributions received include the transfer of accumulated benefits from unfunded schemes. Emirates expects to contribute approximately AED 222 m for existing plan members during the year ending 31 March 2013.

Actuarial gains and losses and expected return 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 salaries. 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.

The movement in the defined benefit obligation is as follows:

	2012 AED m	2011 AED m
Balance brought forward - as reported earlier		**354**
Effect of change in accounting policy (Note 38)		34
Balance brought forward - as restated	**467**	**388**
Current service cost	65	61
Interest cost	20	17
Actuarial losses	116	57
Payments made during the year	(52)	(56)
Balance carried forward	**616**	**467**

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

The cumulative amount of actuarial losses recognised in other comprehensive income is AED 207 m (2011: AED 91 m).

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

	2012 AED m	2011 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	188	159
Net change in the present value of defined benefit obligations over plan assets	3	2
	191	**161**
Unfunded scheme		
Current service cost	65	61
Interest cost	20	17
	85	**78**
Defined contribution plan		
Contributions expensed	**154**	**132**
Recognised in the consolidated income statement	**430**	**371**

25. 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.

Deferred revenue is classified within current and non-current liabilities based on the expected redemption pattern.

26. Deferred credits

	2012 AED m	2011 AED m
Balance brought forward	**537**	**622**
Net additions during the year	97	109
Recognised during the year	(148)	(167)
Transferred to property, plant and equipment	-	(27)
Balance carried forward	**486**	**537**

26. Deferred credits (continued)

	2012 AED m	2011 AED m
Deferred credits will be recognised as follows:		
Within one year	**136**	**136**
Over one year	**350**	**401**

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

27. Deferred income 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 analysis of the deferred tax asset and the deferred tax liability is as follows:

	2012 AED m	2011 AED m
Deferred income tax asset	10	-
Deferred income tax liability		(2)
	10	**(2)**
The movement in the deferred income tax account is as follows:		
Balance brought forward	**(2)**	**(4)**
Credited to the consolidated income statement (Note 9)	12	2
Balance carried forward	**10**	**(2)**

The deferred income tax asset is on account of unused tax losses.

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 1,869 m (2011: AED 1,620 m).

28. Trade and other payables

	2012 AED m	2011 AED m
Trade payables and acc uals	10,521	10,112
Related parties (Note 35)	622	390
Passenger and cargo sales in advance	9 458	7 080
	20,601	**17,582**
Less: Payables over one year	-	(3)
	20,601	**17,551**

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

29. Commitments

Capital commitments

	2012 AED m	2011 AED m
Authorised and contracted:		
Aircraft fleet	163,489	140,145
Non-aircraft	2,021	1,451
Joint ventures	116	66
	165,626	**141,662**
Authorised but not contracted:		
Non-aircraft	4,683	2,429
Joint ventures	30	61
	4,713	**2,490**
	170,339	**144,152**

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

Financial year	Aircraft
2012 - 2013	32
Beyond 2012 - 2013	191

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

29. Commitments (continued)

Operational commitments

	2012 AED m	2011 AED m
Sales and marketing	1,881	1,347

30. Guarantees

	2012 AED m	2011 AED m
Performance bonds and letters of credit provided by bankers in the normal course of business	370	357

31. Short term bank deposits and cash and cash equivalents

	2012 AED m	2011 AED m
Bank deposits	14,284	12,753
Cash and bank	1,303	1,220
Cash and bank balances	**15,587**	**13,973**
Less: Short term bank deposits - over 3 months	(8,055)	(3,777)
Cash and cash equivalents as per the consolidated statement of financial position	**7,532**	**10,196**
Bank overdraft (Note 20)	(5)	(9)
Cash and cash equivalents as per the consolidated statement of cash flows	**7,527**	**10,187**

Cash and bank balances earned an effective interest rate of 2.6% (2011: 3.6%) per annum.

32. 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:

	2012 AED m	2011 AED m
Payments for property, plant and equipment	13,561	12,189
Less: Assets acquired under finance leases	(6,761)	(5,685)
	6,800	**6,504**

33. Derivative financial instruments

Description	2012		2011	
	Term	AED m	Term	AED m
Non-current assets				
Cash flow hedge				
Currency swaps and forwards	2012-2017	69		-
		69		**-**
Current assets				
Cash flow hedge				
Currency swaps and forwards		8		53
Fair value through profit and loss				
Jet fuel price futures and options		-		70
		8		**123**
Non-current liabilities				
Cash flow hedge				
Interest rate swaps	2012-2023	(830)	2011-2021	(552)
Currency swaps and forwards	2012-2016	(127)	2011-2017	(90)
		(957)		**(642)**
Current liabilities				
Cash flow hedge				
Interest rate swaps		(1)		(4)
Currency swaps and forwards		(39)		(57)
		(40)		**(61)**

The notional principal amounts outstanding are:

	2012	2011
	AED m	AED m
Interest rate contracts	11,715	6,822
Currency contracts	4,082	4,998
Fuel price contracts	-	4,297

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 3 m (2011: AED 27 m) will enter into the determination of profit between 2012 and 2017.

Gains on account of terminated interest rate derivatives amounting to AED 3 m (2011: AED 19 m) will enter into the determination of profit during 2012.

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

34. Classification of financial instruments

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

Description	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m
2011				
Assets				
Loans and other receivables (excluding prepayments)	1,623	-	-	1,623
Derivative financial instruments	-	123	-	123
Trade and other receivables (excluding prepayments and advance lease rentals)	5,440	-	-	5,440
Short term bank deposits	3,777	-	-	3,777
Cash and cash equivalents	10,196	-	-	10,196
Total	**21,036**	**123**	**-**	**21,159**
Liabilities				
Borrowings and lease liabilities	-	-	23,230	23,230
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	9,665	9,665
Derivative financial instruments	-	703	-	703
Total	**-**	**703**	**32,895**	**33,598**

34. Classification of financial instruments (continued)

Description	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m
2012				
Assets				
Loans and other receivables (excluding prepayments)	846	-	-	846
Derivative financial instruments	-	77	-	77
Trade and other receivables (excluding prepayments and advance lease rentals)	7,048	-	-	7,048
Short term bank deposits	8,055	-	-	8,055
Cash and cash equivalents	7,532	-	-	7,532
Total	**23,481**	**77**	**-**	**23,558**
Liabilities				
Borrowings and lease liabilities	-	-	30,880	30,880
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	10,426	10,426
Derivative financial instruments	-	997	-	997
Total	**-**	**997**	**41,306**	**42,303**

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.

35. Related party transactions

The following transactions were carried out with related parties:

	2012 AED m	2011 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Associates	46	51
Sale of goods - Companies under common control	9	12
Services rendered - Joint ventures	11	12
Services rendered - Companies under common control	59	78
	125	**153**
(ii) Purchase of goods and services		
Purchase of goods - Associates	165	268
Purchase of goods - Companies under common control	3,793	2,668
Services received - Companies under common control	2,019	1,634
Services received - Joint ventures	14	-
	5,991	**4,570**
Other transactions:		
(i) Finance income		
Joint ventures	7	8
Companies under common control	69	60
	76	**68**
(ii) Compensation to key management personnel		
Salaries and short term employee benefits	96	187
Post-employment benefits	15	14
	111	**201**

	2012 AED m	2011 AED m
(iii) Sale of investment		
Sale of investment in associate - Companies under common control	**-**	**82**
Year end balances		
(i) Receivables - sale of goods and services		
Associates	20	14
Joint ventures	3	9
Companies under common control	2	13
	25	**36**
(ii) Receivables - other transactions		
Joint ventures	6	6
Companies under common control	776	773
	782	**779**
Receivable within one year	**466**	**115**
Receivable over one year (Note 15)	**316**	**664**

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.

35. Related party transactions (continued)

	2012 AED m	2011 AED m
(iii) Payables - purchase of goods and services (Note 28)		
Associates	29	30
Companies under common control	570	360
	599	**390**
(iv) Other payables (Note 28)		
Parent company	**23**	-
(iv) Loans		
Joint ventures	83	96
Companies under common control	1,331	1,062
	1,414	**1,158**
Movement in the loans were as follows:		
Balance brought forward	**1,158**	**604**
Additions during the year	608	571
Repayments during the year	(346)	(18)
Currency translation differences	(6)	1
Balance carried forward	**1,414**	**1,158**
Receivable within one year	**948**	**265**
Receivable over one year (Note 15)	**466**	**893**

The effective interest rate on the loans was 3.8% (2011: 5.2%) per annum.

Receivables from and loans to companies under common control relate to government entities, which are unrated. Management is of the opinion that the amounts are fully recoverable.

	2012 AED m	2011 AED m
(v) Loans and advances to key management personnel		
Balance brought forward	**4**	**6**
Additions during the year	6	3
Repayments during the year	(5)	(5)
Balance carried forward	**5**	**4**
Receivable within one year	**3**	**3**
Receivable over one year (Note 15)	**2**	**1**

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

In addition to the above, Emirates has also entered into transactions with other government controlled entities in the normal course of business. The amounts involved are, both individually and in aggregate, not significant.

36. 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. 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 programme is carried out under procedures that are approved by a steering group comprising of senior management. Identification, evaluation and hedging financial risks is done 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, market risk and liquidity risk. Market risk includes commodity price risk, currency risk and interest rate 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 27% (2011: 38%) of short term bank deposits and cash and cash equivalents are held with financial institutions under common control. Approximately 89% (2011: 93%) 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.

Other receivables mainly include advances to employees, VAT receivables and interest accruals on bank deposits. Emirates has the right to recover outstanding employee advances against the final dues payable to the employees.

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

	2012 AED m	2011 AED m
AA- to AA+	489	388
A- to A+	13,872	12,167
Lower than A-	866	977

36. 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. The hedging activity during the year was not significant.

Currency risk

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

Emirates is in a net payer position with respect to the US Dollar and in a net surplus position for other currencies. Currency surpluses are converted to US Dollar and UAE Dirham funds. Currency risks 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 20 for interest cost exposures.

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

Sensitivity analysis of market risk

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.

	2012		**2011**	
	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	8	8	21	21
US Dollars	119	(381)	76	(209)
Singapore Dollars	1	1	6	6
Others	-	(13)	-	(21)
	128	**(385)**	**103**	**(203)**
+ 100 basis points				
UAE Dirhams	(8)	(8)	(21)	(21)
US Dollars	(119)	381	(76)	209
Singapore Dollars	(1)	(1)	(6)	(6)
Others	-	13	-	21
	(128)	**385**	**(103)**	**203**

36. Financial risk management (continued)

	2012		2011	
	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	(42)	(42)	(29)	(29)
+ 100 basis points	42	42	29	29
Currency - UK Pounds				
+ 1%	2	(2)	1	(5)
- 1%	(2)	2	(1)	5
Currency - Euro				
+ 1%	3	(2)	2	(7)
- 1%	(3)	2	(2)	7
Currency - Australian Dollars				
+ 1%	4	(5)	1	(5)
- 1%	(4)	5	(1)	5
Currency - Japanese Yen				
+ 1%	-	(4)	-	(3)
- 1%	-	4	-	3
Currency - Singapore Dollars				
+ 1%	(4)	(4)	(12)	(12)
- 1%	4	4	12	12
Fuel price				
+ 5 US Dollar	-	-	-	44
- 5 US Dollar	-	-	-	(22)

(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.
- Entering into stand-by credit facility arrangements.

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
2012				
Borrowings and lease liabilities	4,950	17,672	13,917	36,539
Derivative financial instruments	241	655	7	903
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	10,426	-	-	10,426
	15,617	**18,327**	**13,924**	**47,868**

36. Financial risk management (continued)

	Less than 1 year	2 - 5 years	Over 5 years	Total
	AED m	AED m	AED m	AED m
2011				
Borrowings and lease liabilities	3,196	12,523	12,328	28,047
Derivative financial instruments	299	335	(24)	610
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	9,634	31	-	9,665
	13,129	**12,889**	**12,304**	**38,322**

37. Capital 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 attributable to the Owner 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 2012, Emirates achieved a return on Owner's equity funds of 7.2% (2011: 28.4%) in comparison to an effective interest rate of 3.0% (2011: 2.7%) 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 2012 this ratio was 71.2% (2011: 44.5%) and if aircraft operating leases are included, the same ratio was 162.1% (2011: 127.6%).

38. Effect of change in accounting policy

Emirates has changed its accounting policy for the recognition of retirement benefit obligations from the corridor to the equity approach with effect from 1 April 2011. This is consistent with the direction that the International Accounting Standards Board (IASB) has taken to reflect retirement benefit obligations more appropriately in the future standard. As a result, actuarial gains and losses are recognised in equity through other comprehensive income in the period in which they arise. Previously, actuarial gains and losses in excess of the corridor limits determined in accordance with IAS 19, were charged/credited in the consolidated income statement over a period of three years.

In line with the guidance provided in IAS 8, the change in accounting policy has been applied retrospectively and comparative figures for 2011 have been restated. Opening retained earnings at 1 April 2010 have decreased by AED 34 m and the opening retirement benefit obligation at 1 April 2010 has increased by AED 34 m, which represents the unrecognised actuarial gains and losses under the corridor approach as at 1 April 2010.

The effect of change in accounting policy is tabulated below:

	2012	**2011**
	AED m	AED m
Decrease in operating costs	18	2
Increase in profit before income tax	18	2
Decrease in other comprehensive income	116	57
Decrease in total comprehensive income for the year	98	55
Increase in retirement benefit obligation	187	89
Decrease in retained earnings	187	89

39. Comparatives

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

- Certain intercompany transactions have been presented on a net basis which has resulted in both revenue and operating costs decreasing by AED 153 m.

- Deferred revenue relating to Emirates' frequent flyer programme amounting to AED 792 m has been reclassified from non-current liabilities to current liabilities to reflect the expected redemption pattern.

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF dnata

Report on the consolidated 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 2012 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 consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
2 May 2012

Warwick Hunt
Registered Auditor Number 643
Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 AED m	2011 AED m
Revenue	4	6,907	4,327
Other operating income		93	79
Operating costs	5	(6,207)	(3,906)
Operating profit		**793**	**500**
Finance income	6	42	85
Finance costs	6	(34)	(17)
Share of results in associates and joint ventures	10	68	24
Profit before income tax		**869**	**592**
Income tax expense	7	(32)	(11)
Profit for the year		**837**	**581**
Profit attributable to non-controlling interests		**29**	**5**
Profit attributable to dnata's Owner		**808**	**576**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012	2011
Profit for the year		**837**	**581**
Currency translation differences		2	141
Net investment hedge	16	(9)	(38)
Actuarial losses on retirement benefit obligations	15	(47)	(25)
Share of other comprehensive income in associates	10	-	(37)
Other comprehensive income		**(54)**	**41**
Total comprehensive income for the year		**783**	**622**
Total comprehensive income attributable to non-controlling interests		**28**	**6**
Total comprehensive income attributable to dnata's Owner		**755**	**616**

Notes 1 to 29 form an integral part of the consolidated financial statements.

dnata

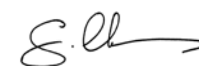
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012

	Note	2012 AED m	2011 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,184	1,132
Intangible assets	9	2,036	1,458
Investments in associates and joint ventures	10	477	435
Advance lease rentals	11	27	28
Trade and other receivables	13	15	-
Loans to related parties	25	1	1
Deferred income tax assets	18	20	18
		3,760	**3,072**
Current assets			
Inventories	12	87	88
Trade and other receivables	13	1,259	1,157
Income tax asset		14	-
Short term bank deposits	23	481	586
Cash and cash equivalents	23	1,518	1,497
		3,359	**3,328**
Total assets		**7,119**	**6,400**

	Note	2012 AED m	2011 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	14	63	63
Retained earnings		3,513	3,099
Other reserves		38	47
Attributable to dnata's Owner		**3,614**	**3,209**
Non-controlling interests		**69**	**73**
Total equity		**3,683**	**3,282**
Non-current liabilities			
Borrowings and lease liabilities	16	600	674
Retirement benefit obligations	15	331	257
Trade and other payables	19	154	-
Other provisions	17	42	36
Deferred income tax liabilities	18	148	148
		1,275	**1,115**
Current liabilities			
Trade and other payables	19	1,991	1,821
Other provisions	17	20	23
Borrowings and lease liabilities	16	135	140
Income tax liabilities		15	19
		2,161	**2,003**
Total liabilities		**3,436**	**3,118**
Total equity and liabilities		**7,119**	**6,400**

The consolidated financial statements were approved on 2 May 2012 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive



Gary Chapman
President

Notes 1 to 29 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Attributable to dnata's Owner						
	Capital AED m	**Capital reserve** AED m	**Translation reserve** AED m	**Retained earnings** AED m	**Total** AED m	**Non-controlling interests** AED m	**Total equity** AED m
1 April 2010 - as reported earlier	**63**	**1**	**(46)**	**3,176**	**3,194**	**-**	**3,194**
Effect of change in accounting policy (Note 29)	-	-	9	(95)	(86)	-	(86)
1 April 2010 - as restated	**63**	**1**	**(37)**	**3,081**	**3,108**	**-**	**3,108**
Currency translation differences	-	-	140	-	140	1	141
Net investment hedge (Note 16)	-	-	(38)	-	(38)	-	(38)
Actuarial losses on retirement benefit obligations (Note 15)	-	-	-	(25)	(25)	-	(25)
Share of other comprehensive income in associates net of deferred tax (Note 10)	-	-	(4)	(33)	(37)	-	(37)
Other comprehensive income	**-**	**-**	**98**	**(58)**	**40**	**1**	**41**
Profit for the year	-	-	-	576	576	5	581
Total comprehensive income	**-**	**-**	**98**	**518**	**616**	**6**	**622**
Non-controlling interest on acquisition of subsidiary (Note 27)	-	-	-	-	-	146	146
Acquired from non-controlling interest	-	(15)	-	-	(15)	(67)	(82)
Dividends	-	-	-	(500)	(500)	(12)	(512)
Transactions with owners	**-**	**(15)**	**-**	**(500)**	**(515)**	**67**	**(448)**
31 March 2011	**63**	**(14)**	**61**	**3,099**	**3,209**	**73**	**3,282**
Currency translation differences	-	-	1	-	1	(1)	-
Transfer to consolidated income statement	-	-	2	-	2	-	2
Net investment hedge (Note 16)	-	-	(9)	-	(9)	-	(9)
Actuarial losses on retirement benefit obligations (Note 15)	-	-	-	(47)	(47)	-	(47)
Share of other comprehensive income in associates net of deferred tax (Note 10)	-	-	(3)	3	-	-	-
Other comprehensive income	**-**	**-**	**(9)**	**(44)**	**(53)**	**(1)**	**(54)**
Profit for the year	-	-	-	808	808	29	837
Total comprehensive income	**-**	**-**	**(9)**	**764**	**755**	**28**	**783**
Dividends	-	-	-	(350)	(350)	(32)	(382)
Transactions with owners	**-**	**-**	**-**	**(350)**	**(350)**	**(32)**	**(382)**
31 March 2012	**63**	**(14)**	**52**	**3,513**	**3,614**	**69**	**3,683**

Capital reserve includes the difference between the carrying value of the non-controlling interest acquired and the fair value of the consideration paid.

Notes 1 to 29 form an integral part of the consolidated financial statements.

dnata

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	2012 AED m	2011 AED m
Operating activities		
Profit before income tax	869	592
Adjustments for:		
Depreciation and amortisation (Note 5)	347	260
Finance income - net (Note 6)	(8)	(68)
Amortisation of advance lease rentals (Note 11)	1	1
Share of results in associates and joint ventures (Note 10)	(68)	(24)
Net loss on sale / dilution of investment in associates (Note 10)	5	-
Gain on sale of property, plant and equipment	(3)	(4)
Net provision for impairment of trade receivables (Note 13)	9	13
Provision for employee benefits (Note 5)	120	71
Employee benefit payments	(90)	(60)
Income tax paid	(62)	(38)
Change in inventories	4	11
Change in trade and other receivables	(114)	(115)
Change in trade and other payables	157	262
Net cash generated from operating activities	**1,167**	**901**

	2012 AED m	2011 AED m
Investing activities		
Additions to property, plant and equipment (Note 8)	(320)	(158)
Additions to intangible assets (Note 9)	(33)	(58)
Proceeds from sale of property, plant and equipment	17	11
Investments in associates and joint ventures (Note 10)	(13)	(5)
Dividends from associates and joint ventures (Note 10)	26	18
Proceeds from sale of an associate	8	-
Acquisition of subsidiary (Note 27)	(200)	(543)
Deferred consideration paid	(43)	-
Acquisition of non controlling interest	-	(82)
Loans to related parties - net (Note 25)	(16)	(16)
Movement in short term bank deposits	105	(584)
Finance income	38	84
Net cash used in investing activities	**(431)**	**(1,333)**
Financing activities		
Net movement in term loans (Note 16)	(166)	(64)
Net lease liabilities	14	(3)
Finance cost	(34)	(17)
Dividend paid to non controlling interest	(32)	(12)
Dividend paid	(500)	-
Net cash used in financing activities	**(718)**	**(96)**
Net increase / (decrease) in cash and cash equivalents	**18**	**(528)**
Cash and cash equivalents at beginning of year	1,465	1,982
Effects of exchange rate changes	9	11
Cash and cash equivalents at end of year (Note 23)	**1,492**	**1,465**

Notes 1 to 29 form an integral part of the consolidated financial statements.

1. General information

dnata comprises dnata ("the parent company") 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
- inflight catering
- information technology services
- representing airlines as their general sales agent
- travel agency and other travel related services

2. Summary of significant accounting policies

A summary of the significant accounting policies, which have been applied consistently in the preparation of these consolidated financial statements, is set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards and IFRIC interpretations. 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 consolidated financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing after 1 April 2012 or later periods, but have not been early adopted. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on dnata's operations:

- IAS 1 (revised), Presentation of Financial Statements (effective from 1 July 2012)
- IAS 19 (revised), Employee Benefits (effective from 1 January 2013)
- IAS 28 (revised), Investments in Associates and Joint Ventures (effective from 1 January 2013)
- IFRS 10, Consolidated Financial Statements (effective from 1 January 2013)
- IFRS 11, Joint Arrangements (effective from 1 January 2013)
- IFRS 12, Disclosure of Interest in Other Entities (effective from 1 January 2013)
- IFRS 13, Fair value Measurement (effective from 1 January 2013)
- IFRS 9 Financial Instruments (effective from 1 January 2015)

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 de-consolidated from the date on which control ceases. Inter-company transactions, balances and unrealised gains and losses arising on transactions between dnata and subsidiaries are eliminated.

2. Summary of significant accounting policies (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred and the liabilities incurred to the former owners of the acquiree. Acquisition-related costs are expensed as incurred. Identifiable assets, including intangible assets acquired, liabilities and contingent liabilities, if any incurred or assumed in a business combination, are measured initially at their fair values at the acquisition date. Any non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

Associates are those entities in which dnata has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any).

Joint ventures are contractual arrangements which establish joint control. Investments in jointly controlled entities are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any).

All material unrealised gains and losses arising on transactions between dnata and its associates and joint ventures are eliminated to the extent of dnata's interest.

Accounting policies of subsidiaries, associates and joint ventures have been changed where necessary to ensure consistency with dnata's accounting policies.

When control or significant influence ceases, the retained interest in the entity is remeasured to fair value as at that date, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the related assets and liabilities have been directly disposed of. This could result in amounts previously recognised in other comprehensive income being reclassified to profit or loss. If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Revenue

Revenue from airport operations and cargo 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 travel services includes commission earned from the sale of air and land arrangements and is recognised on the completion of sale.

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 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 that 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 the 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 the reporting period. The resulting exchange differences are recognised in other comprehensive income.

Share of results in associates and joint ventures are translated into UAE Dirhams at average exchange rates for the year. Translation differences relating to investments in associates, joint ventures, subsidiaries and foreign currency borrowings that provide a hedge against a net investment in a foreign entity and monetary assets and liabilities that form part of net investment in foreign operation are classified as a translation reserve in equity through other comprehensive income 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.

2. Summary of significant accounting policies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates ruling on the end of the 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.

Land is not depreciated. Depreciation is calculated on other items of property, plant and equipment 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 - 33 years
Leasehold property	shorter of useful life or lease term
Plant and machinery	4 - 15 years
Office equipment and furniture	3 - 6 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.

An impairment review is carried out whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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 consideration transferred over the fair value of dnata's share of the identifiable net assets acquired in its subsidiaries at the date of acquisition.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment and carried at cost less accumulated impairment loss. For the purpose of impairment testing, goodwill is allocated to cash generating units or group of 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

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

In the case of internally developed computer software, development expenditure is capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and there exists an intent and ability to complete the development and to use or sell the asset. Other research and development expenditure not meeting the criteria for capitalisation are recognised in the consolidated income statement as incurred.

Customer relationships and contractual rights are recognised on acquisition at fair values.

2. Summary of significant accounting policies (continued)

An impairment review is carried out whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit or group of cash generating units). Intangible assets are amortised on a straight-line basis over the estimated useful lives, which are:

Trade names	10 years
Computer software	3 - 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.

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 dnata, 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 dnata's 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.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average cost basis except for food and beverage inventory which is determined on a first-in-first-out basis.

Trade receivables

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

Provisions

Provisions are recognised when dnata has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of significant accounting policies (continued)

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 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. 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 changes in actuarial assumptions and experience adjustments are recognised in equity through other comprehensive income in the period in which they arise.

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 the 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. 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. Also deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill in a business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted in the jurisdiction of the individual companies by the end of the reporting period and are expected to apply when the related deferred income tax liability is settled or the deferred income 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 dnata 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Trade payables

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

Cash and cash equivalents

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

Dividend distribution

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

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 comprising 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 associates 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 analyst forecasts, as appropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The estimates made in arriving at the value-in-use calculation are set out in note 9.

4. Revenue

	2012 AED m	2011 AED m
Services		
Airport operations	2,321	1,980
Cargo	993	882
Information technology	649	546
Travel services	319	243
Other	101	84
	4,383	**3,735**
Sale of goods		
In-flight catering	2,452	576
Other	72	16
	2,524	**592**
	6,907	**4,327**

5. Operating costs

	2012 AED m	2011 AED m
Employee (see below)	2,838	2,032
Cost of goods sold	1,109	241
Airport operations and cargo - other direct costs	702	582
Office accommodation	382	216
Depreciation and amortisation	347	260
Information technology infrastructure costs	264	198
Operating lease rentals	59	53
Corporate overheads	506	324
	6,207	**3,906**

Employee costs include AED 120 m (2011: AED 71 m) in respect of post-employment benefits and AED Nil (2011: AED 135 m) in respect of an employee profit share scheme.

6. Finance income and costs

	2012 AED m	2011 AED m
Finance income:		
Interest income	**42**	**85**
Finance costs:		
Interest charges	(33)	(17)
Other finance costs	(1)	-
	(34)	**(17)**

7. Income tax expense

	2012 AED m	2011 AED m
The components of income tax expense are:		
Current tax	57	22
Deferred tax credit (Note 18)	(25)	(11)
	32	**11**

Income tax relates only to subsidiary companies which are subject to tax.

8. Property, plant and equipment

	Land, buildings and leasehold property	Plant and machinery	Office equipment and furniture	Motor vehicles	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2010	519	648	910	33	4	2,114
Acquisition (Note 27)	398	453	56	15	4	926
Additions	6	40	79	3	30	158
Transfer from capital projects	5	3	1	-	(9)	-
Disposals / write off	-	(11)	(41)	(2)	-	(54)
Currency translation differences	37	30	2	(1)	1	69
31 March 2011	**965**	**1,163**	**1,007**	**48**	**30**	**3,213**
Depreciation						
1 April 2010	131	495	711	23	-	1,360
Acquisition (Note 27)	182	312	44	11	-	549
Charge for the year	28	64	95	4	-	191
Disposals / write off	-	(10)	(35)	(2)	-	(47)
Currency translation differences	8	19	-	1	-	28
31 March 2011	**349**	**880**	**815**	**37**	**-**	**2,081**
Net book amount						
31 March 2011	**616**	**283**	**192**	**11**	**30**	**1,132**

8. Property, plant and equipment (continued)

	Land, buildings and leasehold property	Plant and machinery	Office equipment and furniture	Motor vehicles	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2011	965	1,163	1,007	48	30	3,213
Acquisition (Note 27)	-	-	6	-	-	6
Additions	28	136	131	6	19	320
Transfer from capital projects	3	-	13	-	(16)	-
Disposals / write off	-	(36)	(52)	(2)	(6)	(96)
Currency translation differences	(4)	(3)	(3)	-	1	(9)
31 March 2012	**992**	**1,260**	**1,102**	**52**	**28**	**3,434**
Depreciation						
1 April 2011	349	880	815	37	-	2,081
Acquisition (Note 27)	-	-	3	-	-	3
Charge for the year	57	87	102	5	-	251
Disposals / write off	-	(33)	(47)	(2)	-	(82)
Currency translation differences	(1)	(2)	-	-	-	(3)
31 March 2012	**405**	**932**	**873**	**40**	**-**	**2,250**
Net book amount						
31 March 2012	**587**	**328**	**229**	**12**	**28**	**1,184**

The net book amount of property, plant and equipment includes AED 61 m (2011: AED 41 m) in respect of plant and machinery held under finance leases.

Land of AED 20 m (2011: AED 19 m) is carried at cost and is not depreciated.

9. Intangible assets

	Goodwill	Computer software	Trade names	Customer relationships	Contractual rights	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2010	325	166	-	12	386	889
Acquisition (Note 27)	464	12	-	-	243	719
Additions	-	58	-	-	-	58
Disposals / write off	-	(1)	-	-	-	(1)
Currency translation differences	58	1	-	-	62	121
31 March 2011	**847**	**236**	**-**	**12**	**691**	**1,786**
Amortisation						
1 April 2010	-	102	-	7	118	227
Acquisition (Note 27)	-	11	-	-	-	11
Charge for the year	-	20	-	4	45	69
Currency translation differences	-	1	-	-	20	21
31 March 2011	**-**	**134**	**-**	**11**	**183**	**328**
Net book value						
31 March 2011	**847**	**102**	**-**	**1**	**508**	**1,458**

9. Intangible assets (continued)

	Goodwill	Computer software	Trade names	Customer relationships	Contractual rights	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2011	847	236	-	12	691	1,786
Acquisition (Note 27)	528	42	37	-	-	607
Additions	-	33	-	-	-	33
Currency translation differences	25	1	1	-	9	36
31 March 2012	**1,400**	**312**	**38**	**12**	**700**	**2,462**
Amortisation						
1 April 2011	-	134	-	11	183	328
Charge for the year	-	24	1	1	70	96
Currency translation differences	-	-	-	-	2	2
31 March 2012	**-**	**158**	**1**	**12**	**255**	**426**
Net book value						
31 March 2012	**1,400**	**154**	**37**	**-**	**445**	**2,036**

Computer software includes an amount of AED 43 m (2011: AED 36 m) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, the recoverable amounts for cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a five year period. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate, growth rates based on management's expectations for market development and historical gross margins. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate. The goodwill allocated to cash generating units or group of cash generating units and the key assumptions used in the value-in-use calculations are as follows:

Cash generating unit	Location	Goodwill		Gross margin	Terminal growth rate	Discount rate
		2012	**2011**			
		AED m	AED m	%	%	%
Airport services	Singapore	99	99	22.0	3.0	7.0
Airport services	Switzerland	277	269	19.0	1.5	6.0
In-flight catering	UK	476	476	13.0	1.5	8.0
Travel services	UK	545	-	8.0	1.5	9.0
Travel services	UAE	3	3	-	-	-
		1,400	**847**			

10. Investments in subsidiaries, associates 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	Holding company	Singapore
dnata Singapore Ltd.	100	Aircraft handling and catering services	Singapore
MMI Travel L.L.C.	100	Travel agency	United Arab Emirates
Dnata Gmbh	100	Holding 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	Holding company	United Kingdom
dnata Limited	100	Aircraft handling services	United Kingdom
Incorporated during the previous year:			
Mercator Asia Ltd.	100	Information technology services	Thailand
Dnata for Airport Services Ltd.	100	Aircraft handling services	Iraq
Dnata Catering Services Ltd.	100	Holding company	United Kingdom
Acquired during the previous year:			
Alpha Flight Group Ltd.	100	In-flight catering services	United Kingdom
Alpha Flight UK Ltd.	100	In-flight catering services	United Kingdom
Alpha Services Pty Limited	100	In-flight catering services	Australia
Alpha Flight Services BV	100	In-flight catering services	Netherlands
Alpha Flight Ireland Limited	100	In-flight catering services	Ireland
Alpha Airport Services EOOD	100	In-flight catering services	Bulgaria
Alpha Flight a.s	100	In-flight catering services	Czech Republic
Alpha Flight U.S L.L.C.	100	In-flight catering services	United States of America
Alpha Rocas SA	64.2	In-flight catering services	Romania
Alpha Flight Services UAE	49	In-flight catering services	United Arab Emirates
Jordan Flight Catering Company Ltd.	35.9	In-flight catering services	Jordan

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

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries			
Incorporated during the year:			
DWT International Private Limited	100	Travel agency	India
dnata World Travel Limited	75	Holding company	United Kingdom
Acquired during the year:			
Travel Republic Limited	75	Online travel services	United Kingdom

Alpha Flight Services UAE and Jordan Flight Catering Company Ltd qualify as subsidiaries as overall control is exercised by dnata, therefore results of these companies are consolidated. Beneficial interest in Dnata for Airport Services Ltd is 80%, dnata World Travel Ltd and Travel Republic Ltd is 100%.

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal associates			
Dubai Express L.L.C.	50	Freight clearing and forwarding	United Arab Emirates
Gerry's Dnata (Private) Ltd.	50	Aircraft handling services	Pakistan
Guangzhou Baiyun International Airport Ground Handling Services Co. Ltd.	20	Aircraft handling services	China
Oman United Agencies Travel L.L.C.	50	Corporate travel services	Oman
Hogg Robinson Group Plc	22.4	Corporate travel services	United Kingdom
Mindpearl AG	49	Contact centre operations	Switzerland
Mindpearl South Africa (Pty) Ltd.	49	Contact centre operations	South Africa

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

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal joint ventures			
PAL PAN Airport Logistics L.L.C. (formerly Dnata-PWC Airport Logistics L.L.C.)	50	Logistics services	United Arab Emirates
dnata Travel Limited	70	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
Acquired during the previous year:			
Servair Air Chef srl	50	In-flight catering services	Italy
Acquired during the year:			
Wings Inflight Services (Pty) Ltd.	50	In-flight catering services	South Africa

Although the percentage of equity owned in dnata Travel Limited is 70% and SDV UAE LLC is 25.5% they are subject to joint control. The beneficial interest in Transguard Group L.L.C is 50% and is subject to joint control. Investment in Xian Dnata Aviation Services Co. Ltd was divested during the year.

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

Movement of investments in associates and joint ventures

	2012 AED m	2011 AED m
Balance brought forward - as reported earlier	**-**	**483**
Effect of change in accounting policy (Note 29)	-	(87)
Balance brought forward - as restated	**435**	**396**
Acquisition (Note 27)	-	45
Investments during the year	13	5
Share of results	68	24
Share of other comprehensive income	-	(37)
Dividends	(26)	(18)
Disposal / dilution during the year	(11)	-
Currency translation differences	(2)	20
Balance carried forward	**477**	**435**

The carrying value of the investments in associates amounted to AED 158 m (2011: AED 148 m) and the share of results amounted to AED 36 m (2011: AED 22 m). The investments in associates and joint ventures include a quoted investment, the fair value of which amounts to AED 294 m (2011: AED 243 m) at the end of the reporting period.

The financial statements of an associate have been drawn from 1 January 2011 to 31 December 2011 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 2012 and 31 March 2012.

Summarised financial information in respect of associates is set out below:

	2012 AED m	2011 AED m
Total assets	3,349	3,467
Total liabilities	2,759	2,955
Net assets	590	512
Revenue	2,678	2,410
Profit for the year	141	40

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

	2012 AED m	2011 AED m
Non-current assets	369	301
Current assets	279	274
Non-current liabilities	72	82
Current liabilities	257	206
Total income	820	596
Total expense	788	594

11. Advance lease rentals

	2012 AED m	2011 AED m
Balance brought forward	**28**	**26**
Charge for the year	(1)	(1)
Currency translation differences	-	3
Balance carried forward	**27**	**28**

12. Inventories

	2012 AED m	2011 AED m
Plant and machinery - spares and consumables	19	18
Food and beverage	47	54
Other	21	16
	87	**88**

13. Trade and other receivables

	2012 AED m	2011 AED m
Trade receivables - net of provision	792	717
Prepayments	106	89
Related parties (Note 25)	176	156
Deposits and other receivables	200	195
	1,274	**1,157**
Less: Receivable over one year	(15)	-
	1,259	**1,157**

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:

	2012 AED m	2011 AED m
Balance brought forward	**45**	**25**
Acquisition	-	9
Charge for the year	20	25
Unused amounts reversed	(11)	(12)
Amounts written off as uncollectible	(4)	(4)
Currency translation differences	(1)	2
Balance carried forward	**49**	**45**

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:

	2012 AED m	2011 AED m
Below 3 months	310	329
3-6 months	25	22
Above 6 months	56	61
	391	**412**

14. Capital

Capital represents the permanent capital of dnata.

15. 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 2012, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements.

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

	2012 AED m	2011 AED m
Funded scheme		
Present value of defined benefit obligations	126	135
Less: Fair value of plan assets	(116)	(126)
	10	**9**
Unfunded scheme		
Present value of defined benefit obligations	**321**	**248**
Liability recognised in consolidated statement of financial position	**331**	**257**

(i) Funded scheme

Plan 1

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 present value of obligation and fair value of plan assets are as follows:

	2012 AED m	2011 AED m
Present value of funded defined benefit obligations	72	61
Fair value of plan assets	67	58
	5	**3**

The assessment of the present value of defined benefit obligations assumed expected salary increases averaging 5.0% (2011: 5.0%) and a discount rate of 5.0% (2011: 6.0%) per annum. The present values of the defined benefit obligations at 31 March 2012 were computed using the actuarial assumptions set out above.

The liability of AED 5 m (2011: AED 3 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.

Contributions received include the transfer of accumulated benefits from unfunded schemes.

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.

15. Retirement benefit obligations (continued)

Plan 2

Employees of a group subsidiary, acquired during the previous year and based in the Netherlands participate in a defined benefit pension plan, which is funded by way of contributions to an insurance policy. The present value of obligations and fair value of plan assets of the subsidiary are as follows:

	2012	2011
	AED m	AED m
Present value of funded defined benefit obligations	54	74
Fair value of plan assets	49	68
	5	**6**

The assessment of the present value of defined benefit obligations assumed expected salary increases averaging 2.5% (2011: 2.5%) and a discount rate of 4.7% (2011: 4.9%) per annum. The present values of the defined benefit obligations at 31 March 2012 were computed using the last annual assessment carried out at the acquisition date and using actuarial assumptions set out above. The assets of the plan are wholly invested in insurance contracts.

The movement in the fair value of the plan assets for both plans is:

	2012	2011
	AED m	AED m
Balance brought forward	**126**	**48**
Acquisition	-	64
Contributions received	14	11
Benefits paid	(20)	(4)
Change in fair value	(1)	4
Currency translation differences	(3)	3
Balance carried forward	**116**	**126**

dnata expects to contribute approximately AED 32 m for existing plan members during the year ended 31 March 2013.

(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.

The movement in the defined benefit obligation is:

	2012	2011
	AED m	AED m
Balance brought forward - as reported earlier	**-**	**195**
Effect of change in accounting policy (Note 29)	-	(1)
Balance brought forward - as restated	**248**	**194**
Acquisition	-	18
Current service cost	48	17
Interest cost	13	12
Actuarial losses	47	25
Payments made during the year	(36)	(18)
Currency translation differences	1	-
Balance carried forward	**321**	**248**

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

The cumulative amount of actuarial losses recognised in other comprehensive income is AED 71 m (2011: AED 24 m).

15. Retirement benefit obligations (continued)

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

	2012 AED m	2011 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	10	9
Net change in the present value of defined benefit obligations over plan assets	3	-
	13	**9**
Unfunded scheme		
Current service cost	48	17
Interest cost	13	12
	61	**29**
Defined contribution plan		
Contributions expensed	**46**	**33**
Recognised in the consolidated income statement	**120**	**71**

16. Borrowings and lease liabilities

	2012 AED m	2011 AED m
Non-current		
Term loans	568	658
Lease liabilities	32	16
	600	**674**
Current		
Term loans	98	97
Lease liabilities	11	11
Bank overdrafts (Note 23)	26	32
	135	**140**
	735	**814**

Borrowings and lease liabilities are denominated in the following currencies:

	2012 AED m	2011 AED m
Sterling Pound	341	378
Swiss Francs	267	274
Singapore Dollars	122	162
Others	5	-

(a) Term loans

	2012 AED m	2011 AED m
Movement in the term loans are as follows:		
Balance brought forward	**760**	**445**
Acquisitions	63	315
Repayments	(166)	(64)
Currency translation differences	12	64
	669	**760**
Unamortised transaction costs	(3)	(5)
Balance carried forward	**666**	**755**
Term loans are repayable as follows:		
Within one year	**98**	**97**
Between 2 and 5 years	458	523
After 5 years	110	135
Total over one year	**568**	**658**
Loans are denominated in the following currencies:		
Sterling Pound	292	319
Swiss Francs	252	274
Singapore Dollars	122	162

A term loan amounting to AED 123 m (2011: AED 163 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 dnata Singapore Ltd. A corporate guarantee has also been provided by dnata for the total value of the term loans.

16. Borrowings and lease liabilities (continued)

Contractual repricing dates are set at six month intervals. The effective interest rate on the term loans was 2.9% (2011: 2.7%) 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.

The lease liabilities are secured on the related plant and machinery.

The carrying amount of lease liabilities approximates its fair value. 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.

(b) Lease liabilities

	2012	2011
	AED m	AED m
Gross lease liabilities:		
Within one year	11	13
Between 2 and 5 years	31	18
After 5 years	5	-
	47	**31**
Future interest	(4)	(4)
Present value of finance lease liabilities	**43**	**27**
The present value of finance lease liabilities is repayable as follows:		
Within one year	**11**	**11**
Between 2 and 5 years	28	16
After 5 years	4	-
Total over one year	**32**	**16**
The present value of finance lease liabilities are denominated in the following currencies:		
Sterling Pound	28	27
Swiss Francs	15	-

17. Other provisions

	Dilapi-dations	Onerous contracts	Others	Total
	AED m	AED m	AED m	AED m
1 April 2011	**30**	**10**	**19**	**59**
Additions	6	-	-	6
Charge to the income statement	1	-	2	3
Unused amounts reversed	-	(1)	(5)	(6)
Unwinding of discount	2	1	-	3
Used during the year	(2)	(2)	-	(4)
Currency translation differences	1	-	-	1
31 March 2012	**38**	**8**	**16**	**62**

Provisions are expected to be used as follows:

	2012	2011
	AED m	AED m
Within one year	20	23
Over one year	42	36
31 March 2012	**62**	**59**

The provision for dilapidations represents an estimate of the costs of restoring certain leasehold ties to their original condition at the end of the lease term discounted at the applicable weighted average cost of capital.

The provision for onerous contracts represents an estimate of unavoidable net costs accruing on contracts, discounted at the applicable weighted average cost of capital.

18. Deferred income 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:

	2012	2011
	AED m	AED m
Deferred income tax assets	20	18
Deferred income tax liabilities	(148)	(148)
	(128)	**(130)**
The movement in the deferred tax account is as follows:		
Balance brought forward	**(130)**	**(83)**
Acquisition (Note 27)	(20)	(47)
Credited to the consolidated income statement (Note 7)	25	11
Currency translation differences	(3)	(11)
Balance carried forward	**(128)**	**(130)**

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 income tax liabilities

	Property, plant and equipment	Intangible assets	Other	Total
	AED m	AED m	AED m	AED m
1 April 2010	**(35)**	**(55)**	**(2)**	**(92)**
Acquisition (Note 27)	(8)	(49)	-	(57)
Credited to the consolidated income statement	2	9	-	11
Currency translation differences	(4)	(7)	-	(11)
31 March 2011	**(45)**	**(102)**	**(2)**	**(149)**
Acquisition (Note 27)	-	(20)	-	(20)
Credited to the consolidated income statement	5	17	-	22
Currency translation differences	(1)	(3)	-	(4)
31 March 2012	**(41)**	**(108)**	**(2)**	**(151)**

Deferred income tax assets

	Tax losses	Provisions	Other	Total
	AED m	AED m	AED m	AED m
1 April 2010	**1**	**1**	**7**	**9**
Acquisition (Note 27)	10	-	-	10
Currency translation differences	1	-	(1)	-
31 March 2011	**12**	**1**	**6**	**19**
Charged to the consolidated income statement	(1)	-	4	3
Currency translation differences	-	-	1	1
31 March 2012	**11**	**1**	**11**	**23**

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 91 m (2011: AED 86 m).

19. Trade and other payables

	2012 AED m	2011 AED m
Trade payables and accruals	1,354	1,066
Related parties (Note 25)	66	27
Employee leave pay	91	93
Airlines	103	113
Customer deposits	27	22
Dividend payable	350	500
Other payables	154	-
	2,145	**1,821**
Less: Payable over one year	154	-
	1,991	**1,821**

The non-current portion represents the deferred consideration and contingent consideration for acquisition of a subsidiary company (Note 27).

20. Operating leases

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

	2012 AED m	2011 AED m
Less than 1 year	65	46
Between 2 and 5 years	167	122
After 5 years	301	264
	533	**432**

21. Capital commitments

	2012 AED m	2011 AED m
Authorised and contracted	110	74
Authorised but not contracted	478	403
	588	**477**

22. Guarantees

	2012 AED m	2011 AED m
Guarantees provided by dnata's bankers in the normal course of business	**84**	**68**

23. Short term bank deposits, cash and cash equivalents

	2012 AED m	2011 AED m
Short term bank deposits	1,462	1,894
Cash and bank	537	189
Cash and bank balances	**1,999**	**2,083**
Less: Short term bank deposits over 3 months	(481)	(586)
Cash and cash equivalents as per the consolidated statement of financial position	**1,518**	**1,497**
Bank overdraft (Note 16)	(26)	(32)
Cash and cash equivalents as per the consolidated statement of cash flows	**1,492**	**1,465**

Short term bank deposits, cash and cash equivalents yield an effective interest rate of 2.0% (2011: 4.0%) per annum.

24. Classification of financial instruments

The accounting policies for financial instruments have been applied to the following:

Description	Loans and receivables	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m
2011			
Assets			
Loans to related parties (non-current)	1	-	1
Trade and other receivables (excluding prepayments)	1,068	-	1,068
Short term bank deposits	586	-	586
Cash and cash equivalents	1,497	-	1,497
Total	**3,152**	**-**	**3,152**
Liabilities			
Borrowings and lease liabilities	-	814	814
Trade and other payables (excluding customer deposits)	-	1,799	1,799
Total	**-**	**2,613**	**2,613**
2012			
Assets			
Loans to related parties (non-current)	1	-	1
Trade and other receivables (excluding prepayments)	1,168	-	1,168
Short term bank deposits	481	-	481
Cash and cash equivalents	1,518	-	1,518
Total	**3,168**	**-**	**3,168**
Liabilities			
Borrowings and lease liabilities	-	735	735
Trade and other payables (excluding customer deposits)	-	2,118	2,118
Total	**-**	**2,853**	**2,853**

25. Related party transactions

The following transactions were carried out with related parties:

Trading transactions

	2012 AED m	2011 AED m
(i) Sale / purchase of goods and services		
Sale		
Sale of goods - Companies under common control	336	103
Services rendered - Associates	14	14
Services rendered - Joint ventures	6	10
Services rendered - Companies under common control	1,581	1,308
	1,937	**1,435**
Purchase		
Purchase of goods - Companies under common control	78	113
Services received - Associates	-	1
Services received - Joint ventures	140	122
Services received - Companies under common control	45	38
	263	**274**
(ii) Year end balances arising from sale / purchase of goods and / or services		
Receivables from related parties (Note 13)		
Associates	4	3
Joint ventures	13	15
Companies under common control	99	95
	116	**113**
Payables to related parties (Note 19)		
Joint ventures	21	17
Companies under common control	45	10
	66	**27**

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

Other transactions

	2012 AED m	2011 AED m
(i) Compensation to key management personnel		
Salaries and short-term employee benefits	20	29
Post-employment benefits	3	3
	23	**32**
(ii) Loans		
Associates	8	6
Joint ventures	53	38
	61	**44**
Movement in the loans were as follows:		
Balance brought forward	**44**	**26**
Additions	16	31
Currency translation differences	1	2
Repayments	-	(15)
Balance carried forward	**61**	**44**
Within one year (Note 13)	**60**	**43**
Total over one year	**1**	**1**

The loans earned effective interest of 5.5% (2011: 6.5%) except for loans amounting to AED 1 m (2011: AED 1 m) which were interest free.

(iii) Purchase of shares from non controlling interest

	2012 AED m	2011 AED m
Companies under common control	**-**	**82**

In addition to the above, dnata has also entered into transactions with other government controlled entities in the normal course of business. The amounts involved are, both individually and in aggregate, not significant.

26. 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. 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 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, GBP LIBOR for Sterling Pounds and SIBOR for Singapore Dollars. Summarised quantitative data is available in Note 16 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, Swiss Francs and Sterling Pounds. Cash flows from the Singapore, Switzerland and United Kingdom operations are adequate to meet the repayment schedules.

Sensitivity analysis of market risk

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.

	2012		2011	
	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				
Singapore Dollars	2	2	2	2
Swiss Francs	3	3	3	3
Sterling Pounds	3	3	1	1
	8	**8**	**6**	**6**
+ 100 basis points				
Singapore Dollars	(2)	(2)	(2)	(2)
Swiss Francs	(3)	(3)	(3)	(3)
Sterling Pounds	(3)	(3)	(1)	(1)
	(8)	**(8)**	**(6)**	**(6)**
Interest income				
- 100 basis points	(2)	(2)	(1)	(1)
+ 100 basis points	2	2	1	1
Currency - Singapore Dollars				
+ 1%	-	(1)	-	(2)
- 1%	-	1	-	2
Currency - Swiss Francs				
+ 1%	-	(3)	-	(3)
- 1%	-	3	-	3

26. Financial risk management (continued)

	2012		2011	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
	AED m	AED m	AED m	AED m
Currency - Sterling Pounds				
+ 1%	-	(3)	-	(3)
- 1%	-	3	-	3

(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 42% (2011: 62%) 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:

	2012	2011
	AED m	AED m
AA- to AA+	134	2
A- to A+	1,810	1,799
Lower than A-	24	198

(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.
- Entering in to stand-by credit facility arrangements.

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	2 - 5 years	Over 5 years	Total
	AED m	AED m	AED m	AED m
2012				
Borrowings and lease liabilities	138	450	156	744
Trade and other payables (excluding customer deposits)	1,964	217	-	2,181
	2,102	**667**	**156**	**2,925**
2011				
Borrowings and lease liabilities	119	505	225	849
Trade and other payables (excluding customer deposits)	1,799	-	-	1,799
	1,918	**505**	**225**	**2,648**

27. Business combinations

On 28 December 2011, dnata acquired 100% beneficial interest in Travel Republic Group, through its wholly owned subsidiary dnata World Travel Limited (DWTL). Travel Republic is an online travel services company operating in the United Kingdom, Ireland and Spain.

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

	AED m
Property, plant and equipment (Note 8)	3
Intangible assets (Note 9)	79
Other current assets	9
Cash and cash equivalents	147
Borrowings and lease liabilities	(63)
Deferred tax liabilities (Note 18)	(20)
Current liabilities	(148)
Fair value of net assets acquired	**7**
dnata's share of net assets acquired	**7**
Goodwill (Note 9)	528
Total purchase consideration	**535**
Less: Cash and cash equivalents acquired	(147)
Less: Deferred consideration	(110)
Less: Contingent consideration	(78)
Cash outflow on acquisition	**200**

Costs of acquisition amounting to AED 9 m is included under operating costs.

Contingent consideration is payable after 5 years from the acquisition date and is based on growth in EBITDA and free cash less outstanding debts. The amount has been estimated based on management's long term plan for the business.

The goodwill is attributable to the profitability of the acquired business and expected synergies with existing travel services business. The acquisition of Travel Republic will allow dnata to capitalise on the increasing popularity of online travel booking.

dnata will combine the online travel services strength of Travel Republic with its global travel network to offer a broader range of destinations whilst maintaining the same high-quality customer experience.

The acquired business contributed revenue of AED 72 m and a profit of AED 5 m from the acquisition date to 31 March 2012. If the acquisition had taken place at the beginning of the year, the revenue and profit would have been AED 223 m and AED 20 m respectively.

In the previous year, dnata acquired 100% of the shares in Alpha Flight Group Limited (Alpha), through its wholly-owned subsidiary Dnata Catering Services Limited. Alpha is a leading international in-flight catering business operating at 61 airports in 11 countries. The acquired business contributed revenue of AED 465 m and loss of AED 5 m from the acquisition date to 31 March 2011.

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

	AED m
Property, plant and equipment (Note 8)	377
Intangible assets (Note 9)	244
Investment in associates and joint ventures (Note 10)	45
Deferred tax assets (Note 18)	10
Other current assets	383
Cash and cash equivalents	55
Borrowings and lease liabilities	(341)
Retirement benefit obligations (Note 15)	(24)
Other provisions (Note 17)	(58)
Deferred tax liabilities (Note 18)	(57)
Current liabilities	(354)
Fair value of net assets acquired	**280**
Less: Non-controlling interests	(146)
dnata's share of net assets acquired	**134**
Goodwill (Note 9)	464
Total purchase consideration	**598**
Less: Cash and cash equivalents acquired	(55)
Cash outflow on acquisition	**543**

28. 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 2012, dnata achieved a return on equity of 23.7% (2011: 18.0%) in comparison to an effective interest rate of 2.9% (2011: 2.7%) on borrowings.

29. Effect of change in accounting policy

dnata has changed its accounting policy for the recognition of retirement benefit obligations from the corridor to the equity approach with effect from 1 April 2011. This is consistent with the direction that the International Accounting Standards Board (IASB) has taken to reflect retirement benefit oblligations more appropriately in the future standard. As a result, actuarial gains and losses are recognised in equity through other comprehensive income in the period in which they arise. Previously actuarial gains and losses in excess of the corridor limits determined in accordance with IAS 19, were charged / credited in the consolidated income statement over a period of three years.

In line with the guidance provided in IAS 8, the change in accounting policy has been applied retrospectively. Opening balance sheet and comparative figures have been restated.

The effect of change in accounting policy as at 1 April 2010 is as below:

	As reported earlier	**Effect of change**	**As restated**
	AED m	AED m	AED m
Investment in associates and joint ventures	483	(87)	396
Retirement benefit obligations	198	(1)	197
Total equity	3,194	(86)	3,108

The effect of change in accounting policy for the current and previous year is tabulated below:

	2012	**2011**
	AED m	AED m
Increase in share of results in associates and joint ventures	8	16
Increase in profit before income tax	8	16
Decrease in other comprehensive income	44	56
Decrease in total comprehensive income for the year	36	40
Decrease in investment in associates and joint ventures	100	102
Increase in retirement benefit obligation	71	24
Decrease in retained earnings	171	126

EMIRATES
TEN-YEAR OVERVIEW

Consolidated income statement		2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Revenue and other operating income	AED m	62,287	54,231	43,455	43,266	38,810	29,173	22,658	17,909	13,116	9,514
Operating costs	AED m	60,474	48,788	39,890	40,988	34,359	25,834	20,006	15,290	11,368	8,513
- of which jet fuel	AED m	24,292	16,820	11,908	14,443	11,005	7,525	5,445	3,279	1,633	998
- of which employee costs	AED m	7,936	7,615	6,345	5,861	5,475	4,024	3,187	2,701	2,254	1,749
Operating profit	AED m	1,813	5,443	3,565	2,278	4,451	3,339	2,652	2,619	1,749	1,001
Profit attributable to the Owner	AED m	1,502	5,375	3,538	686	5,020	3,096	2,475	2,407	1,574	907
Consolidated statement of financial position											
Non-current assets	AED m	51,896	43,223	36,870	31,919	27,722	22,530	17,018	12,219	8,438	7,485
Current assets	AED m	25,190	21,867	18,677	15,530	18,790	15,428	14,376	11,499	9,900	6,594
- of which bank deposits and cash	AED m	15,587	13,973	10,511	7,168	10,360	9,123	9,199	7,328	6,455	4,213
Total assets	AED m	77,086	65,090	55,547	47,449	46,512	37,958	31,394	23,719	18,338	14,079
Total equity	AED m	21,466	20,813	17,475	15,571	16,843	13,170	10,919	8,112	5,013	3,818
- of which equity attributable to the Owner	AED m	21,224	20,606	17,274	15,412	16,687	13,040	10,788	7,962	4,897	3,709
Non-current liabilities	AED m	29,855	22,987	19,552	17,753	14,206	14,210	10,616	8,927	8,101	6,385
Current liabilities	AED m	25,765	21,290	18,520	14,125	15,463	10,578	9,859	6,680	5,224	3,876
Consolidated statement of cash flows											
Cash flow from operating activities	AED m	8,107	11,004	8,328	5,016	7,335	5,765	4,106	4,009	2,555	2,252
Cash flow from investing activities	AED m	(10,566)	(5,092)	(577)	1,896	(8,869)	(4,749)	(5,049)	(2,638)	(1,086)	(619)
Cash flow from financing activities	AED m	(201)	(5,046)	(2,982)	(5,085)	(3,820)	(198)	867	(487)	893	(489)
Net change in cash and cash equivalents	AED m	(2,660)	866	4,769	1,827	(5,354)	818	(76)	885	2,362	1,144
Other financial data											
Net change in cash and cash equivalents and short term bank deposits	AED m	1,614	3,462	3,343	(3,192)	1,237	(76)	1,871	873	2,242	1,089
EBITDAR	AED m	10,735	13,437	10,638	8,286	9,730	7,600	5,970	5,331	3,764	2,487
Borrowings and lease liabilities	AED m	30,880	23,230	19,605	16,512	13,717	13,338	11,247	8,142	7,620	6,050
Less: Cash assets	AED m	15,587	13,973	10,511	7,368	12,715	11,594	9,828	7,645	6,605	4,261
Net debt	AED m	15,293	9,257	9,094	9,144	1,002	1,744	1,419	497	1,015	1,789
Capital expenditure	AED m	13,644	12,238	8,053	10,178	9,058	5,388	4,528	3,115	1,409	1,573

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.

EMIRATES

TEN-YEAR OVERVIEW

Key ratios		2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Operating margin	%	2.9	10.0	8.2	5.3	11.5	11.4	11.7	14.6	13.3	10.5
Profit margin	%	2.4	9.9	8.1	1.6	12.9	10.6	10.9	13.4	12.0	9.5
Return on shareholder's funds	%	7.2	28.4	21.6	4.4	33.8	26.0	26.4	37.4	36.6	27.3
EBITDAR margin	%	17.2	24.8	24.5	19.2	25.1	26.1	26.3	29.8	28.7	26.1
Cash assets to revenue and other operating income	%	25.0	25.8	24.2	17.0	32.8	39.7	43.4	42.7	50.4	44.8
Net debt equity ratio	%	71.2	44.5	52.0	58.7	5.9	13.2	13.0	6.1	20.2	46.9
Net debt (including aircraft operating leases) equity ratio	%	162.1	127.6	158.5	167.0	98.1	116.1	111.9	116.6	175.2	185.5
Net debt (including aircraft operating leases) to EBITDAR	%	324.1	197.6	260.3	313.9	169.9	201.2	204.6	177.4	233.3	284.8
Effective interest rate on borrowings and lease liabilities	%	3.0	2.7	2.5	3.5	5.2	5.7	4.5	3.5	3.7	3.8
Fixed to float debt mix		89:11	89:11	83:17	61:39	68:32	63:37	63:37	67:33	56:44	45:55
Airline Operating Statistics											
Performance Indicators											
Yield	Fils per RTKM	251	232	211	254	236	216	203	192	181	169
Unit cost	Fils per ATKM	166	147	136	163	151	129	122	111	107	111
Unit cost excluding jet fuel	Fils per ATKM	97	95	94	104	101	90	88	86	91	97
Breakeven load factor	%	65.9	63.6	64.4	64.1	64.1	59.9	60.2	58.0	59.0	65.4
Fleet											
Aircraft	number	169	148	142	127	109	96	85	69	61	46
Average fleet age	months	77	77	69	64	67	63	61	55	46	36
Production											
Destination cities	number	122	111	102	99	99	89	83	76	73	64
Overall capacity	ATKM million	35,467	32,057	28,526	24,397	22,078	19,414	15,803	13,292	10,207	7,350
Available seat kilometres	ASKM million	200,687	182,757	161,756	134,180	118,290	102,337	82,009	68,930	54,657	41,337
Aircraft departures	number	142,129	133,772	123,055	109,477	101,709	92,158	79,937	72,057	58,763	45,452
Traffic											
Passengers carried	number '000	33,981	31,422	27,454	22,731	21,229	17,544	14,498	12,529	10,441	8,503
Passenger seat kilometres	RPKM million	160,446	146,134	126,273	101,762	94,346	77,947	62,260	51,398	40,110	31,661
Passenger seat factor	%	80.0	80.0	78.1	75.8	79.8	76.2	75.9	74.6	73.4	76.6
Cargo carried	tonnes '000	1,796	1,767	1,580	1,408	1,282	1,156	1,019	838	660	525
Overall load carried	RTKM million	23,672	22,078	19,063	15,879	14,739	12,643	10,394	8,649	6,629	5,145
Overall load factor	%	66.7	68.9	66.8	65.1	66.8	65.1	65.8	65.1	64.9	70.0
Employee											
Average employee strength	number	33,634	30,258	28,686	28,037	23,650	20,273	17,296	15,858	12,804	10,507
Revenue per employee	AED '000	1,796	1,738	1,459	1,492	1,625	1,431	1,285	1,104	993	884

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TEN-YEAR OVERVIEW

Consolidated income statement		2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Revenue and other operating income	AED m	7,000	4,406	3,160	3,181	2,585	1,996	1,734	1,390	1,079	942
Operating costs	AED m	6,207	3,906	2,601	2,714	2,340	1,700	1,444	1,149	920	818
- of which employee costs	AED m	2,838	2,032	1,387	1,347	1,227	993	863	700	577	502
- of which cost of goods sold	AED m	1,109	241	35	40	30	33	32	13	nil	nil
- of which airport operations & cargo - other direct costs	AED m	702	582	442	391	234	75	n/a	n/a	n/a	n/a
Operating profit	AED m	793	500	559	467	245	296	290	241	159	124
Profit attributable to the Owner	AED m	808	576	613	507	305	360	324	260	174	142
Consolidated statement of financial position											
Non-current assets	AED m	3,760	3,072	1,934	1,984	1,950	1,107	863	935	313	269
Current assets	AED m	3,359	3,328	2,704	1,963	1,992	1,846	1,580	1,141	1,039	875
- of which bank deposits and cash	AED m	1,999	2,083	1,982	1,350	1,383	1,403	1,099	843	834	701
Total assets	AED m	7,119	6,400	4,638	3,947	3,942	2,953	2,442	2,076	1,352	1,144
Total equity	AED m	3,683	3,282	3,194	2,553	2,180	1,823	1,453	1,126	866	721
- of which equity attributable to the Owner	AED m	3,614	3,209	3,194	2,553	2,180	1,823	1,453	1,126	866	721
Non-current liabilities	AED m	1,275	1,115	672	697	845	460	464	480	136	124
Current liabilities	AED m	2,161	2,003	772	697	917	670	526	470	350	299
Consolidated statement of cash flows											
Cash flow from operating activities	AED m	1,167	901	764	481	540	531	423	370	295	265
Cash flow from investing activities	AED m	(431)	(1,333)	391	(71)	(1,420)	(373)	(129)	(638)	(120)	10
Cash flow from financing activities	AED m	(718)	(96)	(73)	(68)	224	(46)	(40)	281	(40)	(40)
Net cash flow for the year	AED m	18	(528)	1,082	342	(656)	113	254	12	135	234
Other financial data											
Cash assets	AED m	1,999	2,083	1,982	1,350	1,383	1,403	1,228	972	834	701

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.

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TEN-YEAR OVERVIEW

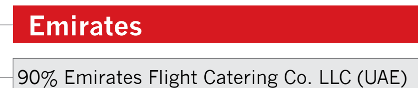
Key ratios		2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Operating margin	%	11.3	11.3	17.7	14.7	9.5	14.8	16.7	17.3	14.7	13.1
Profit margin	%	11.5	13.1	19.4	15.9	11.8	18.0	18.7	18.7	16.1	15.0
Return on shareholder's funds	%	23.7	18.0	21.3	21.4	15.2	22.0	25.2	26.1	21.9	21.2
Employee											
Average employee strength	number	20,275	17,971	13,298	12,434	11,640	9,832	9,860	9,607	7,325	6,392
Revenue per employee*	AED '000	353	323	266	256	241	210	176	155	150	151
Performance Indicators											
Airport											
Aircraft handled*	number	253,434	232,585	192,120	177,495	119,510	109,648	101,607	93,004	79,932	69,322
Cargo handled*	tonnes '000	1,543	1,494	1,121	1,003	633	535	503	458	406	399
Man hours per turn	hours	132	122	115	124						
Aircraft handled per employee*	number					21	20	18	17	17	18
Cargo handled per man hour	kgs	289	283	277	241						
Cargo handled per employee*	kgs '000					611	564	552	512	478	492
Catering											
Meals uplifted	number '000	52,186	11,743								

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

GROUP COMPANIES OF EMIRATES

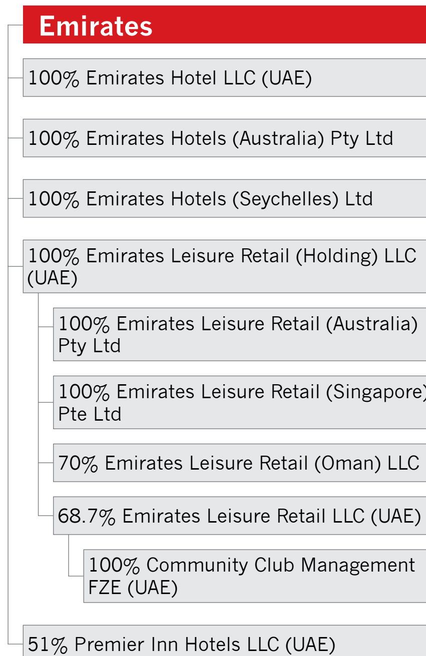
Air Transportation and related services

In-flight and institutional catering services



Consumer goods

Hotel operations and food and beverage operations



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

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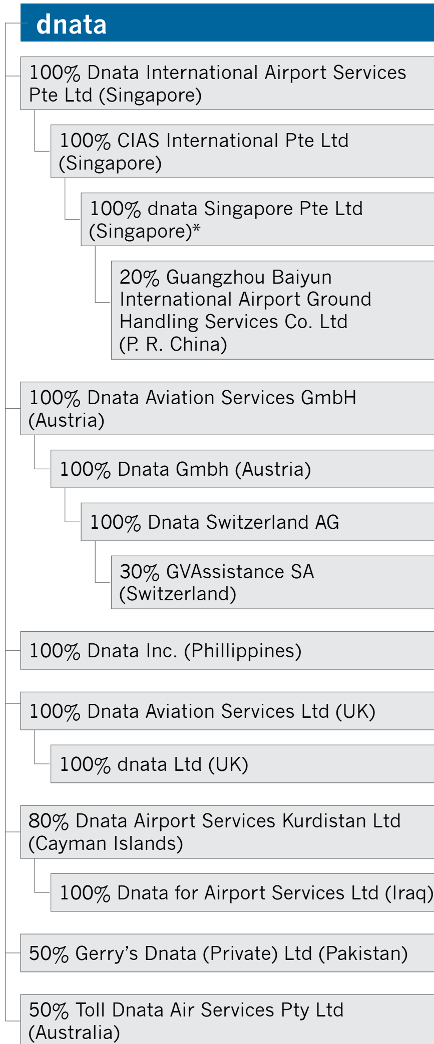
GROUP COMPANIES OF dnata

Cargo and ground handling



Travel services

Catering

Freight forwarding services

Others

* Also provides catering serv ces.

** Held through Mountainf eld Investments (Pty Ltd).

Note: Percentages indicate beneficial interest in the company. Legal share holding may be different. Group companies of assoc ated compan es 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 and excess baggage and mail revenue.

U

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

Y

Yield (Fils per RTKM) – Revenue (airline only) earned per RTKM.

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