PROSPECTUS

EMIRATES

(*incorporated with limited liability under the laws of Dubai*)

U.S.$1,000,000,000 5.125 per cent. Notes due 2016

Issue Price

99.904 per cent.

U.S.$1,000,000,000 5.125 per cent. Notes due 2016 (the "**Notes**") will be issued by Emirates (the "**Issuer**" or "**Emirates**"). Interest on the Notes is payable semi-annually in arrear on 8 June and 8 December in each year. Payments on the Notes will be made without deduction for or on account of taxes of the United Arab Emirates and the Emirate of Dubai to the extent described under "*Terms and Conditions of the Notes – Taxation*".

The Notes mature on 8 June 2016 but the Notes may be redeemed before maturity at the option of the Issuer in whole but not in part at their principal amount together with accrued interest at any time in the event of certain changes affecting taxes of the United Arab Emirates and/or the Emirate of Dubai, and may also be redeemed before maturity at the option of the relevant holder at their principal amount together with accrued interest following a Change of Control (as defined in the Terms and Conditions). See "*Terms and Conditions of the Notes – Redemption and Purchase*".

The Notes, subject to Condition 4 (*Negative Pledge*), will constitute unsecured obligations of the Issuer. See "*Terms and Conditions of the Notes – Status*".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Prospectus to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The minimum denominations of the Notes will be US$200,000 and integral multiples of US$1,000 in excess thereof.

The Notes will be represented by a global note in registered form (the "**Global Note Certificate**") and will be registered in the name of a nominee of a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). It is expected that delivery of the Global Note Certificate will be made on 8 June 2011 or such later date as may be agreed (the "**Closing Date**") by the Issuer and the Joint Lead Managers (as defined under "*Subscription and Sale*").

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus. Potential investors should be aware that the Government of Dubai is not guaranteeing the obligations of the Issuer under the Notes.

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules (the "**Rules**") of the Dubai Financial Services Authority. This Prospectus is intended for distribution only to Persons of a type specified in those Rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any document in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Notes to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

Joint Lead Managers

Deutsche Bank **Emirates NBD**

HSBC **Morgan Stanley**

The date of this Prospectus is 6 June 2011

This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer, the Group (as defined in "*Presentation of Financial and Other Information*") and the Notes which according to the particular nature of the Issuer, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Prospectus nor any other information supplied in connection with the issue of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issue of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Furthermore, no comment is made or advice given by the Issuer or the Joint Lead Managers in respect of taxation matters relating to any Notes or the legality of the purchase of Notes by an investor under applicable or similar laws.

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

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Prospectus, or for any other statement made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Notes may not be offered or sold within the United States. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

In connection with the issue of the Notes, HSBC Bank plc (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Prospectus contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address the Issuer's expected future business and financial performance, and often contain words such as "expect", "anticipate", "intend", "may", "plan", "believe", "seek" or "will". Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For the Issuer, particular uncertainties that could adversely affect its future results include: fluctuations in interest and exchange rates, rise in jet fuel prices, changes in general political, social and economic conditions, and the impact of regulation and regulatory, investigative and legal actions. Although the Issuer believes that the expectations, estimates and projections reflected in the Issuer's forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise including those which the Issuer has identified in the Prospectus, or if any of the Issuer's or, as the case may be the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual future results may be materially different than those expressed in its forward-looking statements.

The forward-looking statements in this Prospectus speak only as at the date of this Prospectus. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain statistical data and other information appearing in this Prospectus have been extracted from public sources. None of the Joint Lead Managers nor the Issuer accepts responsibility for the factual correctness of any such statistics or information but the Issuer accepts responsibility for accurately extracting and transcribing such statistics and information and believes, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at the dates and for the periods with respect to which they have been presented. The Issuer confirms that all such third party information has been accurately reproduced and, so far as the Issuer is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The financial statements relating to the Group included in this document are the audited consolidated financial statements as at and for the financial years ended 31 March 2011 (the "**2011 Financial Statements**") and 31 March 2010 (the "**2010 Financial Statements**" and, together with the 2011 Financial Statements, the "**Financial Statements**"). The Group's financial year ends on 31 March and references in this document to a "**financial year**" are to the twelve month period ended on 31 March of the year referred to.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"). The Financial Statements have been audited in accordance with International Standards on Auditing by PricewaterhouseCoopers ("**PwC**") without qualification. The Group publishes its financial statements in UAE dirham.

In certain places within this document reference is made to EBITDAR. EBITDAR is a non-GAAP measure. As referred to in this document, the Group has calculated EBITDAR for each period as operating profit before depreciation, amortisation and aircraft operating lease charges.

EBITDAR is commonly used in the airline industry to view operating results before depreciation, amortisation and aircraft operating lease charges as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets.

EBITDAR should not be considered as an alternative measure to operating profit, as an indicator of operating performance, as an alternative to operating cash flows or as a measure of the Group's liquidity. EBITDAR as presented in this document may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.

EBITDAR has important limitations as an analytical tool and should not be considered in isolation from, or as a substitute for an analysis of, the Group's operating results as reported under IFRS. Some of the limitations are:

- EBITDAR does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDAR does not reflect changes in, or cash requirements for, working capital needs;
- EBITDAR does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future and EBITDAR does not reflect any cash requirements for such replacements; and
- other companies may calculate EBITDAR differently, limiting its usefulness as a comparative measure.

Presentation of Industry Data

In this document, references to:

- "**ASKM**" are to available seat kilometres, an airline industry measure of passenger capacity calculated as the number of seats available multiplied by the distance flown;
- "**RPKM**" are to revenue passenger kilometres, an airline industry measure of passenger traffic calculated as the number of fare-paying passengers carried multiplied by the distance flown;

- "**ATKM**" are to available tonne kilometres, an airline industry measure of total capacity calculated as the total tonnage available for the carriage of passengers and freight multiplied by the distance flown;
- "**Cargo Yield**" are to cargo revenue divided by FTKM and expressed in fils per FTKM;
- "**FTKM**" are to cargo tonnage uplifted multiplied by the distance carried;
- "**RTKM**" are to revenue tonne kilometres, an airline industry measure of actual traffic load calculated as the tonnage of passengers and cargo carried multiplied by the distance flown;
- "**Passenger seat factor**" are to RPKM divided by ASKM, an airline measure of aircraft passenger use;
- "**Passenger yield**" are to passenger revenue divided by RPKM and expressed in fils per RPKM, an airline measure of performance;
- "**Overall load factor**" are to RTKM divided by ATKM, an airline measure of aircraft passenger and cargo use;
- "**Breakeven load factor**" are to the overall load factor at which revenue will equal operating costs; and
- "**Unit costs**" are to airline operating costs incurred per ATKM.

Presentation of Other Information

In this document, references to:

- "**UAE**" are to the United Arab Emirates;
- "**GCC**" are to the Gulf Cooperation Council, which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE;
- "**U.S.$**" or "**U.S. dollars**" refer to the lawful currency of the United States; and
- "**AED**", "**dirham**" or "**fils**" refer to the lawful currency of the UAE. One dirham equals 100 fils.

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

References in this document to the "**Group**" are to Emirates and its consolidated subsidiaries, associates and joint ventures.

Any reference in this document to the "**Emirates Group**" is a reference to the Group and dnata (together with its consolidated subsidiaries and associates). dnata is a separate legal entity from Emirates, although it is under common ownership and operates under a common management structure. dnata's financial results are not consolidated with those of Emirates. dnata is the largest travel management services entity in the Middle East and the sole ground handling agent at Dubai International Airport ("**DIA**"). dnata's primary activities are the provision of aircraft handling and engineering services, representing airlines as their general sales agent, travel agency and other travel related services, as well as catering. The Group shares certain common services, such as information technology, human resources, finance and legal, with dnata and its group companies and members of Emirates' senior management team also have senior management positions at dnata and dnata group companies. dnata, as the sole ground handling agent at DIA, provides aircraft and baggage handling services to Emirates. Emirates pays the same aircraft handling fees to dnata as would a similar high volume customer. dnata also provides ticketing agency services to Emirates.

Certain financial and statistical amounts included in this Prospectus are approximations or have been subject to rounding adjustments. Accordingly, figures shown as derivations or totals in certain tables may not be exact arithmetic derivatives or aggregations of the figures that precede them.

NOTICE TO RESIDENTS IN THE KINGDOM OF BAHRAIN

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Prospectus. Each potential investor resident in Bahrain intending to subscribe for Notes (each, a "potential investor") may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase Notes within a reasonable time period determined by the Issuer and the Joint Lead Managers. Pending the provision of such evidence, an application to subscribe for Notes will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Issuer or the Joint Lead Managers are satisfied therewith, its application to subscribe for Notes may be rejected, in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any potential investors, the Issuer will comply with Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and various Ministerial Orders issued thereunder, including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering.

KINGDOM OF SAUDI ARABIA NOTICE

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

NOTICE TO STATE OF QATAR RESIDENTS

The Notes have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar in a manner that would constitute a public offering. This Prospectus has not been reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Markets Authority. This Prospectus is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

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OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole. This overview does not contain all the information investors may consider important in making their investment decision. Therefore, investors should read this entire Prospectus carefully, including, in particular, the section entitled "Risk Factors".

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

Issuer:	Emirates
Description of the Notes:	U.S.$1,000,000,000 5.125 per cent. Notes due 2016 to be issued by the Issuer on the Closing Date.
Issue Price:	99.904 per cent.
Joint Lead Managers:	Deutsche Bank AG, London Branch Emirates NBD Bank PJSC HSBC Bank plc Morgan Stanley & Co. International plc
Fiscal Agent and Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Maturity:	Unless previously purchased and cancelled, or otherwise redeemed, the Notes will be redeemed at their principal amount together with accrued interest on 8 June 2016.
Interest:	The Notes will bear interest from and including the Closing Date at a rate of 5.125 per cent. per annum. Interest on the Notes will be payable semi-annually in arrear on 8 June and 8 December in each year, commencing on 8 December 2011.
Optional Redemption by the Issuer:	The terms of the Notes will contain a provision for optional redemption by the Issuer, at any time, in whole but not in part if (i) the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Dubai or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 6 June 2011, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. The terms of exercise are further described in Condition 6(b) (*Redemption and Purchase – Redemption for Taxation and Other Reasons*).
Optional Redemption by Noteholders upon a Change of Control:	The terms of the Notes will contain a provision for optional redemption by any Noteholder upon the occurrence of a Change of Control. A Change of Control shall occur if (A) the Government of Dubai ceases to be the ultimate owner (either directly or indirectly) of more than 50 per cent. of the Issuer or (B) the Issuer undertakes or undergoes a merger which

	results in the Government of Dubai ceasing to be the ultimate owner (directly or indirectly) of more than 50 per cent. of the combined entity post-merger. The terms of exercise are further described in Condition 6(c) (*Redemption and Purchase – Redemption at the Option of Noteholders*).
Negative Pledge:	The terms of the Notes will contain a negative pledge provision, as further described in Condition 4 (*Negative Pledge*).
Events of Default:	For a description of the events that will permit the Notes to become immediately due and payable at their principal amount together with accrued interest, see Condition 9 (*Events of Default*).
Status of the Notes:	The Notes will constitute direct, unconditional and (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.
Withholding Tax:	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Arab Emirates or the Emirate of Dubai or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in certain circumstances, as further described in Condition 8 (*Taxation*).
Meetings of Noteholders:	The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
Listing and admission to trading:	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market.
Governing Law:	The Notes and any non-contractual obligations arising out of, or in relation to, the Notes, will be governed by, and construed in accordance with, English law.
Form and Denomination:	The Notes will be in registered form, in the minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will be represented on issue by the Global Note Certificate which will be deposited with, and registered in the name of a nominee of, the Common Depositary for Euroclear and Clearstream,

	Luxembourg. The Global Note Certificate will be exchangeable for registered certificates in definitive form only upon the occurrence of limited circumstances set out in the Global Note Certificate.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. In addition, there are restrictions on the offer, sale and transfer of the Notes in the Kingdom of Bahrain, the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the United Arab Emirates (excluding the Dubai International Financial Centre), the State of Qatar, Hong Kong, Singapore, the United Kingdom and the United States. See "*Subscription and Sale*" below.
Use of Proceeds:	The net proceeds of the issue of the Notes will be applied by the Issuer for general corporate purposes.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under "*Risk Factors*".
Ratings:	The Notes will not be rated.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes

Risks relating to the Group

Emirates' business may be significantly adversely effected by a reduction in the volume of travellers using its services, which could be caused by a range of events beyond its control

Emirates has an extensive route network centred on its home base in Dubai. Most of its revenues are derived from business and leisure travel from, to or through Dubai. Accordingly, a reduction in the volume of travellers using its services caused by one or more of a range of factors, which may be short- or long-term in nature and may be local, regional or global in their effect, could significantly affect the Group's revenue. These factors include, but are not limited to:

- terrorist attacks, such as the 11 September 2001 terrorist attacks in the United States, may cause uncertainty in the minds of the travelling public and/or result in increasingly restrictive security measures which can materially adversely affect passenger demand for air travel;
- the occurrence of wars or the threat of war, such as the war in Iraq in 2003 which gave rise to a reduction in travel over the Middle East region generally pending the resolution of political and economic uncertainties. In addition, political tension between countries, or civil unrest within a country (such as recent events in Libya and Côte d'Ivoire), may also result in the cancellation of, and reductions in, bookings as well as the closure or restriction of access to airspace or airports which may also adversely affect Emirates' business;
- any material decline in economic activity within a region or, as was the case at the end of 2008 and through 2009, globally, which can significantly affect demand for travel by air and for cargo space;
- epidemics and other natural calamities such as the outbreak of Severe Acute Respiratory Syndrome ("**SARS**") in 2003 which significantly reduced air travel to and from SARS-affected areas and the volcanic eruption in Iceland in 2010 which materially adversely affected air travel to, from and within Europe; and
- concerns about the environmental impacts of air travel and tendencies towards "green" travel initiatives which may cause consumers to reduce their air travel activities.

It is not possible for Emirates to predict the occurrence of events or circumstances such as or similar to those outlined above, or the impact of such occurrences. The Group's financial condition, results of operations and business may be materially adversely affected if one or more of the events or circumstances outlined above were to occur and, as a result, there may be a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

The Group's results of operations may be materially affected by changes in jet fuel prices

Jet fuel costs are the Group's most significant operating cost, accounting for 34.4 per cent. and 29.9 per cent. of the Group's total operating costs in its 2011 financial year and 2010 financial year, respectively. Jet fuel prices are volatile and are influenced by many factors, including speculative trading in commodity markets, other international market conditions, natural disasters, decisions of oil producing cartels and geopolitical events. During 2008, jet fuel prices reached historically high levels before falling significantly at the end of that year and continuing to fall in 2009. Since mid 2009, jet fuel prices have generally increased although they remain below the peak levels reached in mid 2008. Due to the competitive nature of the airline industry, Emirates may not always be able to pass on increases in jet fuel prices to its customers through increased fares and/or fuel surcharges.

Emirates is therefore exposed to the risk that significant changes in jet fuel costs could have a material adverse effect on the Group's financial condition, results of operations and business and Emirates' ability to perform its obligations under the Notes.

Emirates seeks to mitigate the impact of rising jet fuel prices, whilst ensuring it reaps the full benefit should prices fall, through the purchase of call options in respect of a proportion (but not all) of its fuel requirements. If Emirates' hedging policy were to be ineffective, this could have a material adverse impact on the Group's financial condition, results of operation and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

The airline industry is highly competitive and the Group may be adversely affected by changes in competition

The airline industry is highly competitive. Emirates faces direct competition from other major full service airlines operating on many of the same routes Emirates flies as well as from indirect flights and charter services. Emirates may also face competition in the future from new entrants targeting its routes.

Emirates encounters substantial price competition. Some of Emirates' competitor airlines may be able to offer flights at significantly lower prices. The expansion of low-cost carriers, along with increasing use of Internet travel websites and other distribution channels, has resulted in a substantial increase in discounted and promotional fares initiated by certain of Emirates' competitors. In particular, the low-cost segment within the Middle East remains relatively undeveloped with scope for further penetration by low-cost carriers and therefore further competition for Emirates. Some or all of these competitor airlines may also have access to larger and less expensive sources of funding than Emirates. In addition, a number of airlines have entered into creditor protection as a result of the global financial crisis and this could help them to substantially reduce their cost structure and become more competitive, both while they are under creditor protection and thereafter. Any decision to match competitors' fares to maintain passenger traffic could result in a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Further, consolidation in the airline industry and the growth of global alliance groups of airlines could result in increased competition as some airlines emerging from such consolidations or entering such alliances may be able to compete more effectively against Emirates. If Emirates' competitors are able to offer their services at lower prices on a continuous basis or to increase their market share to the detriment of Emirates, this could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Emirates has significant funding requirements and may be adversely affected by a shortage of available finance or an increase in its costs of funding

As at 31 March 2011, Emirates had AED 140.1 billion in authorised and contracted capital commitments in respect of its aircraft fleet. Emirates seeks to finance these capital commitments using a range of different instruments (including finance leases, operating leases, bank loans, export credit guaranteed financing and capital markets instruments) in a spread of different markets. Because of changing market conditions, Emirates may not in the future be able to raise finance on terms which are financially feasible for it or at all.

If Emirates is unable to raise sufficient finance at any time to meet its commitments or if its cost of funding increases materially in the future, this could materially adversely affect the Group's financial condition, results of operations and business and, as a result, materially adversely affect Emirates' ability to perform its obligations under the Notes.

Emirates is exposed to the risk of significant liability for personal injury or death as a result of accidents or disasters affecting its aircraft. These may not all be covered by insurance and increases in insurance costs or reductions in insurance cover could also materially adversely affect the Group's business

Emirates manages its airline business with an adequate level of insurance coverage against the risk of losses from man-made and natural disasters. These policies stipulate a number of conditions under which the insurers may terminate policies and are subject to policy limits and exclusions. In addition, the policies must be renewed at regular intervals.

Emirates may be subject to liability claims arising out of accidents or disasters involving aircraft on which its customers are travelling or involving aircraft of other carriers maintained or repaired by Emirates, including claims for serious personal injury or death. Emirates' insurance coverage may be insufficient to cover one or more large claims and any shortfall may be material. Additionally, any accident or disaster involving one of Emirates' aircraft or an aircraft of another carrier receiving line maintenance services from Emirates may significantly harm Emirates' reputation for safety, which could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Future terrorist attacks, acts of sabotage and other disasters, especially if they were to be directed against the aviation industry, could result in insurance coverage for aviation risks becoming more expensive and/or certain risks becoming uninsurable. In addition, aircraft crashes or similar disasters of another airline could impact passenger confidence generally and therefore lead to a reduction in ticket sales for Emirates, particularly if the aircraft crash or disaster concerned involved a type of aircraft used by Emirates in its fleet.

Any significant uninsured loss, loss of cover or significant increase in insurance costs could adversely affect the Group's financial condition, results of operations and business and, as a result, adversely affect Emirates' ability to perform its obligations under the Notes.

Air traffic and the aviation industry are heavily regulated and Emirates' ability to comply with all applicable regulations is key to maintaining its operational and financial performance

Safety, security, disability, denied boarding, privacy, licensing, competition, environmental and operational regulations (including directives and recommendations issued by aircraft manufacturers and other aviation related vendors) impose significant requirements and compliance costs on Emirates. In order for Emirates to maintain its UAE air operator's certificate, it has to comply with the regulations of the UAE General Civil Aviation Authority. To fly to other countries, appropriate air services agreements and approvals must be in place between the governments concerned and Emirates is required to comply with the regulations of those individual countries as well as certain internationally or regionally applicable conventions or regulations. Any changes in the air services agreements between governments, the withdrawal of any such approvals, changes in any conventions or regulations or the imposition of new regulations, directives and/or recommendations could each have an impact on Emirates' business by, among other things, restricting market access, increasing costs or impeding normal service operations.

In February 2009, EU Directive 2008/101/EC came into force, bringing the aviation industry within the EU Emissions Trading Scheme ("**EU ETS**"). As a result, all flights departing from, and arriving at, EU airports will be included within the EU ETS from 2012. The EU ETS delivers a market price for carbon, capping total emissions to a fixed limit with operators required to surrender allowances for each reporting year to cover their total emissions. For the period 1 January 2012 to 31 December 2012, 15.0 per cent. of allowances will be sold to operators through an auction process. The remaining allowances will be allocated free of charge according to a formula which has been designed to ensure fair allocation between operators. From 31 December 2012 until 31 December 2020, a tapering amount of free allowances will be allocated to operators. Thereafter there will be no free allocation.

The cost and amount of allowances which Emirates will have to purchase in 2012 and subsequent years is not currently known. Should Emirates not be able to obtain sufficient allowances under the auction/free allocation processes, it will have to purchase additional allowances on the open market. If such additional purchases were required, this would increase Emirates' total costs, which could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Certain governments may also choose to impose a more punitive tax regime on air travel with the intention of reducing airline emissions by making air travel more expensive and therefore less attractive to customers. Any increase in air travel costs to passengers brought about by more stringent taxation could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Emirates is dependent upon certain other third parties and any failure on their part to fully perform their contractual obligations could materially adversely affect Emirates' business

Emirates is dependent on its ability to source, on favourable terms, sufficient quantities of goods and services in a timely manner, including the supply of substantial equipment such as aircraft, engines and related components and those services available at airports or from airport authorities, such as ground handling, in flight catering and air traffic control services. Emirates is also dependent on third parties for services such as fuel distribution and airframe and engine maintenance. In certain cases, Emirates may only be able to access goods and services from a limited number of suppliers and the transition to new suppliers of such goods and services may take a significant amount of time and require significant resources. The failure, refusal or inability of a supplier to provide goods or services may arise as a result of numerous different causes, many of which are beyond Emirates' control. Any failure or inability by Emirates to successfully source goods and services, including because of the failure, refusal or inability of a supplier to provide goods or services, or to source goods and services on terms and pricing and within the timeframes acceptable to Emirates, could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

In addition, certain material contracts with third parties, including airport operators and maintenance providers, will need to be renewed from time to time. These contracts may not be able to be renewed in all cases or, if renewed, on terms that are favourable to Emirates.

All aircraft in Emirates' fleet require periodic maintenance work. In addition, the need may arise at any time for unscheduled maintenance and repair work which may cause operational disruption to

Emirates. Incidents could occur which may or may not relate to maintenance or modification programmes for the aircraft fleet which could adversely impact Emirates' operations and the Group's financial performance.

In addition, the infrastructure that provides jet fuel to DIA and the other airports from which Emirates operates is critical to its operations. Any breakdown in this infrastructure and/or contamination of the fuel supply would have a significant impact on operations and could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Interruptions in technological systems, such as those relating to ticket sales and network management, could adversely impact Emirates' business

Emirates' ability to manage its ticket sales, receive and process reservations, manage its traffic network and perform other critical business operations is dependent on the efficient and uninterrupted operation of the computer and communication systems used by Emirates as well as the systems used by third parties in the course of their co-operation with Emirates. As with any computer and communication systems, those on which Emirates relies are vulnerable to disruptions, power outages, acts of sabotage, computer viruses, fires and other events. While Emirates continues to invest in initiatives related to technology, including security initiatives and disaster recovery plans, these measures may not prove to be effective in all cases. Any disruption to computer and communication systems used by Emirates or its partners, including data providers and payment services providers, could significantly impair Emirates' ability to operate its business efficiently and could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Emirates is exposed to a range of financial risks, including the risk that its results may be adversely affected by changes in interest rates or currency exchange rates and the risk that counterparties may default as well as a range of market risks

Emirates is exposed to fluctuations in the prevailing levels of interest rates on borrowings and investments. Emirates targets a balanced portfolio approach, whilst seeking to ensure flexibility to take advantage of market movements, by hedging approximately half of its net interest rate exposure, using appropriate hedging tools including interest rate swaps. Borrowings taken at variable rates, where unhedged, expose Emirates to movements in the underlying reference rates, principally the London, Emirates and Singapore interbank offered rates.

Emirates is also exposed to fluctuations in prevailing foreign currency exchange rates. Emirates is in a net payer position with respect to the U.S. dollar and is in a net surplus position for other currencies. Currency risks arise mainly from Emirates' revenue earning activities and Emirates seeks to manage its exchange rate exposure through a policy of matching its foreign currency inflows and outflows as far as possible, as well as through hedging a proportion of its remaining exposure by using forward contracts and options. Nevertheless, the translation of foreign currency transactions into dirham can lead to significant foreign currency income and costs in the consolidated statement of income and thus can materially affect the Group's reported results of operations.

Emirates is also exposed to the risk that certain of its significant counterparties, such as the banks in which it holds surplus cash, its derivative counterparties, its insurers and its major trade debtors, may default in their obligations to Emirates and cause a significant loss to the Group.

Emirates is also subject to the risk that countries in which it may earn revenues may impose restrictions or prohibitions on the export of those revenues.

Any or all of the above factors may impact Emirates' ability to operate its business efficiently and could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Exposure to significant ongoing litigation

Emirates is subject to a number of ongoing proceedings relating to alleged cargo cartel conduct. Regulatory investigations have been initiated by the Australian and New Zealand competition authorities which allege that Emirates colluded with certain competitors on rates, fuel, security and insurance surcharges in relation to certain cargo flights. Emirates believes that these proceedings are likely to continue for some time.

Emirates is also subject to civil litigation (in the form of class action) in the United States arising out of investigations by the United States competition authorities into fuel and security surcharges in relation to certain cargo flights.

Emirates is defending all of the proceedings and cannot predict with certainty the amounts (if any) which might be required to pay any fines which might be imposed or to pay any damages which might be awarded or to settle any such proceedings. The Group has not made any provisions in its Financial Statements in respect of these proceedings.

Emirates is exposed to a range of employment risks, including increased employment costs, the risk of employee disputes causing significant business interruptions, the risk of loss of one or more key individuals and the risk that it is unable to attract or retain highly qualified staff such as pilots, flight engineers and other licensed occupations

Employment costs constitute one of Emirates' more significant operating cost items. There can be no assurance that Emirates will be able to maintain its employment costs at levels which do not negatively affect its financial condition, results of operations and business. There can also be no assurance that future agreements with employees or their representatives will be on terms comparable to agreements entered into by Emirates' competitors. Any future agreements or outcome of negotiations with employees, including in relation to wages or other employment costs or work rules, may result in increased employment costs or other charges which could have a material adverse effect on the Group's financial condition, results of operations and business.

Any dispute between Emirates and some or all of its employees could result in a strike or other work stoppage that affects Emirates' ability to operate its scheduled flights. Any such disruption could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Emirates is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its business plan, as well as access to sufficient numbers of qualified staff for specific roles within Emirates, especially within the area of flight operations. If Emirates was to experience a substantial turnover in its leadership or other key employees or if Emirates is unable to attract or retain other highly qualified staff, such as pilots, flight engineers and other licensed occupations, as needed in the future, the Group's financial condition, results of operations and business could be materially adversely affected.

Noteholders could be prejudiced if their interests are not fully aligned with the interests of Emirates' sole owner

Investment Corporation of Dubai ("**ICD**"), an entity wholly owned by the Government of Dubai, is the sole owner of Emirates and Emirates is therefore subject to decisions taken by its sole owner. As a result, Noteholders could be prejudiced if their interests are not fully aligned with the interests of Emirates' sole owner.

Risks affecting Dubai International Airport

Emirates' operations are dependent on its ability to operate from its hub in Dubai, including its ability to operate on a 24 hour basis for landing and take off at DIA.

Any unavailability of DIA as a result of accident, other catastrophe or for other reasons, any change in the operating policies of DIA with regards to timing of operations (such as imposing night flight restrictions) or any substantial change in the facilities available to Emirates at DIA (or any substantial interruption in their availability to Emirates) could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on the ability of Emirates to perform its obligations under the Notes.

Risks related to the Notes generally

The Notes are unsecured obligations and the claims of the Noteholders will rank behind the claims of Emirates' secured creditors

Emirates finances the majority of its aircraft using finance and operating leases. Under the terms of a finance lease, the financier is granted security interests in the aircraft in order to secure Emirates' obligations under the finance lease. As at 31 March 2011, 28.4 per cent. (42 out of 148) of Emirates' aircraft were financed using finance leases. Under the terms of an operating lease, Emirates does not own the aircraft being leased and the aircraft does not appear as an asset on Emirates' balance sheet. As at 31 March 2011, 69.6 per cent. (103 out of 148) of Emirates' aircraft were financed using operating leases. As at 31 March 2011, the remaining two per cent. (3 out of 148) of Emirates' aircraft were owned by Emirates.

Investors should be aware that if Emirates becomes insolvent, any of Emirates' assets which are the subject of a valid security arrangement (including those aircraft which are the subject of a finance lease granting such security) will not be available to satisfy the claims of any of Emirates' unsecured creditors, including holders of the Notes and the claims of Emirates secured creditors will rank ahead of the claims of the Noteholders accordingly.

Notes which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade

The denomination of the Notes is U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 would need to purchase a principal amount of Notes such that it holds an amount equal to at least U.S.$200,000 to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

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

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of the financial markets; and

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

Legal investment considerations may restrict certain investments

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

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

The Notes are subject to modification by a majority of Noteholders without the consent of all Noteholders

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Fiscal Agent and the Issuer may agree to modify the Conditions of the Notes without the consent of the Noteholders in cases of, *inter alia*, manifest error. For further details of such matters and the relevant majorities required at meetings of Noteholders, see Condition 12 (*Meetings of Noteholders and Modification*) and the corresponding provisions of the Fiscal Agency Agreement.

Investors may not be able to reinvest redemption proceeds of the Notes at the same or a higher rate than the interest rate applicable to the Notes

The Notes may be redeemed prior to maturity if the Issuer becomes obliged to increase the amounts payable in respect of the Notes due to any withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Arab Emirates or the Emirate of Dubai or any authority therein or thereof having power to tax, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, in accordance with Condition 6(b) (*Redemption and Purchase – Redemption for Taxation and other Reasons*).

If the Notes are redeemed as described above, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The EU Savings Directive may give rise to withholding tax on certain Notes

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

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Because the Global Note Certificate is held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Note Certificate except in certain limited circumstances (when they will be represented in definitive form) described in the Global Note Certificate. The Global Note Certificate will be registered in the name of a nominee for, and deposited with, the Common Depositary for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to the Common Depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Note Certificate must therefore rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Risk factors relating to enforcement

There can be no certainty as to the outcome of any application of UAE bankruptcy law

In the event of the Issuer's insolvency, UAE bankruptcy law may adversely affect the Issuer's ability to perform its obligations under the Notes. There is little precedent to predict how a claim on behalf of Noteholders against the Issuer upon its insolvency would be resolved.

A change of law may adversely affect the Notes

The Notes, the Fiscal Agency Agreement and the Deed of Covenant are governed by English law. No assurance can be given as to the impact of any possible change to English law, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

Investors may experience difficulty in enforcing arbitral awards and foreign judgments in Dubai

Under the Conditions of the Notes, any dispute arising from the Notes or any non-contractual obligations arising out of or in connection with them may be referred to arbitration in London under the rules of the London Court of International Arbitration.

The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Dubai in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Dubai courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. Although there is precedent for a foreign arbitral award being enforced by the UAE courts under the New York Convention, such instances are uncommon and relatively recent and it therefore remains uncertain as to how the UAE courts will interpret and apply the New York Convention.

Under the Conditions of the Notes, any dispute may also be referred to the courts in England (or such other court with jurisdiction which a Noteholder may elect). Where an English judgment, or such other foreign judgment, has been obtained, there is no assurance that the Issuer has or would at the relevant time have assets in the United Kingdom, or such other relevant jurisdiction, against which such a judgment could be enforced. The Issuer is a decree company incorporated in, and under the laws of, Dubai and the UAE and has a significant proportion of its assets located in the UAE. Under current UAE federal law, the courts in the UAE are unlikely to enforce an English judgment, or such other foreign judgment, without re-examining the merits of the claim and may not observe the choice by the Issuer and the Noteholders of English law as the governing law of the Notes. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of Dubai, the UAE and public policy. This may mean that the Dubai courts may seek to interpret English law governed documents as if governed by UAE law and there can therefore be no certainty that in those circumstances the Dubai courts would give effect to such documents in the same manner as the Issuer and the Noteholders may intend.

As the UAE judicial system is based on a civil code, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty.

Investors may experience difficulty enforcing against the assets of the Issuer in Dubai

Decree No. 2 of 1985 establishing Emirates (as amended by Decree No. 7 of 1991, the "**Decree**") contains provisions which prohibit the seizure of assets belonging to Emirates in satisfaction of any debt or obligation owed by Emirates. However, the Chairman of Emirates has pursuant to Article (7)(3) of the Decree issued an irrevocable written decision, dated 28 February 2011 (the "**Decision**"), which exempts the Noteholders from these provisions. Notwithstanding this, there are some uncertainties under the laws of Dubai as to the effectiveness of the exemption afforded by the Decision as a result of Dubai Law No. 3 of 1996 on Government Lawsuits, as amended by Dubai Law No. 4 of 1997 and Dubai Law No. 10 of 2005, (the "**Dubai Lawsuit Law**"). The Dubai Lawsuit Law grants the Government of Dubai (which includes its corporations) immunity in respect of its assets, and provides that suits against the Government shall be lodged against the Attorney General as defendant in his capacity as representative of the Government, subject to satisfaction of certain conditions which include, amongst others, the imposition of a two month period (commencing on the date of filing the written complaint) for the parties to reach an amicable solution. The Dubai Lawsuit Law may apply to the Issuer and accordingly, investors may be required to obtain the permission of the Ruler of Dubai before enforcement proceedings can be brought against the Issuer under the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions (as defined below) of the Notes which (subject to modification) will be endorsed on the Certificates (as defined below) issued in respect of the Notes:

The issue of the Notes was authorised by a written decision of the Chairman of the Issuer on 28 February 2011. A fiscal agency agreement dated 8 June 2011 (such agreement as amended and/or supplemented and/or restated from time to time) (the "**Fiscal Agency Agreement**") has been entered into in relation to the Notes between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and the agents named in it. The Notes have the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 8 June 2011 executed by the Issuer relating to the Notes. The fiscal agent, the registrar and any transfer agent for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Registrar**" and the "**Transfer Agents**". "**Agents**" means the Fiscal Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the form of the Notes. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of the Fiscal Agent. The original of the Deed of Covenant is also held by the Fiscal Agent on behalf of the holders of the Notes at its specified office. The holders of the Notes (the "**Noteholders**") are entitled to the benefit of and are deemed to have notice of all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Fiscal Agency Agreement.

1 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a) (*Transfers of Notes – Transfer*), each Certificate shall represent the entire holding of Notes by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered in the Register.

2 Transfers of Notes

(a) **Transfer**: One or more Notes may be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent, provided that any such change is not prejudicial to the interests of the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) (*Transfers of Notes – Transfer*) shall be available for delivery within five business days of receipt by the Registrar or the Transfer Agent, as the case may be, of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s), shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates on transfer shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity in respect thereof as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(b) (*Redemption and Purchase – Redemption for Taxation and other Reasons*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii) (*Payments – Method of Payment*)).

3 Status

The Notes constitute direct, unconditional and (subject to Condition 4 (*Notices*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Notices*), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer shall not, and the Issuer shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future assets or revenues (including uncalled capital) to secure any of its Relevant Indebtedness or Relevant Sukuk Obligation, or any Guarantee of Relevant Indebtedness or Relevant Sukuk Obligation, given by it without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

In these Conditions:

"**Guarantee**" means, in relation to any Indebtedness or Sukuk Obligation, as the case may be, of any Person, any obligation of another Person to pay such Indebtedness or Sukuk Obligation, as the case may be, including (without limitation):

(a) any obligation to purchase such Indebtedness or Sukuk Obligation, as the case may be;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness or Sukuk Obligation, as the case may be;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness or Sukuk Obligation, as the case may be; and

(d) any other agreement to be responsible for such Indebtedness or Sukuk Obligation, as the case may be;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days;

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing; and

(f) (to the extent not included above) any other financing arrangement intended to comply with the principles of Shari'ah;

"**Permitted Security Interest**" means:

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

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

(c) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) and (b) (inclusive) of this definition, provided that with respect to any such Security Interest the amount of Relevant Indebtedness or Relevant Sukuk Obligation secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Subsidiary**" means any Subsidiary whose revenues, profits or assets from time to time represent not less than 25 per cent. of the consolidated revenues, profits or assets of the Issuer from time to time as shown or as would be shown in the accounts or other financial statements of the Issuer;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which, is for the time being, quoted or listed (with the consent of the Issuer), or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, save for any Indebtedness which is directly or indirectly secured by aircraft or aircraft equipment only, but not any other property or assets, of the Issuer or any of the Issuer's Subsidiaries (including without limitation by means of special purpose entities owning aircraft or aircraft equipment);

"**Relevant Sukuk Obligation**" means any Sukuk Obligation, where the trust certificates or instruments, as the case may be, concerned are, for the time being, quoted or listed (with the consent of the Issuer), or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, save for any Sukuk Obligation which is directly or indirectly secured by aircraft or aircraft equipment only, but not any other property or assets, of the Issuer or any of the Issuer's Subsidiaries (including without limitation by means of special purpose entities owning aircraft or aircraft equipment);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction (other than any mortgage, charge, lien, pledge or other security interest or anything analogous to any of the foregoing arising only by operation of law rather than arising out of or in connection with any act or omission of the Issuer or a Principal Subsidiary);

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person; and

"**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments intended to be issued in compliance with the principles of Shari'ah, whether or not in return for consideration of any kind.

5 Interest

The Notes bear interest on their outstanding principal amount from and including 8 June 2011 at the rate of 5.125 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$25.625 per Calculation Amount (as defined below) on 8 June and 8 December in each year (each an "**Interest Payment Date**"). Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Noteholders in accordance with Condition 14 (*Notices*) of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed in that month on the basis of a month of 30 days.

In these Conditions, the period beginning on and including 8 June 2011 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period, save as provided above in relation to equal instalments, shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 8 June 2016.

(b) **Redemption for Taxation and other Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Dubai or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 June 2011, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(c) **Redemption at the Option of Noteholders**: If a Change of Control (as defined below) occurs, the Issuer shall, at the option of the holder of any Note (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6(b) (*Redemption and Purchase – Redemption* *for Taxation and Other Reasons*)), redeem in whole (but not in part) such Note on the Put Date (as defined below) at its principal amount together with interest accrued to but excluding the Put Date. Promptly upon the Issuer becoming aware that a Change of Control has occurred, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Change of Control.

For the purpose of these Conditions:

(i) a "**Change of Control**" shall occur if (A) the Government of Dubai ceases to be the ultimate owner (either directly or indirectly) of more than 50 per cent. of the Issuer or (B) the Issuer undertakes or undergoes a merger which results in the Government of Dubai ceasing to be the ultimate owner (directly or indirectly) of more than 50 per cent. of the combined entity post-merger;

(ii) "**Put Date**" shall be the tenth Business Day after the expiry of the Put Period; and

(iii) "**Put Period**" shall be the period of 30 days after a Change of Control Notice is given.

To exercise the option set out above, the holder must deposit the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from the Registrar or any Transfer Agent within the Put Period.

Exercise Notices once submitted may not be withdrawn, provided, however, that:

(i) if prior to the relevant Put Date the Notes evidenced by any Certificate so deposited become immediately due and payable; or

(ii) if upon due presentation on the relevant Put Date of any Certificate representing the Notes, payment of the redemption monies is improperly withheld or refused,

such Certificate shall, without prejudice to the exercise of the option, be returned to the holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant Exercise Notice.

(d) **Purchase**: The Issuer and its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a) (*Meetings of Noteholders and Modification – Meetings of Noteholders*).

(e) **Cancellation**: All Certificates representing Notes which are redeemed or purchased by or on behalf of the Issuer or any of its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Such cancelled Notes may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 Payments

(a) **Method of Payment:**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in U.S. dollars by cheque drawn on a bank that processes payments in U.S. dollars and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in U.S. dollars maintained by the payee with a bank that processes payments in U.S. dollars.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments on the Notes are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions in Condition 8 (*Taxation*). No commission or expenses shall be charged to the Noteholders in respect of such payments made in accordance with these Conditions.

(c) **Payment Initiation**: Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed, on the last day on which the Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal, and accrued interest (as applicable), where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Fiscal Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Registrar or any Transfer Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent (iv) an Agent (which may be the Fiscal Agent) having a specified office in a European city which so long as the Notes are admitted to official listing on the London Stock Exchange, shall be London or such other place as the UK Listing Authority may approve; and (v) a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

(e) **Delay in Payment**: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) (*Payments – Method of Payment*) arrives after the due date for payment.

(f) **Non-Business Days**: If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7 (*Payments*), "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Arab Emirates or the Emirate of Dubai or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) **Other connection**: by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the United Arab Emirates or the Emirate of Dubai other than the mere holding of the Note; or

(b) **Surrender more than 30 days after the Relevant Date**: if the Note is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 7 (*Payments*)); or

(c) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) **Payment through another Paying Agent in a Member State of the European Union**: held by a Noteholder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union.

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8 (*Taxation*).

9 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing:

(a) **Non-payment**: the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) **Breach of other obligations**: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the specified office of the Fiscal Agent; or

(c) **Cross-default of Issuer or any Principal Subsidiary**:

(i) any Indebtedness or Sukuk Obligation of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period; or

(ii) any such Indebtedness or Sukuk Obligation becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness or Sukuk Obligation; or

(iii) the Issuer fails to pay when due any amount payable by it under any Guarantee of any Indebtedness or Sukuk Obligation; or

(iv) any of the matters referred to in sub-paragraph (i) - (iii) above apply to a Principal Subsidiary (rather than the Issuer itself) and the same remain unpaid or unsatisfied for a period of 14 days thereafter,

provided that the amount of Indebtedness or Sukuk Obligation referred to in sub-paragraphs (i), (ii) and (iv) above and/or the amount payable under any Guarantee referred to in sub-paragraphs (iii) and (iv) above, in the aggregate, exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) **Unsatisfied judgment**: one or more judgment(s) or order(s) for the payment of an amount(s) which in the aggregate exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies), is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 90 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) **Security enforced**: a secured party takes possession, or a receiver, manager or other similar officer is appointed in respect, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries; or

(f) **Insolvency, etc.**: (i) the Issuer becomes (or is declared by a court of competent jurisdiction to be) insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made); (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness or Sukuk Obligation, as the case may be, given by it; (iv) the Issuer ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) (each such event in such paragraphs (i) to (iv) above being an "**Insolvency Event**"); or (v) any Insolvency Event happens or applies to any Principal Subsidiary and such Insolvency Event is continuing for a period of 30 days thereafter; or

(g) **Winding up, etc.**: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) **Failure to take action, etc.**: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, or (ii) to ensure that those obligations are legal, valid, binding and enforceable, is not taken, fulfilled or done; or

(i) **Operating rights**: loss by the Issuer or any other member of the Issuer's group which from time to time holds the air operator's certificate (currently held by the Issuer issued by the General Civil Aviation Authority of the UAE, or any successor body) of such certificate, except where such a certificate is within seven days of the date of such loss issued to another member of the Issuer's group,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with interest accrued to the date of repayment in full without further action or formality.

10 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Noteholders and Modification

(a) **Meetings of Noteholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity date of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of or interest on the Notes, (iii) to change the currency of payment of the Notes or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification**: The Fiscal Agent may agree with the Issuer, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Fiscal Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein, or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

14 Notices

Notices to the holders of Notes shall be mailed to them by first class mail (airmail if overseas) at their respective addresses in the Register. In addition, the Issuer shall also ensure that the notices are duly given or published in a manner which complies with the rule and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Notes are for the time being admitted to listing, trading and/or quotation. Any notices shall be deemed to have been given on the fourth day after being so mailed or on the date of publication or, if so published more than once on different dates, on the date of the first publication.

15 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17 Governing Law and Jurisdiction

(a) **Governing Law**: The Fiscal Agency Agreement, the Deed of Covenant, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Agreement to Arbitrate**: Subject to Condition 17(c) (*Governing Law and Jurisdiction – Option to Litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**") which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 17(b). For these purposes:

(i) the place of arbitration shall be London, England;

(ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. In the event that one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA within 15 days of such failure. In the event that the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA within 15 days of such failure;

(iii) the language of the arbitration shall be English; and

(iv) any requirement in the Rules to take account of the nationality of a person considered for the appointment as an arbitrator shall be disapplied and a person shall be nominated or appointed as an arbitrator (including as chairman) regardless of nationality.

On receipt by the Issuer of a Request for Arbitration (as defined in the Rules) initiated by a Noteholder, the Issuer shall send a copy of the Request for Arbitration to all Noteholders (the "**Notification**") within 30 days of receipt. The arbitral proceedings shall be suspended until the earlier of the completion of the Notification process or 30 days following the receipt by the Issuer of a Request for Arbitration.

Any Noteholder(s) may, on receipt of such Notification, request to be joined with any other Noteholder(s) to that arbitration, by filing a written notice (a "**Joinder Notice**") with the relevant Noteholder and the Issuer prior to submission of the Statement of Case (as defined in the Rules) or written notification of the initiating Noteholder that it elects to treat the Request for Arbitration as its Statement of Case in that arbitration. The Issuer agrees to accept the joinder of any other Noteholder(s) where the interests of the Noteholders are materially similar. Failure to file a Joinder Notice does not preclude any Noteholder(s) from bringing any action (whether arising from similar facts to those relevant to the arbitration in respect of which the Notification is provided or otherwise) in the future. Any multi-party arbitration resulting from the joinder of any other Noteholder(s) will be formally settled in single arbitral proceedings.

In multi-party arbitration proceedings, the arbitral tribunal shall have all powers necessary to establish any supplementary procedural rules required or desirable in view of the multi-party nature of the proceedings.

In the event of arbitration proceedings where the interests of Noteholders are sufficiently similar to permit those parties to be represented by a single counsel without generally accepted principles regarding conflicts of interest being infringed, such parties are obliged to act together and through one counsel only. In the event that there is some question as to whether the interests of some or all of the Noteholders concerned are sufficiently similar to invoke the terms of this provision requiring joint representation, then that may be determined as a preliminary issue by the arbitral tribunal.

(c) **Option to Litigate**: Notwithstanding Condition 17(b) (*Governing Law and Jurisdiction – Agreement to Arbitrate*), any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(i) within 28 days of service of a Request for Arbitration; or

(ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 17(d) (*Governing Law and Jurisdiction – Effect of Exercise of Option to Litigate*) and, subject as provided below, any arbitration commenced under Condition 17(b) (*Governing Law and Jurisdiction – Agreement to Arbitrate*) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder must also within 28 days of service of a Request for Arbitration give notice to the LCIA and to any Tribunal (as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA, the arbitration and any appointment or any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

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

(ii) his entitlement to be paid his proper fees and disbursements; and

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

(d) **Effect of Exercise of Option to Litigate**: In the event that a notice pursuant to Condition 17(c) (*Governing Law and Jurisdiction – Option to Litigate*) is issued, the following provisions shall apply:

(i) subject to Condition 17(d)(iii) below the courts of England shall have jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;

(ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 17(d) is for the benefit of Noteholders only. As a result, and notwithstanding sub-paragraph (i) above, any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) **Appointment of Process Agent**: The Issuer irrevocably appoints Emirates, London Branch at its registered office at First Floor, Gloucester Park, 95 Cromwell Road, London, SW7 4DL as its agent for service of process, and undertakes that, in the event of Emirates, London Branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes and shall immediately notify Noteholders of such appointment in accordance with Condition 14 (*Notices*). Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

(f) **Enforcement**: An arbitral award or judgment or order of an English or other court, in connection with a Dispute arising out of or in connection with these Conditions, shall be binding on the Issuer and the relevant Noteholder and may be enforced against each of them in the courts of any competent jurisdiction.

(g) **Other documents**: The Issuer has in the Fiscal Agency Agreement and the Deed of Covenant made provision for arbitration, submitted to jurisdiction and appointed an agent for service of process in terms substantially similar to those set out above.

(h) **Waiver of immunity**: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction. The Fiscal Agency Agreement and the Deed of Covenant include waivers of immunity by the Issuer on substantially similar terms.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Certificates

The Global Note Certificate will be registered in the name of a nominee for the Common Depositary for Euroclear and Clearstream, Luxembourg and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Note Certificate in the name of the nominee for, and delivery of the Global Note Certificate to, the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by the Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of, or the person whose name is entered on the Register as the holder of, the Global Note Certificate and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as such Notes are represented by the Global Note Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Note Certificate in respect of each amount so paid.

3 Exchange

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Note Certificate pursuant to Condition 2(a) (*Transfers of Notes – Transfer*) may only be made in part:

3.1 if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

3.2 upon or following any failure to pay principal in respect of the Notes when it is due and payable,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.1 or 3.2 above, the registered holder has given the Registrar not less than 30 days' notice at its specified office of the registered holder's intention to effect such transfer.

Where the holding of Notes represented by the Global Note Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Note Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Note Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

4 Amendment to Conditions

The Global Note Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

All payments in respect of the Notes represented by the Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January;

4.2 Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Note Certificate shall be (unless the Global Note Certificate represents only one Note) treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as being entitled to one vote in respect of each US$1,000 of the Notes for which the Global Note Certificate is issued; and

4.3 Events of Default

If principal in respect of the Notes is not paid when due by the Issuer to the holder of the Global Note Certificate, any holder of Notes represented by the Global Note Certificate may (subject as provided below) from time to time elect that Direct Rights under the provisions of (and as defined in) the Deed of Covenant, executed as a deed by the Issuer on 8 June 2011 (a copy of which is available for inspection at the specified office of the Fiscal Agent and which the Issuer acknowledges to apply to the Notes represented by the Global Note Certificate) shall come into effect in respect of a principal amount of the Notes up to the aggregate principal amount in respect of which such failure to pay has occurred. Such election shall be made by notice to the Fiscal Agent by any such holder of the Notes specifying the principal amount of Notes represented by the Global Note Certificate in respect of which Direct Rights shall arise under the Deed of Covenant. Upon each such notice being given, the Global Note Certificate and the corresponding entry in the Register shall become void to the extent of the principal amount stated in such notice, save to the extent that the appropriate Direct Rights fail to take effect, for whatever reason.

5 Notices

So long as any Notes are evidenced by the Global Note Certificate and such Global Note Certificate is held by or on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System:

5.1 notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for sending by mail as required by Condition 14 (*Notices*) of the Notes. Any such notice shall be deemed to have been given to the Noteholders on the third day after the day on which such notice is delivered to Euroclear, Clearstream, Luxembourg or an Alternative Clearing System as aforesaid. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation; and

5.2 notices to be given by any Noteholder may be given by such Noteholder through Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as applicable) and otherwise as the Registrar and Euroclear, Clearstream, Luxembourg or such Alternative Clearing System may approve for this purpose.

6 Purchase and Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of its Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders.

7 Put Option

The Noteholders' put option in Condition 6(c) (*Redemption and Purchase – Redemption at the Option of Noteholders*) of the Notes may be exercised by the holder of the Global Note Certificate giving notice to the Fiscal Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Note Certificate for endorsement of exercise within the time limits specified in Condition 6(c) (*Redemption and Purchase – Redemption at the Option of Noteholders*).

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately U.S.$994,000,000, will be used for general corporate purposes.

SUMMARY OF FINANCIAL INFORMATION

The following summary of consolidated historical financial information as at and for the years ended 31 March 2011, 2010 and 2009 has been derived from the audited Financial Statements for the years ended 31 March 2011 and 31 March 2010, which are included elsewhere in this document.

Prospective investors should read the following summary consolidated financial information in conjunction with the information contained in "*Presentation of Financial and Other Information*", "*Risk Factors*", "*Financial Review*", "*Emirates*" and the Financial Statements (including the related notes thereto) appearing elsewhere in this document.

Consolidated Income Statement

The following table shows the Group's consolidated income statements for the three years ended 31 March 2011, 2010 and 2009, respectively.

	Year ended 31 March		
	2011	**2010**	**2009**
	(AED millions)		
Revenue	53,098	42,477	42,459
Other operating income	1,286	978	807
Operating costs	(48,943)	(39,890)	(40,988)
Operating profit	**5,441**	**3,565**	**2,278**
Other gains and losses	(4)	48	(1,572)
Finance income	521	330	431
Finance costs	(506)	(355)	(535)
Share of results in associated companies and joint ventures	91	77	63
Profit before income tax	**5,543**	**3,665**	**665**
Income tax (expense)/credit	(78)	(50)	85
Profit for the year	**5,465**	**3,615**	**750**
Profit attributable to non-controlling interest	92	77	64
Profit attributable to Emirates' owner	**5,373**	**3,538**	**686**

Consolidated Statement of Comprehensive Income

The following table shows the Group's consolidated statements of comprehensive income for the three years ended 31 March 2011, 2010 and 2009, respectively.

	Year ended 31 March		
	2011	**2010**	**2009**
	(AED millions)		
Profit for the year	**5,465**	**3,615**	**750**
Currency translation differences	38	124	(44)
Available for sale financial assets	–	–	41
Cash flow hedges	(282)	(244)	745
Other comprehensive (loss)/income	**(244)**	**(120)**	**742**
Total comprehensive income for the year	**5,221**	**3,495**	**1,492**
Total comprehensive income attributable to non-controlling interests	92	77	64
Total comprehensive income attributable to Emirates' owner	**5,129**	**3,418**	**1,428**

Consolidated Statement of Financial Position

The following table shows the Group's consolidated statements of financial position as at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March		
	2011	**2010**	**2009**
	(AED millions)		
ASSETS			
Non-current assets			
Property, plant and equipment	39,848	33,753	29,086
Intangible assets	901	927	923
Investments in associated companies and joint ventures	386	461	441
Advance lease rentals	384	233	192
Available for sale financial assets	–	–	113
Loans and other receivables	1,704	1,432	1,039
Derivative financial instruments	–	64	125
Total non-current assets	**43,223**	**36,870**	**31,919**
Current assets			
Inventories	1,290	1,084	1,053
Trade and other receivables	6,481	7,008	7,109
Held to maturity financial assets	–	–	200
Derivative financial instruments	123	74	–
Short term bank deposits	3,777	1,176	2,619
Cash and cash equivalents	10,196	9,335	4,549
Total current assets	**21,867**	**18,677**	**15,530**
Total assets	**65,090**	**55,547**	**47,449**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	801	801	801
Retained earnings	20,459	16,794	14,812
Other reserves	(565)	(321)	(201)
Attributable to Emirates' owner	**20,695**	**17,274**	**15,412**
Non-controlling interests	**207**	**201**	**159**
Total equity	**20,902**	**17,475**	**15,571**
Non-current liabilities			
Borrowing and lease liabilities	20,502	16,753	15,140
Retirement benefit obligations	390	364	367
Deferred revenue	1,722	1,483	1,178
Deferred credits	401	460	492
Deferred income tax liability	2	4	13
Trade and other payables	31	21	25
Derivative financial instruments	642	467	538
Total non-current liabilities	**23,690**	**19,552**	**17,753**

	As at 31 March		
	2011	2010	2009
	(AED millions)		
Current liabilities			
Trade and other payables	17,551	15,475	12,530
Income tax liabilities	22	19	23
Borrowings and lease liabilities	2,728	2,852	1,372
Deferred credits	136	162	169
Derivative financial instruments	61	12	31
Total current liabilities	**20,498**	**18,520**	**14,125**
Total liabilities	**44,188**	**38,072**	**31,878**
Total equity and liabilities	**65,090**	**55,547**	**47,449**

Consolidated Cash Flow Statement

The following table summarises the Group's consolidated cash flow statements for the three years ended 31 March 2011, 2010 and 2009, respectively.

	Year ended 31 March		
	2011	2010	2009
	(AED millions)		
Net cash generated from operating activities	11,004	8,328	5,016
Net cash (used in)/generated from investing activities	(5,092)	(577)	1,896
Net cash used in financing activities	(5,046)	(2,982)	(5,085)
Net increase in cash and cash equivalents	**866**	**4,769**	**1,827**
Cash and cash equivalents at start of the year	9,322	4,547	2,715
Effects of exchange rate changes	(1)	6	5
Cash and cash equivalents at end of the year	**10,187**	**9,322**	**4,547**

Other Data

The following table shows certain other financial data, ratios and airline operating statistics for the Group as at and for the three years ended 31 March 2011, 2010 and 2009, respectively.

	As at/year ended 31 March		
	2011	**2010**	**2009**
	(AED millions, except where otherwise stated)		
EBITDAR[1]	13,435	10,638	8,286
Total borrowings and lease liabilities	23,230	19,605	16,512
Less: cash assets[2]	(13,973)	(10,511)	(7,368)
Net debt	9,257	9,094	9,144
Capital expenditure	12,238	8,053	10,178
Operating margin[3] *(%)*	10.0	8.2	5.3
Profit margin[4] *(%)*	9.9	8.1	1.6
Return on shareholder's funds *(%)*	28.3	21.6	4.4
EBITDAR margin[5] *(%)*	24.7	24.5	19.2
Net debt to equity *(%)*	44.3	52.0	58.7
Net debt (including operating leases) to equity *(%)*	127.1	158.5	167.0
Net debt (including operating leases) to EBITDAR *(%)*	197.7	260.3	313.9
Revenue per employee *(AED thousands)*	1,738	1,459	1,492
Airline operating statistics			
Aircraft *(number)*	148	142	127
Average fleet age *(months)*	77	69	64
Destination cities *(number)*	111	102	99
Aircraft departures *(number)*	133,772	123,055	109,477
Passengers carried *(millions)*	31.4	27.5	22.7
Cargo carried *(thousand tonnes)*	1,767	1,580	1,408
Overall load carried *(RTKM million)*	22,078	19,063	15,879
Overall capacity *(ATKM million)*	32,057	28,526	24,397
Overall load factor[6] *(%)*	68.9	66.8	65.1
Breakeven load factor[7] *(%)*	65.0	64.4	64.1
Unit costs *(fils per ATKM)*	149	136	163
Unit costs (excluding jet fuel) *(fils per ATKM)*	96	94	104
Overall yield[8] *(fils per RTKM)*	229	211	254

Notes:

(1) Defined as operating profit before depreciation, amortisation and aircraft operating lease rentals. See "*Presentation of Financial and Other Information*".

(2) Defined as the sum of short term bank deposits, cash and cash equivalents and other cash investments classified into other categories of financial assets.

(3) Calculated as operating profit divided by the sum of revenue and other operating income.

(4) Calculated as profit attributable to Emirates' owner expressed as a percentage of the sum of revenue and other operating income.

(5) Calculated as EBITDAR expressed as a percentage of the sum of revenue and other operating income.

(6) Calculated as RTKM divided by ATKM.

(7) The overall load factor at which revenue will equal operating costs.

(8) Calculated as transportation revenue earned per RTKM and expressed in fils per RTKM. Transportation revenue is the sum of passenger, cargo and excess baggage revenue.

FINANCIAL REVIEW

The following review of the Group's financial position and results of operations is based upon and should be read in conjunction with the Financial Statements included elsewhere in this document.

This discussion contains forward-looking statements that involve risks and uncertainties, see "*Cautionary Statement Regarding Forward-Looking Statements*". Actual results for the Group could differ materially from those indicated in any forward-looking statements as a result of various factors, including those discussed below and in "*Risk Factors*".

Overview

According to the International Air Transport Association ("**IATA**") World Air Transport Statistics, 54th edition, in 2009 Emirates was the leading airline in the world in terms of international passenger flights measured in RPKM and ranked fifth in terms of international freight transported measured in freight tonne kilometres. According to an article published in February 2011 in Air Transport World magazine, Emirates was the world's most profitable airline based on its net profits for its financial year ended 31 March 2010. Emirates' profit in financial year 2011 was AED 5,465 million on revenues of AED 53,098 million. Emirates' revenues and other operating income grew at a compounded annual growth rate of 25.3 per cent. over the 10 financial years to 31 March 2011 and profits attributable to Emirates' owner grew over the same period by an average of 31.2 per cent. per year. Emirates has recorded net profits in each of its last 23 financial years.

In financial year 2011, Emirates transported 31.4 million passengers to 100 destinations and carried 1.8 million tonnes of cargo to 111 destinations. Emirates' passenger seat factor and overall load factor were 80.0 per cent. and 68.9 per cent., respectively, in financial year 2011 (compared to 78.1 per cent. and 66.8 per cent., respectively, in the previous year) and its breakeven load factors were 65.0 per cent. in financial year 2011 and 64.4 per cent. in financial year 2010. Emirates' RPKMs and RTKMs increased by 15.7 per cent. and 15.8 per cent., respectively, in financial year 2011 compared to financial year 2010. Emirates is one of the fastest growing major international scheduled airlines in the world and has one of the youngest fleets of aircraft in the world. The average age of Emirates' fleet as at 31 March 2011 was 77 months against a global industry average of around 132 months according to the IATA website.

In financial year 2011, 95.1 per cent. of the Group's revenue comprised transportation revenue, being revenue generated from passenger transport (78.0 per cent.), cargo transport (16.6 per cent.) and excess baggage (0.5 per cent.). The remaining 4.9 per cent. of the Group's revenue was derived from a range of ancillary sources, including the sale of consumer goods, the sale of food and beverages, in flight catering services provided to third parties and leisure services (including hotel operations).

The global airline industry was materially adversely impacted by the global financial crisis during 2008 and 2009 which caused a significant reduction in overall passenger numbers as well as in passengers booking premium cabins and gave rise to strong price competition. In most airlines, the financial crisis resulted in shrinking networks and revenues as well as falling service levels. In some cases, the financial crisis also resulted in airline bankruptcies (including the bankruptcy of three premium passenger only airlines). In addition, airlines were adversely impacted by the associated liquidity crisis in which financial institutions around the world were reluctant to extend credit from late 2008 through mid-2009. According to IATA, airlines' financial losses worldwide for 2008 and 2009 were U.S.$15.9 billion and U.S.$9.4 billion, respectively. As against this background, the Group's revenue increased by 16.5 per cent. in financial year 2009, remained relatively flat in financial year 2010 and increased by 25.0 per cent. during financial year 2011, in each case compared to the previous financial year. The Group's operating profit fell by 48.8 per cent. in financial year 2009 before increasing by 56.5 per cent. in financial year 2010 and by 52.6 per cent in financial year 2011, in each case compared to the previous financial year.

Emirates' strategy during and following the global financial crisis was to continue to maintain and expand its network, invest in its brand and improve service levels, whilst at the same time putting in place a significant cost reduction programme. Emirates implemented a range of measures designed to ensure that jobs were safeguarded and talent was retained. In financial year 2011, the Group had an average of 38,797 employees compared to an average of 36,652 in financial year 2010 and 35,812 in financial year 2009.

Emirates also continued its fleet expansion programme during and following the financial crisis, taking delivery of eight new aircraft in financial year 2011, 15 new aircraft in financial year 2010 and 21 new aircraft in financial year 2009, raising AED 5,291 million, AED 8,776 million and AED 9,550 million in financial year 2011, financial year 2010 and financial year 2009, respectively, in financing to fund these acquisitions.

Significant Accounting Policies and Critical Accounting Judgments

The preparation of the Financial Statements requires management to make certain estimates and judgments, some of which are subjective and complex, often as a result of the need to make estimations of future events. The Group's significant accounting policies are set out in Note 2 to the 2011 Financial Statements and a summary of the critical accounting estimates and judgments that are made in preparing the financial statements is set out in Note 3 to the 2011 Financial Statements.

Results of Operations for the Three Years Ended 31 March 2011

Revenue

The Group earns revenue principally from the transportation of passengers, cargo and excess baggage (together referred to as "**transportation revenue**"). In addition, the Group earns revenue through the sale of consumer goods, the sale of food and beverages through its retail outlets and in flight catering services provided to third parties and through the provision of a range of other services including destination and leisure management services and hotel operations, among others.

The table below shows the Group's revenue categorised by transportation revenue and all other revenue for the three years ended 31 March 2011, 2010 and 2009, respectively.

	Year ended 31 March					
	2011		**2010**		**2009**	
	(AED millions)	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*
Passenger	41,415	78.0	32,995	77.7	32,697	77.0
Cargo	8,803	16.6	6,899	16.2	7,349	17.3
Excess baggage	293	0.5	278	0.7	349	0.8
Total transportation revenue	**50,511**	**95.1**	**40,172**	**94.6**	**40,395**	**95.1**
Other	2,587	4.9	2,305	5.4	2,064	4.9
Total revenue	**53,098**	**100.0**	**42,477**	**100.0**	**42,459**	**100.0**

The Group's total revenue increased by AED 10,621 million, or 25.0 per cent., in financial year 2011 from AED 42,477 million in financial year 2010 to AED 53,098 million in financial year 2011, reflecting increases in passenger revenue (of AED 8,420 million, or 25.5 per cent.), cargo revenue (of AED 1,904 million, or 27.6 per cent), excess baggage revenue (of AED 15 million, or 5.4 per cent.) and other revenues (of AED 282 million, or 12.2 per cent.).

The Group's total revenue was virtually unchanged in financial year 2010 at AED 42,477 million compared to AED 42,459 million in financial year 2009 reflecting small increases in passenger revenue of AED 298 million, or 0.9 per cent., and other revenues of AED 241 million, or 11.7 per cent., and declines in excess baggage revenue of AED 71 million, or 20.3 per cent., and in cargo revenue of AED 450 million, or 6.1 per cent..

In geographical terms in financial year 2011, 29.2 per cent. of the Group's revenue was derived from East Asia and Australasia, 27.2 per cent. was derived from Europe, 12.1 per cent. was derived from West Asia and the Indian Ocean region, 10.6 per cent. was derived from the Gulf and Middle East region, 10.5 per cent. was derived from Africa and 10.4 per cent. was derived from the Americas.

A more detailed analysis of the Group's passenger revenue and of its cargo revenue is set out below. Together, these two revenue streams comprised 94.6 per cent., 93.9 per cent. and 94.3 per cent. of the Group's total revenue in financial year 2011, financial year 2010 and financial year 2009, respectively.

Passenger Revenue

The table below shows the Group's passenger revenue, the number of passengers carried, passenger capacity (expressed in ASKM), passenger traffic (expressed in RPKM), passenger seat factor and passenger yield for the three years ended 31 March 2011, 2010 and 2009, respectively.

	Year ended 31 March		
	2011	**2010**	**2009**
Passenger revenues (*AED millions*)	41,415	32,995	32,697
Passengers carried (*thousands*)	31,422	27,454	22,731
ASKM (*millions*)	182,757	161,756	134,180
RPKM (*millions*)	146,134	126,273	101,762
Passenger seat factor (%)	80.0	78.1	75.8
Passenger yield (*fils/RPKM*)	28.3	26.1	32.1

Financial Year 2011 compared to Financial Year 2010

The Group's passenger carrying capacity increased by 21,001 million ASKM, or 13.0 per cent., in financial year 2011 (from 161,756 million ASKM in financial year 2010 to 182,757 million ASKM). The Group's passenger traffic increased by 19,861 million RPKM, or 15.7 per cent., in financial year 2011 (from 126,273 million RPKM in financial year 2010 to 146,134 million RPKM). The Group's passenger seat factor rose from 78.1 per cent. in financial year 2010 to 80.0 per cent. in financial year 2011.

Aircraft departures increased by 8.7 per cent. for financial year 2011 to 133,772 from 123,055 for financial year 2010, reflecting the introduction of new passenger services to Amsterdam, Prague, Madrid, Dakar, Medinah and Basra, increased frequencies to a number of existing destinations and increased capacity to a number of existing destinations using larger aircraft.

The Group's passenger revenue increased by AED 8,420 million, or 25.5 per cent., in financial year 2011 (from AED 32,995 million in financial year 2010 to AED 41,415 million). This increase in passenger revenue principally reflected the combined effects of an increase in the number of passengers carried (by 3,968 million, or 14.5 per cent.), in RPKMs (by 19,861 million, or 15.7 per cent.) and in passenger yield (by 2.2 fils per RPKM, or 8.5 per cent.).

Financial Year 2010 compared to Financial Year 2009

The Group's passenger carrying capacity increased by 27,576 million ASKM, or 20.6 per cent., in financial year 2010 (from 134,180 million ASKM in financial year 2009 to 161,756 million ASKM).

The Group's passenger traffic increased by 24,511 million RPKM, or 24.1 per cent., in financial year 2010 (from 101,762 million RPKM in financial year 2009 to 126,273 million RPKM). The Group's passenger seat factor rose from 75.8 per cent. in financial year 2009 to 78.1 per cent. in financial year 2010.

Aircraft departures increased by 12.4 per cent. in financial year 2010 to 123,055 from 109,477 during financial year 2009, reflecting the introduction of new passenger services to Durban, Luanda and Tokyo, increased frequencies to a number of existing destinations and increased capacity to a number of existing destinations through the use of larger aircraft.

Notwithstanding the substantial increase in traffic and seat factors described above, the Group's passenger revenue increased only marginally by AED 298 million, or 0.9 per cent., in financial year 2010 (from AED 32,697 million in financial year 2009 to AED 32,995 million). This principally reflected a fall in passenger yield (by 6.0 fils per RPKM, or 18.7 per cent.). The decline in passenger yield resulted mainly from a fall in fares to match the competitive environment and a change in the class mix with premium class seat factors declining by 6.2 per cent. and economy class seat factors increasing by 3.6 per cent., in each case in financial year 2010 compared to financial year 2009.

Cargo Revenue

The table below shows the Group's cargo revenue and the cargo tonnage uplifted for the three years ended 31 March 2011, 2010 and 2009, respectively.

	Year ended 31 March		
	2011	**2010**	**2009**
Cargo revenues (*AED millions*)	8,803	6,899	7,349
Cargo tonnage uplifted (*thousand tonnes*).............................	1,767	1,580	1,408

Financial Year 2011 compared to Financial Year 2010

The Group's cargo revenues increased by AED 1,904 million, or 27.6 per cent., in financial year 2011 (from AED 6,899 million in financial year 2010 to AED 8,803 million). This reflected both the increase in cargo tonnage carried by the Group (which increased by 187,000 tonnes, or 11.8 per cent.) and an 11.3 per cent. improvement in cargo yield in financial year 2011 compared to the previous year.

Financial Year 2010 compared to Financial Year 2009

The Group's cargo revenues decreased by AED 450 million, or 6.1 per cent., in financial year 2010 (from AED 7,349 million in financial year 2009 to AED 6,899 million). Although the cargo tonnage carried by the Group increased (by 172,000 tonnes, or 12.2 per cent.), this was more than offset by a fall in cargo yield due to adverse market conditions.

Other Operating Income

The Group's other operating income principally comprises liquidated damages paid in connection with late aircraft deliveries, gains on the sale and leaseback of aircraft, aircraft engines and parts and net foreign exchange gains.

Operating Costs

The table below shows the Group's operating costs for the three years ended 31 March 2011, 2010 and 2009, respectively.

	Year ended 31 March					
	2011		2010		2009	
	(AED millions)	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*
Jet fuel	16,820	34.4	11,908	29.9	14,443	35.2
Employee costs	7,617	15.6	6,345	15.9	5,861	14.3
Aircraft operating leases	4,317	8.8	4,111	10.3	3,797	9.3
Sales and marketing	3,862	7.9	3,020	7.6	3,321	8.1
Depreciation	3,600	7.3	2,893	7.2	2,150	5.2
Handling	3,195	6.5	2,807	7.0	2,533	6.2
Corporate overheads	2,592	5.3	2,554	6.4	3,379	8.2
In flight catering and other operating costs	2,305	4.7	2,180	5.5	1,923	4.7
Overflying	1,620	3.3	1,438	3.6	1,281	3.1
Aircraft maintenance	1,030	2.1	847	2.1	682	1.7
Landing and parking	974	2.0	874	2.2	735	1.8
Cost of goods sold	934	1.9	844	2.1	822	2.0
Amortisation	77	0.2	69	0.2	61	0.2
Total operating costs	**48,943**	**100.0**	**39,890**	**100.0**	**40,988**	**100.0**

The Group's principal operating costs are the cost of the jet fuel which it uses, employee costs and aircraft operating lease costs, which together comprised 58.8 per cent., 56.1 per cent. and 58.8 per cent. of its total operating costs in financial year 2011, financial year 2010 and financial year 2009, respectively. Each of these items is analysed in more detail below.

Financial Year 2011 compared to Financial Year 2010

The Group's total operating costs increased by AED 9,053 million, or 22.7 per cent., in financial year 2011 (from AED 39,890 million in financial year 2010 to AED 48,943 million). The principal contributors to this increase were higher jet fuel costs, employee costs, sales and marketing and depreciation costs, each of which increased as a result of the Group expanding its business operations.

Financial Year 2010 compared to Financial Year 2009

The Group's total operating costs decreased by AED 1,098 million, or 2.7 per cent., in financial year 2010 (from AED 40,988 million in financial year 2009 to AED 39,890 million). The principal contributors to this decrease were reduced jet fuel costs and reduced corporate overheads, although the full effect of these reductions was offset by increases in a number of other operating cost items. During financial year 2010, corporate overheads fell by AED 825 million, or 24.4 per cent., reflecting the effect of unfavourable exchange rate movements on currency translation gains and losses during the previous year, which were included in corporate overheads, and savings that were made across a broad spectrum of corporate overheads. In addition, sales and marketing costs fell by AED 301 million, or 9.1 per cent., reflecting lower distribution and advertising costs. Other operating costs, such as depreciation, handling, in flight costs, overflying, landing and parking and maintenance costs, increased as a result of the Group expanding its fleet and the number of flights undertaken by it.

Jet Fuel

Financial Year 2011 compared to Financial Year 2010

The Group's jet fuel costs increased by AED 4,912 million, or 41.2 per cent., in financial year 2011 (from AED 11,908 million in financial year 2010 to AED 16,820 million) reflecting higher jet fuel prices in financial year 2011 compared to financial year 2010 (on an average basis, jet fuel prices paid by the Group in financial year 2011 were 26.5 per cent. more expensive than in the previous year) and increased consumption of jet fuel in financial year 2011 as the Group operated an increased number of flights.

Financial Year 2010 compared to Financial Year 2009

The Group's jet fuel costs decreased by AED 2,535 million, or 17.6 per cent., in financial year 2010 (from AED 14,443 million in financial year 2009 to AED 11,908 million). This reflected the effects of lower jet fuel prices paid by the Group in financial year 2010 compared to financial year 2009 (on an average basis, jet fuel in financial year 2010 was 30.8 per cent. cheaper than in the previous year) the effects of which were partially offset by increased consumption of jet fuel in financial year 2010 as the Group handled an increased number of flights.

Employee Costs

Financial Year 2011 compared to Financial Year 2010

The Group's employee costs increased by AED 1,272 million, or 20.0 per cent., in financial year 2011 (from AED 6,345 million in financial year 2010 to AED 7,617 million), principally reflecting an increase in average employee numbers (calculated as the sum of the number of employees on the last day of each calendar month in a financial year divided by 12) of 2,145, or 5.9 per cent., from 36,652 in financial year 2010 to 38,797, a pay award for all staff and payments in respect of the Group's employee profit sharing scheme.

Financial Year 2010 compared to Financial Year 2009

The Group's employee costs increased by AED 484 million, or 8.3 per cent., in financial year 2010 (from AED 5,861 million in financial year 2009 to AED 6,345 million), reflecting an increase in average employee numbers of 840, or 2.3 per cent., from 35,812 in financial year 2009 to 36,652, as well as the resumption of payments under the employee profit sharing scheme in financial year 2010 after no payments were made in financial year 2009. The Group took a number of steps to contain its employment costs, including a freeze of recruitment in non-essential areas in the early part of financial year 2010, redeployment of staff and the introduction of a programme of voluntary unpaid leave.

Aircraft Operating Leases

Financial Year 2011 compared to Financial Year 2010

The Group's aircraft operating lease costs increased by AED 206 million, or 5.0 per cent., in financial year 2011 (from AED 4,111 million in financial year 2010 to AED 4,317 million), reflecting an increase in the number of operating leases from 101 at 31 March 2010 to 103 at 31 March 2011 as the Group continued to expand its fleet.

Financial Year 2010 compared to Financial Year 2009

The Group's aircraft operating lease costs increased by AED 314 million, or 8.3 per cent., in financial year 2010 (from AED 3,797 million in financial year 2009 to AED 4,111 million), reflecting an increase in the number of operating leases from 94 at 31 March 2009 to 101 at 31 March 2010 as the Group continued to expand its fleet.

Operating Profit

Reflecting the above factors, the Group's operating profit increased by AED 1,876 million, or 52.6 per cent., from AED 3,565 million in financial year 2010 to AED 5,441 million in financial year 2011 and increased by AED 1,287 million, or 56.5 per cent., from AED 2,278 million in financial year 2009 to AED 3,565 million in financial year 2010. The Group's operating margin (calculated as operating profit divided by the sum of revenue and other operating income) was 10.0 per cent. in financial year 2011, 8.2 per cent. in financial year 2010 and 5.3 per cent. in financial year 2009.

Other Items of Income and Costs

The Group's other items of income and costs include changes in the fair value of derivative instruments that are used as part of the Group's programme of managing its jet fuel costs but which do not qualify for hedge accounting, finance income and finance costs and the Group's share of the results of its associated companies and joint ventures.

The Group's derivative instruments which do not qualify for hedge accounting generated fair value adjustments, being losses of AED 4 million in financial year 2011, gains of AED 48 million in financial year 2010 and losses of AED 1,572 million in financial year 2009. In previous years and reflecting a significant period of generally increasing international oil prices, the Group's jet fuel hedging policy was principally designed to ensure that it reduced its exposure to significant increases in jet fuel prices. As a result, when jet fuel prices fell significantly from July 2008 the hedges that the Group had in place meant that, in addition to adverse fair value effects on the hedges, the full effect of the fall in prices was not immediately reflected in the Group's results. The Group has subsequently revised its jet fuel hedging strategy so that it now aims both to mitigate the effect of increasing prices and also to ensure that the Group receives the benefit of falling prices through the purchase of call options.

The Group's finance income principally comprises interest on its cash and short-term bank deposit balances as well as interest income from related parties and other sources. The Group's finance income increased by AED 191 million, or 57.8 per cent., in financial year 2011 (from AED 330 million in financial year 2010 to AED 521 million), principally reflecting increased cash assets and notwithstanding a slight fall in the effective interest rate received by the Group on its cash and short-term bank deposit balances from 3.7 per cent. in financial year 2010 to 3.6 per cent. The Group's finance income declined by AED 101 million, or 23.4 per cent., in financial year 2010 (from AED 431 million in financial year 2009 to AED 330 million), principally reflecting a fall in the average rate of interest earned by the Group on its cash and short-term bank deposit balances which was 3.7 per cent. in financial year 2010 and 4.9 per cent. in financial year 2009 as well as the effect of changes in the balances.

The Group's finance costs principally comprise aircraft financing costs (being the interest element of lease payments in relation to aircraft and aircraft engines financed by finance leases), interest charges on its borrowings and other interest charges. The Group's finance costs increased by AED 151 million, or 42.5 per cent., in financial year 2011 (from AED 355 million in financial year 2010 to AED 506 million), principally reflecting an increase in lease liabilities as well as an increase in the average rate of interest paid by the Group in respect of its borrowings and lease liabilities (see "*– Statement of Financial Position – Liabilities – Borrowings and Lease Liabilities*"). The Group's finance costs declined by AED 180 million, or 33.6 per cent., in financial year 2010 (from AED 535 million in financial year 2009 to AED 355 million), principally reflecting a decrease in the average rate of interest paid by the Group in respect of its borrowings and lease liabilities which, to an extent, were offset by increases in the Group's total borrowings and lease liabilities over the two financial years.

The Group's share of the results of its associated companies and joint ventures was AED 91 million in financial year 2011, AED 77 million in financial year 2010 and AED 63 million in financial year 2009. The associates include Alpha Flight Services Pty Ltd, which provides catering services to airlines and is based in Australia, and the joint ventures include one flight simulator training venture in each of India and the UAE and a hotel company in the UAE. The Group's shares in Alpha were sold to dnata at the end of 2010 at their book value.

Profit before Income Tax

Reflecting the above factors, the Group's profit before income tax increased by AED 1,878 million, or 51.2 per cent., in financial year 2011 (from AED 3,665 million in financial year 2010 to AED 5,543 million) and increased by AED 3,000 million in financial year 2010 (from AED 665 million in financial year 2009 to AED 3,665 million).

Income Tax

The Group has secured tax exemptions in most of the jurisdictions in which it operates as a result of double taxation agreements and airline reciprocal arrangements. However, the Group is subject to tax in respect of certain overseas stations which it operates.

The Group's operations in these stations gave rise to AED 78 million in income tax expense in financial year 2011, AED 50 million in income tax expense in financial year 2010 and AED 85 million in income tax credit in financial year 2009. The income tax credit in financial year 2009 reflected the write back of a provision of AED 131 million following the resolution in the Group's favour of a tax dispute in one jurisdiction. Excluding the effects of the write back, the Group's income tax charge in financial year 2009 would have been AED 46 million.

Profit attributable to Emirates' Owner

Reflecting the above factors, the Group's profit attributable to Emirates' owner for the year increased by AED 1,835 million (from AED 3,538 million in financial year 2010 to AED 5,373 million) and increased by AED 2,852 million (from AED 686 million in financial year 2009 to AED 3,538 million). The Group's profit margin (calculated as profit attributable to Emirates' owner divided by the sum of revenue and other operating income) was 9.9 per cent. in financial year 2011, 8.1 per cent. in financial year 2010 and 1.6 per cent. in financial year 2009.

Total Comprehensive Income attributable to Emirates' Owner

Financial Year 2011 compared to Financial Year 2010

In financial year 2011, the Group's other comprehensive loss was AED 244 million reflecting an AED 282 million fair value loss on cash flow hedges and a gain of AED 38 million in currency translation differences. Coupled with the Group's profit for the period of AED 5,465 million, this resulted in total comprehensive income attributable to Emirates' owner of AED 5,129 million in financial year 2011. Total comprehensive income attributable to non-controlling interests was AED 92 million in financial year 2011.

Financial Year 2010 compared to Financial Year 2009

In financial year 2010, the Group's other comprehensive loss was AED 120 million reflecting AED 244 million of fair value loss on cash flow hedges and a gain of AED 124 million in currency translation differences. Coupled with the Group's profit for the year of AED 3,615 million, this resulted in total comprehensive income attributable to Emirates' owner of AED 3,418 million for financial year 2010. Total comprehensive income attributable to non-controlling interests was AED 77 million in financial year 2010.

Consolidated Cash Flows for the Three Years Ended 31 March 2011

The table below summarises the Group's cash flows for the three years ended 31 March 2011, 2010 and 2009, respectively.

	Year ended 31 March		
	2011	2010	2009
	(AED millions)		
Net cash generated from operating activities	11,004	8,328	5,016
Net cash (used in)/generated from investing activities	(5,092)	(577)	1,896
Net cash used in financing activities	(5,046)	(2,982)	(5,085)
Net increase in cash and cash equivalents	**866**	**4,769**	**1,827**
Cash and cash equivalents at start of the year	9,322	4,547	2,715
Effects of exchange rate changes	(1)	6	5
Cash and cash equivalents at end of the year	**10,187**	**9,322**	**4,547**

In financial year 2011, the Group's net cash generated from operating activities was AED 11,004 million. The Group's net cash used in investing activities in the same year was AED 5,092 million, principally reflecting the net cost of property, plant and equipment (which comprises payments in respect of property, plant and equipment less the cost of assets acquired under finance leases) of AED 6,504 million and an AED 2,601 million investment in short-term bank deposits, which was partially offset by the receipt of AED 3,241 million in proceeds from the sale of property, plant and equipment. The net cash used by the Group in financing activities in financial year 2011 was AED 5,046 million, principally comprising the repayment of bonds amounting to AED 1,837 million, net aircraft lease liabilities of AED 1,083 million and dividends paid to Emirates' owner of AED 2,308 million.

In financial year 2010, the Group's net cash generated from operating activities was AED 8,328 million. The Group's net cash used in investing activities in the same year was AED 577 million, principally reflecting the net cost of property, plant and equipment of AED 3,416 million, which was partially offset by an AED 1,443 million maturity of short-term bank deposits and AED 883 million received from the sale of property, plant and equipment. The net cash used by the Group in financing activities in financial year 2010 was AED 2,982 million, principally comprising net aircraft lease liabilities of AED 1,447 million and dividend payments to Emirates' owner of AED 956 million.

In financial year 2009, the Group's net cash generated from operating activities was AED 5,016 million. The Group's net cash generated from investing activities in the same year was AED 1,896 million, principally reflecting an AED 5,026 million maturity of short-term bank deposits plus AED 1,837 million in proceeds from the sale of available for sale investments, which were substantially offset by AED 5,573 million in the net cost of property, plant and equipment. The net cash used by the Group in financing activities in financial year 2009 was AED 5,085 million, principally comprising dividends paid to Emirates' owner of AED 2,913 million and net aircraft lease liabilities of AED 1,161 million.

Statement of Financial Position

Assets

The Group's most significant assets are its property, plant and equipment, its cash and cash equivalents (including its short-term bank deposits) and its trade and other receivables, which together comprised 92.6 per cent. of its total assets at 31 March 2011, 92.3 per cent. of its total assets at 31 March 2010 and 91.4 per cent. of its total assets at 31 March 2009.

Property, Plant and Equipment

Information relating to the Group's property, plant and equipment is set out in Note 11 to the 2011 Financial Statements. As at 31 March 2011, 59.0 per cent. of the Group's property, plant and equipment comprised aircraft and aircraft engines and parts. In addition, a further 12.5 per cent. comprised pre-delivery payments in respect of aircraft. As at 31 March 2011, AED 19,497 million in net book value of property, plant and equipment represented aircraft held under finance leases.

Cash and Cash Equivalents and Short-term Bank Deposits

The table below shows the Group's cash and cash equivalents and short-term bank deposits at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March					
	2011		2010		2009	
	(AED millions)	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*
Cash and cash equivalents	10,196	73.0	9,335	88.8	4,549	63.5
Short-term bank deposits	3,777	27.0	1,176	11.2	2,619	36.5
Total cash and cash equivalents and short-term bank deposits...................	**13,973**	**100.00**	**10,511**	**100.0**	**7,168**	**100.0**

As at 31 March 2011, the Group's cash and cash equivalents and short-term bank deposits were AED 13,973 million. The Group's cash and cash equivalents comprise cash held on short-term deposit with banks with maturities of less than three months and its short-term bank deposits comprise deposits over three months in duration but less than 12 months. The Group holds its cash balances predominantly with financial institutions based in the UAE, including but not limited to financial institutions controlled by the Government of Dubai.

Trade and Other Receivables

The Group's trade and other receivables comprise trade receivables (net of provisions) plus significant receivables from related parties (principally the Group's parent company and other companies under the common control of the Group's parent company) as well as a range of other receivables.

The Group's trade receivables (net of provision) amounted to AED 3,487 million at 31 March 2011, AED 3,142 million at 31 March 2010 and AED 2,146 million at 31 March 2009. The Group's provision for trade receivables principally relates to ticketing agents which are unable to meet their obligations and amounted to AED 122 million at 31 March 2011.

Liabilities

The Group's principal liabilities are its borrowings and lease liabilities and its trade and other payables which, together, accounted for 92.4 per cent. of the Group's total liabilities at 31 March 2011, 92.2 per cent. of the Group's total liabilities at 31 March 2010 and 91.2 per cent. of the Group's total liabilities at 31 March 2009.

Borrowings and Lease Liabilities

The Group's borrowings and lease liabilities comprise term loans from commercial banks, bonds and sukuk issued in the international capital markets, bank overdrafts and liabilities under finance leases, principally to fund the purchase of aircraft and aircraft engines and parts.

The table below summarises the Group's borrowings and lease liabilities as at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March		
	2011	**2010**	**2009**
		(AED millions)	
Non-current			
Bonds	4,290	4,900	6,651
Term loans	1,009	296	409
Lease liabilities	15,203	11,557	8,080
Total non-current	**20,502**	**16,753**	**15,140**
Current			
Bonds	727	1,835	–
Term loans	139	113	122
Lease liabilities	1,853	891	1,248
Bank overdrafts	9	13	2
Total current	**2,728**	**2,852**	**1,372**
Total borrowings and lease liabilities	**23,230**	**19,605**	**16,512**

The Group's gearing ratio, being the ratio of its net debt, calculated as total borrowings and lease liabilities net of cash assets (which are the sum of cash equivalents, short-term bank deposits and other cash investments included in other categories of financial assets) to equity, at 31 March 2011 was 44.3 per cent., compared to 52.0 per cent. at 31 March 2010 and 58.7 per cent. at 31 March 2009. After capitalising aircraft operating leases, the gearing ratio at 31 March 2011 would have been 127.1 per cent., compared to 158.5 per cent. at 31 March 2010 and 167.0 per cent. at 31 March 2009. The effective interest rate on the Group's total borrowings and lease liabilities in financial year 2011 was 2.7 per cent. compared to 2.5 per cent. in financial year 2010 and 3.5 per cent. in financial year 2009.

Bonds

The Group has five different series of bonds outstanding, each of which is unsecured. Emirates repaid in full a U.S.$500 million bond on its maturity date, 24 March 2011. As at 31 March 2011, 36.6 per cent. of the Group's outstanding bonds was denominated in dirham, 40.3 cent. was denominated in U.S. dollars and 23.2 per cent. was denominated in Singapore dollars. As at 31 March 2011, 14.5 per cent. of the outstanding principal amount of the Group's bonds was due to mature in less than one year, 76.8 per cent. was due to mature between two and five years and 8.7 per cent. had a maturity in excess of five years. All of the bonds bear floating rates of interest except for a small proportion of the Singapore dollar bonds which have a fixed rate of interest. The effective interest rate on the Group's bonds in financial year 2011 was 1.8 per cent. compared to 2.4 per cent. in financial year 2010 and 3.7 per cent. in financial year 2009.

Term Loans

As at 31 March 2011, the Group had AED 1,148 million in aggregate principal amount of term loans outstanding. Of the outstanding amount of the Group's term loans, 12.1 per cent. was due to mature in less than one year, 43.4 per cent. was due to mature between two and five years and 44.5 per cent. had a maturity in excess of five years. All of the term loans bear floating rates of interest. As at 31 March 2011, AED 973 million, or 84.8 per cent., of the Group's term loans were secured on aircraft, aircraft engines and parts and the remainder was unsecured.

Lease Liabilities

The Group finances its fleet through the use of both finance leases and operating leases. The Group's lease liabilities under its finance leases are secured on the related aircraft and aircraft engines. In the event of both finance leases and operating leases being terminated prior to their expiry date, penalties are payable. As at 31 March 2011, the penalties that would have been payable had all leases terminated on that date would have been AED 478 million.

The table below shows the number of aircraft operated by the Group and the split between operating leases, finance leases and ownership of those aircraft as at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March		
	2011	**2010**	**2009**
		(number)	
Aircraft in operation	148	142	127
operating leases	103	101	94
owned/finance leases	45	41	33

The table below shows the present value of the Group's finance leases, the repayment profile of that present value and the currency breakdown of that present value as at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March		
	2011	**2010**	**2009**
		(AED millions)	
Present value of finance lease liabilities	17,056	12,448	9,328
Present value repayable:			
within one year	1,853	891	1,248
between two and five years	5,549	3,862	2,610
after five years	9,654	7,695	5,470
Present value denominated in:			
U.S. dollars	16,878	12,284	9,174
other currencies	178	164	154

The table below shows the future minimum lease payments in respect of all of the Group's operating leases and the repayment profile of those payments as at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March		
	2011	**2010**	**2009**
		(AED millions)	
Aircraft fleet	28,832	31,001	28,108
Other	2,444	2,769	2,748
Total future minimum lease payments	31,276	33,770	30,856
Repayable:			
within one year	4,485	4,452	3,885
between two and five years	16,807	16,201	14,273
after five years	9,984	13,117	12,698

The Group is entitled to extend certain of the aircraft operating leases for a further period of between one to six years at the end of the initial lease period. As at 31 March 2011, the Group was entitled to purchase 15 aircraft out of a total 103 on operating lease and had seven aircraft contracted on operating lease for delivery between April 2011 and March 2016.

The Group's effective annual interest rate under its lease liabilities and term loans for financial year 2011 was 3.0 per cent. compared to 2.5 per cent. for financial year 2010 and 3.4 per cent. for financial year 2009.

Trade and Other Payables

The table below shows the Group's trade and other payables as at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March		
	2011	**2010**	**2009**
	(AED millions)		
Trade payables and accruals	10,112	8,402	7,477
Related parties	390	285	194
Passenger and cargo sales in advance[(1)]	7,080	6,209	4,884
Dividend payable	–	600	–
Total trade and other payables	17,582	15,496	12,555
Of which, over one year	31	21	25

Note:

(1) This reflects payments received in respect of passenger flights and cargo transportation where the transportation has not yet been provided as the amounts received are only recognised as revenue when the transportation occurs, see Note 2 to the 2011 Financial Statements.

Total trade and other payables at 31 March 2011 was AED 2,086 million, or 13.5 per cent., higher than the figure at 31 March 2010, principally as a result of an increase in passenger and cargo sales in advance by AED 871 million, an increase in respect of the Emirates Group Employees Profit Share Scheme of AED 595 million and other increases in line with business activity. The increase was lower than it would have been had there not been an AED 600 million dividend payment liability in financial year 2010. Total trade and other payables at 31 March 2010 was AED 2,941 million, or 23.4 per cent., higher than the figure as at 31 March 2009, principally as a result of increases in passenger and cargo sales in advance by AED 1,325 million and other increases in line with business activity in addition to a dividend payment liability.

Shareholders' Equity

The table below shows the Group's shareholders' equity as at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March		
	2011	**2010**	**2009**
	(AED millions)		
Capital	801	801	801
Retained earnings	20,459	16,794	14,812
Other reserves	(565)	(321)	(201)
Non-controlling interest	207	201	159
Total shareholders' equity	**20,902**	**17,475**	**15,571**

Capital

Emirates is wholly owned by the ICD, an entity wholly-owned by the Government of Dubai. Emirates is a corporation established by decree in Dubai. Capital represents permanent capital of Emirates.

Retained Earnings

Retained earnings principally comprises accumulated profit less dividends paid.

Other Reserves

Other reserves represent fair value reserves in respect of hedging instruments and other as well as a currency translation reserve.

Capital Expenditure

The Group categorises its capital expenditure as either primary or secondary. Primary capital expenditure comprises expenditure on aircraft (including engines), major overhauls and spare engines and parts and secondary capital expenditure is all other capital expenditure.

The Group's capital expenditure during financial year 2011 was AED 12,238 million, of which 93.0 per cent. was primary capital expenditure including payments for new aircraft delivered during the year and progress payments made during the year in relation to new aircraft to be delivered in the future. Secondary capital expenditure during financial year 2011 amounted to AED 853 million, of which AED 613 million, or 71.9 per cent., was spent on a range of construction projects.

The Group's capital expenditure during financial year 2010 was AED 8,053 million, of which 82.9 per cent. was primary capital expenditure including payments for new aircraft delivered during the year and progress payments made during the year in relation to new aircraft to be delivered in the future. Secondary capital expenditure during financial year 2010 amounted to AED 1,378 million, of which AED 981 million, or 71.2 per cent., was spent on a range of construction projects.

The Group's capital expenditure during financial year 2009 was AED 10,178 million, of which 82.5 per cent. was primary capital expenditure including payments for new aircraft delivered during the year and progress payments made during the year in relation to new aircraft to be delivered in the future. Secondary capital expenditure during financial year 2009 amounted to AED 1,778 million, of which AED 1,294 million, or 72.8 per cent., was spent on a range of construction projects.

Reflecting its new aircraft delivery schedule, the Group expects to continue to incur significant capital expenditure in relation to these deliveries in future years.

Related Parties

The Group's related party transactions are detailed in Note 35 to the 2011 Financial Statements and principally comprise transactions with other Government of Dubai-owned companies, including, in particular, dnata and certain of its group companies. In addition, the Group transacts with its associated companies and joint ventures.

Amounts owed to the Group by related parties are unsecured and no impairment charge has been recognised in any period under review in respect of amounts owed by related parties.

Off Balance Sheet Liabilities

The Group has significant off balance sheet liabilities in the form of commitments in respect of future aircraft deliveries as well as other capital and operational commitments and in respect of performance bonds and letters of credit granted by bankers in the normal course of business.

The table below shows the Group's commitments and guarantees as at 31 March in each of 2011, 2010 and 2009, respectively.

	As at 31 March		
	2011	2010	2009
	(AED millions)		
Capital commitments			
Aircraft fleet	140,145	92,145	100,279
Other	4,007	2,524	5,794
Operational commitments			
Sales and marketing	1,347	1,592	1,514
Guarantees			
Performance bonds and letters of credit provided by bankers	357	319	297

As at 31 March 2011, the Group had capital commitments in respect of 21 aircraft due for delivery in financial year 2012 and 172 aircraft due for delivery thereafter. In addition, the Group held options on 50 further aircraft.

Financial Risk Management

Note 36 to the 2011 Financial Statements describes the principal financial risks faced by the Group and the principal procedures used by the Group to manage these risks.

Recent Developments

In April 2011, Emirates recorded revenues in excess of those recorded in April 2010 although its net profit was lower than that recorded in April 2010, principally as a result of higher jet fuel costs in April 2011 than in April 2010.

In April 2011, Emirates added a further cargo-only destination, Hahn, to its route network, bringing its total destinations to 112.

EMIRATES

Overview

Emirates was incorporated, with limited liability, in Dubai on 26 June 1985 by an Emiri decree issued by His Royal Highness, Sheikh Maktoum bin Rashid Al-Maktoum and is wholly owned by ICD which, in turn, is wholly owned by the Government of Dubai. The decree awarded Emirates the right to operate commercial air services and designated Emirates as the national carrier for the Emirate of Dubai. The registered office of Emirates is PO Box 686, Dubai, United Arab Emirates and its telephone number is +971 4 708 1111.

The Group's principal business is the transportation by air of both passengers and cargo and this business accounted for more than 94 per cent. of the Group's total revenue in each of the three financial years ended 31 March 2011. The Group also provides destination and leisure management services and generates revenues through the sale of consumer goods, food and beverages and the provision of in-flight catering services to third parties.

According to IATA World Air Transport Statistics, 54th edition, in 2009 Emirates was the leading airline in the world in terms of international passenger flights measured in RPKM and ranked fifth in terms of international freight transported measured in freight tonne kilometres. According to an article published in February 2011 in Air Transport World magazine, Emirates was the world's most profitable airline based on its net profits for its financial year ended 31 March 2010. Emirates' profit for financial year 2011 was AED 5,465 million on revenues of AED 53,098 million. Emirates' revenues and other operating income grew at a compounded annual growth rate of 25.3 per cent. over the 10 financial years to 31 March 2011 and profits attributable to Emirates' owner grew over the same period by an average of 31.2 per cent. per year. Emirates has recorded net profits in each of its last 23 financial years.

The global airline industry was materially adversely impacted by the global financial crisis during 2008 and 2009 which caused a significant reduction in overall passenger numbers as well as in passengers booking premium cabins and gave rise to strong price competition. In most airlines, the financial crisis resulted in shrinking networks and revenues as well as falling service levels. In some cases, the financial crisis also resulted in airline bankruptcies (including the bankruptcy of three premium passenger only airlines). In addition, airlines were adversely impacted by the associated liquidity crisis in which financial institutions around the world were reluctant to extend credit from late 2008 through mid-2009. According to IATA, airlines' financial losses worldwide for 2008 and 2009 were U.S.$15.9 billion and U.S.$9.4 billion, respectively. As against this background, the Group's revenue increased by 16.5 per cent. in financial year 2009, remained relatively flat in financial year 2010 and increased by 25.0 per cent. in financial year 2011, in each case compared to the previous financial year. The Group's operating profit fell by 48.8 per cent. in financial year 2009 before increasing by 56.5 per cent. in financial year 2010 and by 52.6 per cent. in financial year 2011, in each case compared to the previous financial year.

In financial year 2011, Emirates transported 31.4 million passengers to 100 destinations and carried approximately 1.8 million tonnes of cargo to 111 destinations. Emirates' passenger seat factor and overall load factor were 80.0 per cent. and 68.9 per cent., respectively, in financial year 2011 (compared to 78.1 per cent. and 66.8 per cent., respectively, in the previous financial year) and its breakeven load factors were 65.0 per cent. in financial year 2011 and 64.4 per cent. in financial year 2010. Emirates' RPKMs and RTKMs increased by 15.7 per cent. and 15.8 per cent., respectively, in financial year 2011 compared to financial year 2010. Emirates is one of the fastest growing major international scheduled airlines in the world and has one of the youngest fleets of aircraft in the world. The average age of Emirates' fleet as at 31 March 2011 was 77 months against a global industry average of around 132 months according to the IATA website.

History

Emirates airline was launched in 1985 with the maiden flight to Karachi taking off on 25 October that year. The airline expanded rapidly, flying to 12 destinations by 1988, 23 by 1991 and 36 by its tenth anniversary in 1995. In 1992, Emirates became the first airline to install video systems in all seats in all classes throughout its fleet. Innovations continued in 1993 when Emirates became the first airline to introduce telecommunications on an Airbus in all three classes and in 1994 when it became the first airline to equip an Airbus fleet with an on-flight fax facility.

In 2000, Emirates launched its frequent flyer loyalty programme, Skywards, and became the first airline to order the Airbus A380. In 2002, Emirates recorded passenger traffic and cargo increases of 18.3 per cent. and 19.5 per cent., respectively, against global falls of around four per cent. and nine per cent., respectively, in the wake of the 11 September 2001 terrorist attacks in the United States and, for the second year running, Emirates was awarded Airline of the Year by Skytrax, based on an internet poll of four million passengers (in the 2002 poll).

In 2003, Emirates signed an order for 71 aircraft worth approximately U.S.$19 billion (at list prices), the then largest single order for aircraft in aviation history, and, in 2007, Emirates ordered a further 120 Airbus A350s, 11 Airbus A380s and 12 Boeing 777-330ERs, worth approximately U.S.$34.9 billion (at list prices). In 2010, Emirates took delivery of its 150th aircraft and ordered a further 32 Airbus A380s and 30 Boeing 777-300ERs, worth approximately U.S.$24 billion (at list prices).

In 2004, Emirates became the first airline in the Arab world to offer electronic ticketing. In 2008, Emirates became the first commercial airline to introduce on board shower facilities in first class on its new Airbus A380 aircraft and also became the first international carrier to introduce an in-flight mobile phone service allowing Emirates' passengers to use their own mobile telephones in flight. By the end of 2009, Emirates' in-flight mobile phone service had been used by more than one million passengers. In October 2008, Emirates commenced passenger flight operations from a dedicated terminal at DIA, Terminal 3.

In February 2011, Emirates was awarded Airline of the Year for 2010 by Air Transport World magazine.

Strategy and Competitive Strengths

Emirates' principal strategy is to continue to develop its business model which is based on its ability to fly passengers easily and in comfort from any part of the world to any other destination, with the only stop being Dubai. Emirates' strategy is closely aligned with the strategic development objectives of its ultimate owner, the Government of Dubai, as set out in the Dubai Strategic Plan 2015 which envisages that economic growth in Dubai will be based, among other things, on travel and tourism, trade and transport and logistics, for all of which Emirates acts as a significant facilitator. See "– *Relationship with the Government*".

Emirates believes that its business model is different from that of other major international airlines in a number of significant respects which reflect specific strategic decisions taken by Emirates in developing the model and/or significant competitive strengths which Emirates intends to continue to leverage. These differences include Emirates' product positioning, its geographical position (which facilitates the connectivity of its flights around the world), its access to underserved markets, its cost structure, its higher operating efficiency, its passenger traffic mix and focus on cargo traffic, its independence from industry alliances, its premium brand, its young and efficient fleet, its financial strength and flexible funding sources and its experienced management team, each of which is described further below.

- ***Product Positioning:***

  Emirates seeks to provide a premium service across all travel classes through, for example, for first and business class passengers, its free limousine transfer service, separate and spacious check-in facilities, award-winning airport lounges; for first class passengers, individual private suites with showers and bar lounges on board the Airbus A380 fleet; and for all passenger classes, its industry leading on-board entertainment system and a successful frequent flyer programme. Product upgrades and continuing innovation (see "– *History*") are an important part of Emirates' strategy of continuing to develop its business model as well as a significant competitive strength and are constantly made across Emirates' fleet with older aircraft currently undergoing in-flight entertainment and seat upgrades in order to maintain Emirates' high product standards throughout all aircraft;

- ***Premium Brand:***

  The Emirates brand was named the third most valuable airline brand globally by Brand Finance in its 2011 Global 500 brand survey. Emirates has received more than 400 international awards for excellence in its more than 25 years of operation, including winning Air Transport World's Airline of the Year award (in 2011), the prestigious Skytrax Airline of the Year Award twice (in 2001 and 2002), the World's Best Airline Inflight Entertainment in the Skytrax World Airline Awards (in 2010 for the fifth consecutive year), the Best Airline based in the Middle East/Indian Sub-Continent in the OAG Airline Industry Awards (in 2009), the Long-haul Airline of the Year – Nonstop in the Annual Travel Star Awards (in 2009), the "Best of the Best" award for its Airbus A380 First Class Cabin in the Robb Report, China (in 2009) and the Cargo Airline of the Year in the Air Cargo News Awards (in 2010). Emirates believes that the quality of the service which it offers and the strength of its brand are critical to its continuing success and intends to continue focusing on developing its brand, see "*– Marketing and Intellectual Property – Marketing*";

- ***Young and Efficient Fleet:***

  Emirates has one of the youngest fleets in the world with an average age of 77 months at 31 March 2011 compared to an industry average of around 132 months according to the IATA website. As a result, Emirates' aircraft are more fuel efficient than older aircraft which provides significant cost savings. Emirates has also pioneered several operational fuel saving techniques, including single engine taxiing and flying more direct routes and works continuously to improve its fleet's performance. Emirates' fleet is comprised solely of wide-body aircraft, which creates a lower unit cost than fleets with mixed wide and narrow bodied aircraft. In addition, the use of wide-body aircraft also provides greater flexibility for cargo transportation. Emirates also believes that a young fleet appeals to passengers, especially those who are environmentally or safety conscious or who want to experience travel on the most modern aircraft such as the Airbus A380;

- ***Connectivity and Geographical Position:***

  Emirates believes that operation of its long-haul services through a single hub at DIA combined with its current network of 100 passenger destinations (including Dubai) and high frequency of flights allows it to maximise connectivity around the globe. The location of the Group's hub at DIA provides it with the significant additional advantage that non-stop flights can be made to all major destinations across the globe. According to a New York Times article of 12 February 2011, around four billion people live within an eight hour flight from Dubai. Emirates' strategy is to continue to increase the number of destinations to which it flies as well as to increase the frequency of flights on existing routes served by it where passenger demand justifies these increases;

- ***Underserved Markets:***

  Emirates has a strong presence in markets that are underserved by many of its international airline competitors which have focused on their own hubs for long-haul travel. For example, in high volume markets, such as the United Kingdom, passengers can fly directly to Dubai (and onwards to any other global destination) from four regional cities within the United Kingdom without having to transit through London. Similarly, as part of its route network Emirates flies to 10 cities in India and four cities in each of China, Germany, the United States and Australia. Emirates believes that its strategy of targeting new underserved markets contributes to the development of new passenger traffic as a result of easier access for passengers within those markets to new destinations. Emirates constantly assesses its route network and evaluates potential new markets;

- ***Independence:***

  Emirates is not a member of any global airline industry alliance. Emirates believes that this allows it a greater degree of operational freedom and enables it to be more flexible in its strategy and more responsive to industry developments than airlines whose membership in a global alliance restricts their ability to act outside the common alliance goals;

- ***Traffic Mix:***

  Whilst Dubai is an important destination and point of sale for Emirates, the airline has a very wide geographic coverage spanning destinations in high growth emerging economies such as Brazil, China, India and Russia as well as the more mature economies in Western Europe and the United States, which makes Emirates a global operator that is relatively more able to respond to adverse economic or political environments in any one particular location. For example, in financial year 2011, only 10.6 per cent. of the Group's total revenue was derived from the Gulf and Middle East region, with 29.2 per cent. of total revenue coming from East Asia and Australasia, 27.2 per cent. coming from Europe and the balance being split relatively evenly between West Asia and the Indian Ocean, Africa and the Americas. See "*Financial Review – Results of Operations for the three years ended 31 March 2011 – Revenue*". In financial year 2011, Emirates transported cargo to 111 destinations. Emirates' cargo traffic generated 17.4 per cent. of the Group's transportation revenues in financial year 2011;

- ***Cost Structure:***

  Emirates believes that it has an industry-leading cost structure, benefiting from fewer legacy costs than many of its longer-established international airline competitors, an efficient wide-body fleet that allows sufficient cargo capacity and generates a lower unit cost than the mixed fleets operated by many of its major international airline competitors and low labour costs through higher productivity. Emirates' revenue per airline employee and its capacity per airline employee improved by 19.1 per cent. and by 6.5 per cent., respectively, in financial year 2011 compared to financial year 2010. Emirates intends to continue to focus on productivity improvements and increasing the efficiency of its fleet;

- ***Higher Operating Efficiency:***

  Emirates believes that its flat organisational structure compared to many of its international airline competitors, the lack of night flight restrictions at DIA (which increase its route flexibility and capacity utilisation) and a single hub strategy all combine to enable it to achieve a higher operating efficiency than many of its competitors. Emirates' operating efficiency is indicated by its breakeven load factor of 65.0 per cent. in financial year 2011, its increasing aircraft departure numbers and its annual fleet average utilisation rates which (excluding three freighter aircraft held on wet lease) were 13.84, 13.73 and 13.86 block hours per aircraft day in financial years 2011, 2010 and 2009, respectively (where "block hours" refers to the time between the moment that the aircraft closes its doors at departure until the moment the aircraft door opens at the arrivals gate following its landing);

- ***Financial Strength and Flexible Funding Sources:***

  The Group has a conservative capital structure, a strong balance sheet, good liquidity and a well-diversified funding mix. Emirates' liquidity is illustrated by an adjusted net debt (that is, total debt including operating leases but less cash assets) to EBITDAR ratio of 2.0 times at 31 March 2011 and 2.6 times at 31 March 2010 and a cash assets to operating expenses (including operating leases, depreciation and amortisation) ratio of 28.5 per cent. at 31 March 2011 and 26.4 per cent. at 31 March 2010. The Group's gearing ratio (which is described in "*Financial Review – Statement of Financial Position – Liabilities – Borrowing and Lease Liabilities*") has fallen from 58.7 per cent. at 31 March 2009 to 44.3 per cent. at 31 March 2011 (excluding operating leases) and from 167.0 per cent. at 31 March 2009 to 127.1 per cent. at 31 March 2011 (including operating leases). Emirates' outstanding funding has been obtained from a number of different sources, including operating leases, commercial bank lending, export credit guaranteed bank funding, debt securities issued into the capital markets and Islamic-compliant funding. In 2010, Emirates executed the first ever financing of Boeing aircraft in a capital markets transaction guaranteed by the US Export-Import Bank on finance lease. Emirates has subsequently used similar instruments to finance two additional Boeing aircraft. Accordingly, Emirates has established and intends to maintain a well diversified portfolio of funding without needing to rely on any single source of financing; and

- ***Experienced Management Team:***

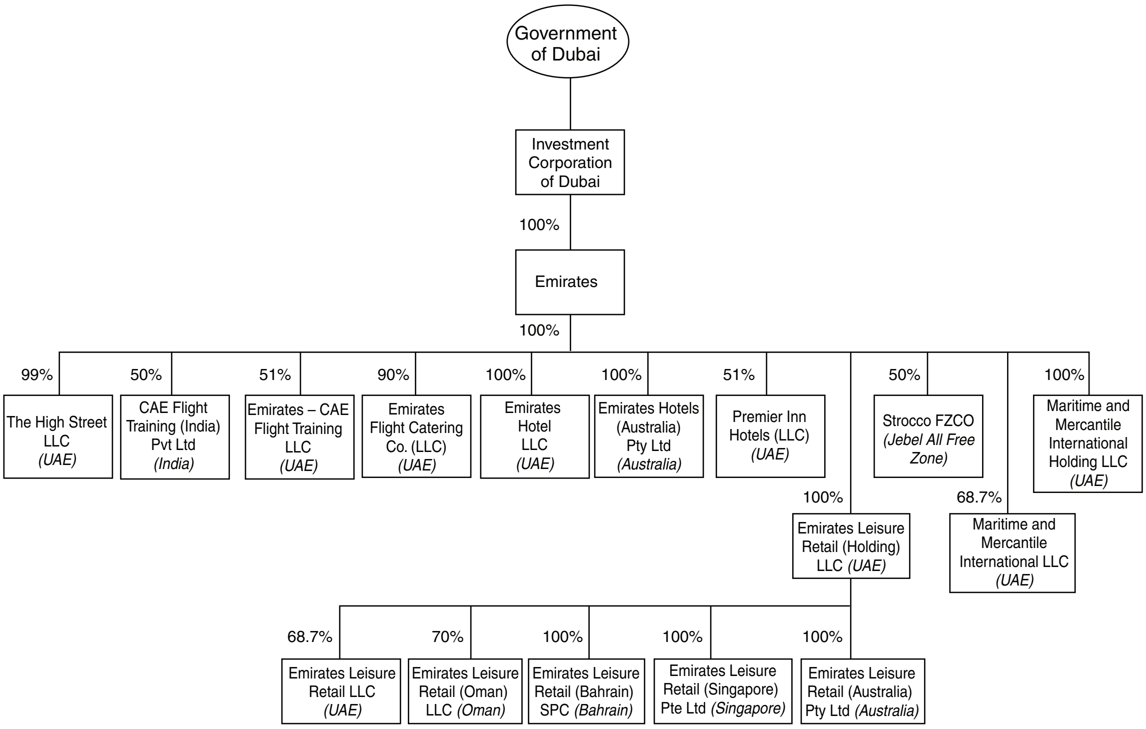
  Every member of Emirates' senior management team has been with Emirates for over 15 years and, together, the eight members of the senior management team have more than 230 years' experience in the airline industry. Emirates' Chairman and Chief Executive, His Highness Sheikh Ahmed bin Saeed Al-Maktoum, is the younger brother of the late Ruler of Dubai, Sheikh Rashid bin Saeed Al-Maktoum, and is on the board of a number of influential bodies in the UAE, including the Dubai Executive Council, which is responsible for formulating the policies and strategies of the Emirate of Dubai, the Dubai Civil Aviation Authority and the General Civil Aviation Authority of the UAE, Dubai Airports, flydubai and Dubai Aerospace Enterprise, an aircraft leasing, maintenance, repair and overhaul provider.

In financial terms, Emirates' strategy is to continue to focus on sound financial and prudent risk management. Emirates believes that its history of recording a net profit in each of its last 23 financial years, including through significant industry crises such as the 11 September 2001 terrorist attacks and the more recent global financial crisis, is evidence of its success in this regard.

Corporate Structure

A list of Emirates' principal subsidiaries, associated companies and joint ventures is set out in note 13 to the 2011 Financial Statements. The chart below shows Emirates and its significant subsidiaries and joint ventures.

EMIRATES CORPORATE STRUCTURE



Business

The Group's principal business is the transportation by air of both passengers and cargo and this business accounted for more than 94 per cent. of the Group's total revenue in each of the three financial years ended 31 March 2011. The Group also provides destination and leisure management services and generates revenues through the sale of consumer goods, food and beverages and the provision of in-flight catering services to third parties.

Overview of Emirates' Air Transportation Business

In financial year 2011, Emirates flew to 111 destinations (including 11 cargo–only destinations) in 66 countries worldwide (including the UAE). During the year ended 31 March 2011, Emirates carried 31.4 million passengers and 1.8 million tonnes of cargo.

The table below shows the development of Emirates' air transportation business over the ten year period from financial year 2002 to financial year 2011 measured by the number of destinations, the number of aircraft, the average age of the fleet, the overall capacity, the overall load carried, the overall load factor, the breakeven load factor and the number of aircraft departures:

	Financial year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Destination cities[(1)]	111	102	99	99	89	83	76	73	64	57
Aircraft[(2)]	148	142	127	109	96	85	69	61	46	38
Average fleet age[(3)]	77	69	64	67	63	61	55	46	36	37
Overall capacity[(4)]	32,057	28,526	24,397	22,078	19,414	15,803	13,292	10,207	7,350	5,718
Overall load carried[(5)]	22,078	19,063	15,879	14,739	12,643	10,394	8,649	6,629	5,145	3,908
Overall load factor (%)	68.9	66.8	65.1	66.8	65.1	65.8	65.1	64.9	70.0	68.3
Breakeven load factor (%)	65.0	64.4	64.1	64.1	59.9	60.2	58.0	59.0	65.4	65.1
Aircraft departures[(6)]	133,772	123,055	109,477	101,709	92,158	79,937	72,057	58,763	45,452	38,914

Notes:

(1) In numbers as at 31 March (passenger and cargo traffic).

(2) Number as at 31 March.

(3) In months as at 31 March.

(4) ATKM million for the year ended 31 March.

(5) RTKM million for the year ended 31 March.

(6) In numbers for the year ended 31 March.

The table below shows the geographical distribution of the Group's revenue for financial years 2011, 2010 and 2009. For the purposes of this table, revenue from flight operations is attributed to the geographical areas in which the relevant flight originates and ends whilst other revenue is attributed to the area in which the sale is made or service rendered.

	Financial year		
	2011	2010	2009
		(%)	
East Asia and Australasia	29.2	27.9	28.5
Europe	27.2	27.3	28.7
West Asia and Indian Ocean	12.1	12.6	11.6
Gulf and Middle East	10.6	11.6	11.4
Africa	10.5	11.2	11.1
Americas	10.4	9.4	8.7
Total	**100.0**	**100.0**	**100.0**

Passenger Transportation

Emirates currently flies passengers to 100 destinations (including Dubai) in 61 countries worldwide (including the UAE) through a range of short-, medium- and long-haul services. Emirates operates approximately 1,255 flights per week from a dedicated terminal building, Terminal 3, at its base at DIA. Emirates flies passengers to 15 destinations in the Middle East (including Dubai), 12 destinations in the Far East, 17 destinations in Africa, 30 destinations in Europe and North America, one destination in South America, 16 destinations in the Indian subcontinent, three destinations in the Indian Ocean, four destinations in Australia and two destinations in New Zealand. During 2011, Emirates intends to launch additional passenger routes to Geneva and Copenhagen and it has also announced flights to Buenos Aires and Rio de Janeiro, commencing in January 2012.

The table below shows the development of Emirates' passenger transportation business over the ten year period from financial year 2002 to financial year 2011 measured by the number of passengers carried, passenger capacity, RPKM and passenger seat factor:

	Financial year									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Passengers carried[(1)]	31,422	27,454	22,731	21,229	17,544	14,498	12,529	10,441	8,503	6,765
Passenger capacity[(2)]	182,757	161,756	134,180	118,290	102,337	82,009	68,930	54,657	41,337	32,630
RPKM[(3)]	146,134	126,273	101,762	94,346	77,947	62,260	51,398	40,110	31,661	24,231
Passenger seat factor[(4)]	80.0	78.1	75.8	79.8	76.2	75.9	74.6	73.4	76.6	74.3

Notes:

(1) In thousands for the year ended 31 March.

(2) ASKM million for the year ended 31 March.

(3) In millions for the year ended 31 March.

(4) In per cent.

Emirates' passenger seat factor varies on a route by route basis with nearly half of its passenger routes, including destinations across a broad geographic spread on all continents to which Emirates flies, having passenger seat factors in excess of 80 per cent. for financial year 2011.

Emirates' customer loyalty programme, the Skywards programme, has more than six million members. Skywards offers three tiers of membership: blue, silver and gold. Customers earn miles ("**Skywards Miles**") with every flight that they take with Emirates and with certain participating airlines. Customers can also earn Skywards Miles through Emirates' partner hotels and other third party service and product providers. The actual number of Skywards Miles earned through flights depends on the route, type of ticket purchased and class of travel. During 2010, Emirates introduced a new method of calculating miles based on a zone system rather than simply on the number of miles flown. Emirates believes that Skywards' zone system is an industry-leading innovation which simplifies the method of earning Skywards Miles and aligns it with the method by which Skyward Miles are redeemed. Tier miles can be redeemed for a number of products and services offered by the Group, including: reward flights and upgrades with Emirates; reward flights with certain participating airlines; tours and excursions with Arabian Adventures (see "*– Other Businesses – Destination and Leisure Management Business*"); and a range of products and services from the Emirates High Street (see "*– Other Businesses – Retail Businesses*"). Skywards Miles can also be redeemed for reward stays at Emirates' partner hotels as well as for car rentals and other third party service and product providers within and outside the UAE. The Group accounts for its future liability to redeem Skywards Miles as deferred revenue and, at 31 March 2011, deferred revenue amounted to AED 1,722 million.

In Dubai, Emirates operates from a dedicated Emirates Terminal at DIA, Terminal 3, which includes amenities such as first and business class facilities, a hotel, a spa, restaurants and business facilities allowing passengers to transit to their onward destinations from Dubai in a comfortable and efficient manner. Once fully operational, Terminal 3 will have the capacity to handle approximately 43 million passengers per year. Worldwide, Emirates has 28 dedicated airport lounges for use by its premium passengers. Customer satisfaction is very important and Emirates seeks extensive customer feedback which it uses to improve the products and services which it offers. See "*Strategy and Competitive Strengths – Product Positioning*".

Cargo Transportation

Emirates operates its cargo transportation business under the brand Emirates SkyCargo. Emirates principally uses the bellyhold capacity in its passenger aircraft (which allows it to maximise the use of its scheduled route network to provide a worldwide cargo service), as well as the maindeck capacity of its fleet of seven (three of which are on wet lease) Boeing 777F, Boeing 747-400F and Boeing 747-400ERF freighters (see "*– Aircraft Fleet*" below), which serve the following 12 cargo-only destinations: Almaty, Bagram, Eldoret, Erbil, Gothenburg, Hahn, Kabul, Lilongwe, Taipei, Toledo, Vizacopos and Zaragoza.

Emirates currently offers its cargo customers a comprehensive range of solutions to 112 destinations in 66 countries (including the UAE), including the following products and services:

- general freight, which is the most economical global cargo distribution product offered by Emirates. This product is available on all of Emirates' flights and customers are able to make reservations on-line;
- priority cargo, for time-sensitive deliveries. Customers using this product are guaranteed capacity, late acceptance of goods, priority loading and a money back guarantee if the goods are not delivered;
- courier services, which caters exclusively for airport-to-airport transportation of documents and packaged boxes; and
- integrated solutions, which gives customers the option to have their cargo collected at its point of origin and/or delivered over-land to its final destination in addition to the air transportation between countries. This premium service can also include administration of all documentary formalities at the destination airport.

Emirates' cargo business is based at the approximately 970.5 thousand square feet Cargo Mega Terminal located at DIA. The Cargo Mega Terminal has the capacity to process 1.2 million tonnes of cargo per year and benefits from each of Dubai Customs, the Department of Civil Aviation and the UAE Ministry of Agriculture and Fisheries being located in the same building.

The table below shows the development of Emirates' cargo transportation business over the ten year period from financial year 2002 to financial year 2011 measured by the amount of cargo carried:

	Financial Year									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Cargo carried[(1)]	1,767	1,580	1,408	1,282	1,156	1,019	838	660	525	401

Note:
(1) In thousands of tonnes.

Aircraft Fleet

As at 31 March 2011, the Group operated a total of 148 wide-body aircraft. Of these aircraft, 103 were leased under operating leases, 42 were leased under finance leases and 3 were owned by Emirates.

The table below shows the Group's aircraft which were in service as at 31 March 2011 (together with details of how those aircraft were owned or leased by the Group on that date) and the Group's aircraft which were in service as at 31 March in each of 2010 and 2009:

	As at 31 March 2011			As at	
Aircraft type	Number of aircraft	*Of which:* Operating Lease	*Of which: Finance Lease/ Owned*	31 March 2010	31 March 2009
Passenger aircraft					
Airbus					
A330-200	27	22	5	29	29
A340-300	8	8	–	8	8
A340-500	10	8	2	10	10
A380-800	15	4	11	8	4
Boeing					
B777-200	3	2	1	3	9
B777-200ER	6	5	1	6	–
B777-200LR	10	4	6	10	10
B777-300	12	12	–	12	12
B777-300ER	53	34	19	52	42
Total passenger:	**144**	**99**	**45**	**138**	**124**
Freighter aircraft					
Boeing					
B777-200LRF	2	2	–	2	1
B747-400ER F	2	2	–	2	2
Total freighter[(1)]	**4**	**4**	–	**4**	**3**
Total Aircraft	**148**	**103**	**45**	**142**	**127**

Note:

(1) In addition to the aircraft listed in the above table, as at 31 March in each of 2011, 2010 and 2009, Emirates also had three, three and five B747 freighters on wet lease for its cargo operations as at those dates respectively. Under a wet lease, Emirates leases the aircraft, crew, maintenance and insurance from another airline and pays by reference to the hours of operation of the aircraft concerned. Emirates also provides the fuel and covers airport fees and any other duties or taxes payable. Emirates does not wet lease any of its aircraft to third party airlines.

Emirates is currently phasing out older aircraft in its fleet. See "– *Fleet Replacement and Expansion Programmes*". Accordingly, brief details on the principal aircraft that are expected to comprise Emirates core fleet in the future are set out below:

Airbus A380-800

The Airbus A380-800 is a four-engine aircraft with twin-decks with a maximum range of 8,300 nautical miles. Emirates currently operates this aircraft to 13 destinations: Auckland, Bangkok, Beijing, Hong Kong, Jeddah, London (Heathrow), Manchester, New York (JFK), Paris, Seoul, Shanghai, Sydney and Toronto.

The Airbus A380-800 delivers significant environmental benefits compared to comparable aircraft, including a significantly smaller noise footprint and lower carbon dioxide emissions. The Airbus A380-800, the largest aircraft in production, also provides the ability to reduce the number of flights required to deliver the same overall number of passengers.

Emirates currently operates the largest Airbus A380-800 network in the world and has 75 firm orders for this aircraft (for delivery between 2011 and 2017) in two separation variations:

- ultra-long range – providing capacity to seat 489 passengers in three classes. Of the three classes, first class provides 14 suites, business class provides 76 fully-flat seats and economy provides 399 seats; and
- medium range – providing capacity to seat 517 passengers in three classes. Of the three classes, first class provides 14 suites, business class provides 76 fully-flat seats and economy provides 427 seats.

Boeing 777-200LR

The Boeing 777-200LR is a new ultra long-range twin-engine aircraft first introduced into the Group's fleet in 2007. This aircraft has capacity to seat 266 passengers in three classes and has a maximum range of 8,000 nautical miles.

Boeing 777-300ER

The Boeing 777-300ER is a twin-engine aircraft with a maximum range of 7,880 nautical miles. This aircraft has the capacity to seat up to 364 passengers (when configured into three classes) or a maximum of 442 passengers (when configured into two classes).

Airbus A350

The Airbus A350 is currently under development. It will be a long-range, mid-size wide-body jet intended to carry between 270 and 350 passengers (depending on configuration of seating). The Airbus A350 is expected to have a range of 8,000 nautical miles.

The average age of Emirates' fleet of aircraft was 77 months at 31 March 2011. This is significantly younger than the industry average which, according to the IATA website, is around 132 months.

Fleet Replacement and Expansion Programmes

Emirates expects that deliveries of passenger aircraft in the next few years will be restricted to wide-body Airbus A380-800s and Boeing 777-300ERs. Emirates expects deliveries of Airbus A350 aircraft to commence in April 2015 on the basis of delivery schedules agreed with the manufacturer. These aircraft types are expected to form Emirates' core fleet in the next decade. In addition, Emirates is scheduled to take delivery of one Airbus A319 Corporate Jet in August 2011, which will undergo internal outfitting works for a period up to September 2012.

During February 2011, Emirates began a programme of phasing out older aircraft (such as its Airbus A330 and Airbus A340 aircraft and its Boeing 777-300 aircraft) and it currently expects that this programme will result in the following fleet size movements up to financial year 2017, although no assurance is given that this will prove to be the case:

	Financial year					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Additions	23	32	22	21	26	29
Phase-out	1	10	5	14	14	22
Total[(1)]	170	192	209	216	228	235
Net increase	22	22	17	7	12	7

Note:

(1) On the basis of a total fleet size of 148 aircraft as at 31 March 2011. Excludes aircraft held on a wet lease.

All of Emirates' aircraft purchases are based on meticulous forecasting and calibration of market demand and operational requirements. Fleet expansion is part of Emirates' strategic growth plan and takes into consideration many ecological and economic factors, such as the retirement of current aircraft and improving eco-efficiencies. Emirates operates one of the youngest fleets in the world and the average age of its aircraft at 31 March 2011 was 77 months. Emirates intends to focus on fuel efficiencies and expects to continue to be a large net buyer of new and efficient aircraft. In 2010, for example, Emirates ordered 30 additional Boeing 777 aircraft and 32 additional Airbus A380 aircraft. Emirates also expects to retire more than 100 planes in the period to 2021. Aircraft which are leased under operating leases are returned to the lessor when retired. Aircraft which are leased under finance leases are typically sold when retired.

Aircraft Financing Arrangements

Emirates generally aims to raise the funds to finance its aircraft acquisitions 12 months ahead of taking delivery of the relevant aircraft. Emirates uses a wide range of sources of funding, including international and regional markets and major banks. Emirates has raised a total of U.S.$24 billion over the 14-year period to 1 January 2011 for financing aircraft and corporate finance requirements. This amount includes moneys raised through traditional aircraft financing sources such as operating leases, European Union and United States export credit agencies and commercial asset-backed debt as well as through other sources such as Islamic funding and equity from Japanese and German investors as part of tax-based cross border leveraged leases. Emirates intends to continue using diversified funding sources for its fleet development programme. In particular, Emirates anticipates increasing its use of debt capital market products over the next few years, including debt capital markets products using export credit agency guarantees.

Apart from three aircraft owned by Emirates, all of Emirates' aircraft are financed either under operating or finance leases. Under operating leases, the aircraft remains in the ownership of the lessor. Under finance leases, the aircraft is secured in favour of the lessor.

Emirates operates on a wholly commercial basis and receives no funding or support for its aircraft orders from its ultimate owner, the Government of Dubai.

Procurement and Outsourcing

Emirates' principal raw material is the jet fuel used by its aircraft fleet. In Dubai, Emirates sources jet fuel at competitive market rates from all five major international suppliers that service DIA, namely BP, Shell, Chevron, ENOC and Emojet, a joint venture between Emarat and ExxonMobil. Outside Dubai, Emirates' main jet fuel suppliers are BP, Shell, Chevron and ExxonMobil which are appointed on a competitive tender basis in each destination.

In relation to aircraft maintenance, in flight catering and certain other specialist services, Emirates' strategy is to provide these itself or through one of its subsidiaries where possible to protect its business from disruptions caused by the failure of a key supplier to perform its obligations in a timely fashion. Emirates has entered into long-term maintenance arrangements in relation to its major engine types. These arrangements are designed to provide price certainty to Emirates.

Dedicated procurement teams are responsible for procuring all other supplies required by the Group to conduct its businesses.

Airline Competition

The UAE operates an open skies policy and currently more than 135 airlines use DIA. Emirates competes with other major airlines offering international services on routes which Emirates services. Emirates welcomes competition and supports the growth of new air services to Dubai and the GCC region, as it believes that this will further fuel economic growth and stimulate overall demand for air transportation services to and from Dubai. Emirates seeks to compete principally by offering a premium service to all classes of customer as well as by offering an attractive network and competitive fares. See "– *Strategy and Competitive Strengths*".

Although there is a growing number of low cost carriers operating in the region, Emirates does not regard these airlines as a significant competitive threat as it believes that they serve a different customer segment to that targeted by Emirates and that they are not in conflict with the region's long-haul carriers.

Aircraft Maintenance

Emirates' engineering division, Emirates Engineering, is based at a 136 acre site at DIA and operates one of the world's most technologically advanced aircraft maintenance facilities. Emirates Engineering's facilities at DIA include seven fully air conditioned hangers for heavy and light maintenance, a paint hanger and also include an engine testing facility in a nearby location. Emirates Engineering supports Emirates' fleet of Airbus and Boeing aircraft, together with those of 30 other airlines (comprised of seven in Dubai and the remainder at locations outside Dubai) through third party maintenance contracts.

Based in Dubai and with a network of outstation teams, Emirates Engineering's line maintenance division provides a 24-hour service with high levels of technical support to Emirates and other airlines operating through DIA, including cabin and in-flight entertainment maintenance, major overhauls and engine diagnostic services. Emirates' team of engineers and technicians are licensed by a number of regulatory authorities in all categories, including the UAE's General Civil Aviation Authority, the UK's Civil Aviation Authority, the European Aviation Safety Authority and the US Federal Aviation Authority. In addition to the Airbus A330, Airbus A340 and Airbus A380 and Boeing 747 and Boeing 777 series currently operated by Emirates, Emirates Engineering also provides support to aircraft operated by the other airlines it services.

Arrangements with Other Airlines

Emirates is not a member of any airline alliance, although it enters into codeshare and interline arrangements with other airlines as described further below.

Codeshare

A codeshare agreement allows an airline to sell tickets on flights operated by another airline, coded with the flight number of the selling airline. The operating airline will also continue to sell seats on such flights, coded with its own flight number. This means that flights operated by a single airline are included within both airlines' route networks, and flights on that route may be sold by both airlines in exchange for an agreed amount or portion of the overall fare.

Emirates currently operates codeshare fights with: Air Malta, Air Mauritius, Japan Airlines, Jet Airways, Korean Air, Oman Air, Philippine Airlines, South African Airways and Thai Airways. Flights with certain codeshare airlines allow Skywards members to earn miles.

Sales of flights under these codeshare agreements are promoted through the combined marketing efforts of the partner airlines. In addition, codeshare agreements are intended to increase the attractiveness to passengers of booking connected flights, while giving passengers a broader range of departure times and choice of routes.

Interline

Interline agreements allow travel agents and others with access to the global distribution system or a related system to book a journey comprising of more than one airline's flights as a single fare. In contrast to codeshare arrangements, the passenger is aware that he is flying separate flights with separate airlines, but still pays only a single price. The interline agreement governs the revenue sharing between airlines of the price paid by the passenger for the overall journey. Emirates currently has interline agreements in place with 160 other airlines.

Airline Sales and Distribution

Emirates sells seats on its flights through all major distribution channels, the most significant of which are travel agents (including dnata) through global distribution systems, Emirates' sales offices and Internet sites. Global distribution systems are computerised systems used by the travel industry to store and retrieve information, and conduct transactions, relating to airline travel.

Other Businesses

The Group's other businesses include destination and leisure management, hotel operations, retail, in-flight catering and aviation training and education. Together, these businesses accounted for approximately 5 per cent. of the Group's revenue in each of financial year 2011, 2010 and 2009.

Destination and Leisure Management Business

The Group's destination and leisure management business comprises:

- tour operations through Emirates Holidays and Arabian Adventures, each of which are divisions within Emirates rather than separate legal entities. Emirates Holidays offers a range of holiday products for travellers and specialises in tailor-made programmes. Arabian Adventures is a destination management company, providing explorer programmes, tour services, desert safari, special interest and tailor-made trip services to a range of clients including tour operators, incentive houses, meeting organisers, businesses and cruise lines; and

- conference organisation through Congress Solutions International, another division within Emirates, which offers a portfolio of services in conference and exhibition management, accommodating between 200 and 100,000 guests at any one time, and related support services including marketing, communication, publicity and programme content development.

Hotel operations

The Group owns, either directly or, in the case of Premier Inns, through a joint venture in which Emirates has a 51.0 per cent. share, a number of hotel and resort properties, some of which are managed by third parties. These properties are the Al Maha Desert Resort & Spa, Dubai Marriot Harbour Hotel & Suites, Le Meridien Al Aqah Beach Resort and Premier Inns in the UAE and Wolgan Valley Resort & Spa in Australia (the first hotel in the world to achieve carbon neutral certification from an internationally accredited greenhouse gas certification scheme). In addition, Emirates is also in the process of constructing an additional hotel in Dubai which, upon completion, will consist of two 70-storey towers and be managed by Marriot Hotels. The first tower is expected to be completed in 2012.

Retail Businesses

The Group is also engaged in a number of retail and distribution businesses, including:

- Emirates High Street, a wholly-owned subsidiary, which is an online store which stocks over 400 products, including luxury goods and experience packages. Customers can use Skywards Miles, a credit card, or a combination of both, to buy products. Shipping of these products is available to over 60 countries worldwide;

- establishing, managing and franchising a portfolio of restaurants, cafes, bars and leisure facilities in the GCC and Australia through Emirates Leisure Retail, including acting as the UAE master franchisee for Costa Coffee;

- the marketing, sale and distribution of beverages through Maritime & Mercantile International, which has 10 outlets across Dubai and joint ventures in both Abu Dhabi and

Oman, and a joint venture with Heineken International, called Sirocco, which manages the sales and marketing of a range of premium global beverages in the Middle East; and

- business to business travel product origination and marketing through EmQuest, a division of Emirates, which manages a large network of brands, content and services that are designed to meet the needs of tour operators, travel agents, car rental companies, hotels and airlines throughout the Middle East and Africa. EmQuest was also appointed as the exclusive national distribution company for the Sabre global distributions system for the UAE and certain countries in Africa with effect from January 2009.

Emirates Leisure Retail and Maritime & Mercantile International companies operating in the UAE are majority-owned by Emirates and those operating in countries outside the UAE are wholly-owned by Emirates.

In-flight Catering Services

The Group provides in-flight catering and support services to more than 100 airlines at DIA through its 90.0 per cent. owned subsidiary, Emirates Flight Catering Company LLC ("**EFC**"). EFC has the capacity to produce 115,000 meals per day and services approximately 95 flight departures and 90 flight arrivals per day. EFC provides in-flight catering and support services to 120 airlines (including Emirates). Prior to 31 December 2010, the Group also provided in-flight catering through a 49.0 per cent. owned associate, Alpha Flight Services Pty Ltd. ("**Alpha**"). The Group's shares in Alpha were sold to dnata at the end of 2010 at their book value.

Aviation Training and Education

Emirates has operated the Emirates Aviation College in Dubai since 2002. The Aviation College offers a wide range of qualifications and training relating to the aviation industry to both local and international students.

The Group also operates flight training facilities in Dubai and India through joint ventures with CAE Inc. of Canada. Emirates-CAE Flight Training LLC ("**ECFT**") in Dubai, in which Emirates has a 50.0 per cent. ownership share, provides aviation related courses, primarily aimed at flight deck crew and maintenance personnel. ECFT is located at the Emirates Aviation College and is qualified to both Joint Aviation Authorities (JAA) and Federal Aviation Administration (FAA) standards. ECFT operates ten full-flight simulators, offering a range of simulated aircraft types and type-rated courses, covering business jets, as well as narrow-body and wide-body commercial jets.

Marketing and Intellectual Property

Marketing

Emirates believes that it has been successful in promoting the Emirates business and brand through a cohesive strategy covering public relations, sponsorships, events, advertising, merchandise, internal communications and Internet-based initiatives. In particular, the Group's sponsorships have included a significant number of sporting events (including the 2006, 2010 and 2014 FIFA World Cups, the annual Dubai Rugby 7s, the Rugby World Cup 7s during 2009 and the Cricket Twenty20 World Cup held in England during 2010) and teams (including sponsorship of Arsenal football club and its home stadium, Emirates Stadium, in London, and a sponsorship deal with the Italian football team, AC Milan).

The Group's general marketing strategy is to support Emirates' business operations by building global awareness of the Emirates name and promoting its premium products and services. The Group aims to spend an amount equal to between 2.5 and 3.0 per cent. of its total revenue each year on sponsorships and advertising. Sponsorships generally comprise around 50.0 per cent. of this amount each year.

Intellectual property

"Emirates" and its logo (represented in Arabic script), "Skywards", "Emirates SkyCargo", "Emirates Holidays" and certain of the Group's other product and company names are trade or service marks or registered service marks. The Group has registered these marks in the UAE in addition to over 100 other countries worldwide. In relation to its licensed proprietary software (see "– *Information Technology*"), the Group takes appropriate steps to protect its intellectual property, including through typical contractual provisions in the license agreements.

Regulation

International Regulation

The airline industry is subject to a high degree of regulation covering most aspects of airline operations. These regulations govern commercial activity (for example, route flying rights, fare setting and access to airport slots) as well as operational standards (relating to areas such as safety, security, aircraft noise, immigration and passenger rights).

The basis for international regulation of airline operations derives from the Chicago Convention of 1944 (the "**Chicago Convention**"), to which nearly all countries (including the UAE) are a party. The Chicago Convention established the International Civil Aviation Organisation under whose auspices rules establishing minimum operational and safety standards are normally agreed on a multinational basis. The Chicago Convention confirms the principle that each state has sovereignty over the airspace above its territory, with the consequence that a state's permission is needed for air services to be operated to, from, over or in its territory. Airlines' rights to fly over, or make stops in, foreign countries for technical reasons in operating their international scheduled services are generally derived from the International Air Services Transit Agreement of 1944 to which most countries are a party. However, rights to carry traffic between countries and the regulation of fares are normally agreed on a bilateral basis between governments pursuant to an Air Service Agreement (an "**ASA**"). An exception to this is the multilateral single market arrangements which apply within the EU. In addition, two countries may also enter into a non-binding memorandum of understanding which accompanies an ASA and sets out detailed rights which are likely to be updated frequently (and therefore cannot be set out in a treaty). As of 30 November 2010, the Governments of Dubai and the UAE had entered into 152 ASAs or memoranda of understanding with other countries.

Each ASA specifies the conditions under which the proposed services may operate in terms of the privileges granted by either signatory country to the airline or airlines of the other country. Accordingly, ASAs cover matters such as: (i) traffic rights or "freedoms of the air" (in particular, rights to overfly a territory of a country without landing, rights to carry passengers or cargo to a particular country and rights to carry traffic to a third country as an extension of a service between the two countries which are signatories to the ASA); (ii) conditions as to capacity (for example, the number of flights or seats that may be operated between the two countries); and (iii) the method for setting fares on the route (if any). Certain ASAs place foreign ownership and control restrictions on the airlines operating the route.

The UAE, amongst many other countries, is also a party to the Convention for the Unification of Certain Rules for International Carriage (the "**Montreal Convention**"). The Montreal Convention establishes a standard of airline liability with respect to the carriage of passengers, baggage and cargo.

UAE and Dubai Regulation

UAE airlines are also affected by wider UAE policies, laws and regulations, particularly in relation to airports and air traffic control. In the UAE, the General Civil Aviation Authority (the "**GCAA**") was created in 1996 by Federal Cabinet Decree (Law 4) to regulate civil aviation and provide designated aviation services to strengthen the aviation industry within the UAE and its air space.

The Chicago Convention requires every aircraft to be registered on the national register of a contracting state, with the state of the registry being responsible for regulating the safety of the aircraft and its operation, the competence of its crew and those who maintain the aircraft. The GCAA is required to register UAE aircraft for the purposes of the Chicago Convention. All of the Group's passenger aircraft are registered with the GCAA. Some of the Group's freighter aircraft that are on wet lease or other similar arrangements are not registered in the UAE but instead are registered in the country from which they principally operate.

In recent years, the UAE has pursued liberal open skies agreements with other countries although despite this liberal approach, a number of the ASAs to which the UAE is signatory remain restrictive in nature, having limits on capacity, designated airports and, in some cases, approved airlines and pricing. Non-UAE ownership and control of airlines in the UAE is restricted to a 49.0 per cent. equity stake.

The GCAA also issues operational certificates and licences, including air operator certificates (certifying that the airline is technically competent to operate the aircraft of the type specified) as well as flight and cabin crew licences and engineer crew licences. The Group and its employees hold all applicable operational certificates and licences required from the GCAA.

Dubai Civil Aviation Authority (the "**DCAA**") is the governing body that undertakes the development of the air transport industry in Dubai and oversees all aviation related activities, including management of the DIA as well as the Al Maktoum International Airport in Jebel Ali. The DCAA oversees the administration and coordination of all matters relating to civilian airport operations in Dubai, including traffic rights, operating permissions, flight training, duty free shops and cargo, including the Dubai Cargo Village, Dubai Duty Free, Dubai International Hotel and Dubai Aviation Club.

Environmental Regulation

In common with other airlines, Emirates is subject to stringent environmental laws and regulations in the jurisdictions in which it operates, including those governing discharges to air and water, safe drinking water and the management, storage and disposal of hazardous substances and wastes. Emirates could incur significant costs, including cleanup costs, fines and other sanctions, as well as third-party claims, as a result of violations of applicable environmental laws and regulations.

Emirates takes its responsibilities in sustainability and environmental stewardship seriously. The age of its fleet, which is one of the youngest and therefore the most environmentally friendly in the industry, makes it a leader in airline environmental best practice. Emirates focuses on maximising its fuel efficiency and attendant emissions as well as increasing the efficient use of airspace to shorten flying times and cut fuel consumption.

The most significant recent environmental legislation is the regulation implementing the EU ETS. Under the EU ETS, all commercial airlines over a threshold size operating to, from or within the European Union will be required to surrender allowances depending on the amount of carbon emissions created by those flights from 2012 onwards. See "*Risk Factors – Risks Relating to the Group – Air traffic and the aviation industry are heavily regulated and Emirates' ability to comply with all applicable regulations is key to maintaining its operational and financial performance*".

Safety

Airline regulation focuses heavily on safety and operates at the following levels:

- the operator, whose fitness to operate is attested by an Air Operator's Certificate issued by the GCAA;
- the aircraft, whose fitness to fly is attested by a certificate of airworthiness issued by the GCAA and, on a continuing basis, by maintenance in accordance with maintenance requirements performed by an authorised maintenance provider;
- the flight and cabin crew, whose fitness to operate aircraft is attested by an appropriate licence issued by the GCAA; and
- operations, for which various flight rules are laid down.

Information Technology ("IT")

The Group makes extensive use of IT for both its commercial and operational needs, including infrastructure, back office functions (such as revenue accounting) and reservations systems. The Group's principal IT team is based at its headquarters at DIA, although IT as well as certain other shared services within the Emirates Group is provided by dnata employees, see "*Presentation of Financial and Other Information – Presentation of Other Information*". The Group has two off-site data storage and back-up systems located in Dubai and a comprehensive disaster recovery and business continuity plan.

Emirates' online booking facilities are currently available to its customers on a global basis, either through Emirates' local or global websites. Internet check-in facilities are also available to customers on Emirates operated flights departing from 98 airports in the Emirates' network.

In May 2004, Emirates became the first airline in the Arab world to offer electronic ticketing. Currently, e-ticketing is available across virtually all of the Group's network (with the exception of some limited interline arrangements) and its usage now exceeds 99 per cent. network-wide. E-tickets provide faster and more efficient check-in and other airport processes, as well as improving flexibility and convenience for self-service options, such as kiosks.

The Group's general approach to software solutions is to use a mix of off-the-shelf software, software modifications and bespoke software created by its in-house IT team. Examples of bespoke software and software modifications created by the in-house IT team include:

- RAPID, a revenue accounting application used for both passenger and cargo operations;
- MARS, the Mercator Airline Reservation System, used to process the airline's bookings and ticketing functions;
- MACS, the Mercator Airport Control System, used for the airline's check-in and aircraft departure control processes;
- TradeNet, an internet-based application built in-house that allows easy quotation booking and communication between Emirates Holidays and more than 1,000 agents in 12 countries;
- SkyChain 3.0, a bespoke information technology cargo management system created for Emirates SkyCargo; and
- PROFIT, an inventory management improvement system, particularly in relation to last minute bookings.

Insurance

The Group insures its aircraft fleet and associated risks with a UAE licensed insurance company, Dubai Islamic Insurance and Reinsurance Co (AMAN), as required under UAE law. These risks are then fully reinsured with Lloyds of London and other international aviation insurance markets, through a reputable international broker based in London. Insurance arrangements are made in a manner consistent with best international airline industry practice. Emirates has never been refused insurance coverage in any insurance market.

Litigation

Emirates is subject to a number of ongoing proceedings relating to alleged cargo cartel conduct. Regulatory investigations have been initiated by the Australian and New Zealand competition authorities which allege that Emirates colluded with certain competitors on rates, fuel, security and insurance surcharges in relation to certain cargo flights. Emirates believes that these proceedings are likely to continue for some time.

Emirates is also subject to civil litigation (in the form of class action) in the United States arising out of investigations by the United States competition authorities into fuel and security surcharges in relation to certain cargo flights.

Emirates is defending all of the proceedings and cannot predict with certainty the amounts (if any) which might be required to pay any fines which might be imposed or to pay any damages which might be awarded or to settle any such proceedings. The Group has not made any provisions in its Financial Statements in respect of these proceedings.

Corporate Responsibility

The Emirates Airline Foundation is a non-profit charity organisation that aims to help disadvantaged children by providing them with the basics such as food, medicine, housing and education. Its board of directors consists of senior Emirates Group management who decide which projects to target with funds donated by passengers and staff. Emirates staff volunteers participate and oversee the management of the Foundation.

The Foundation's projects include the Emirates Friendship Hospital Ship, which is a floating hospital that provides vital medical assistance to more than 2 million people living in isolated regions of Bangladesh that are frequently affected by monsoon flooding.

Emirates has also implemented a group wide environmental policy and operates an environmental programme, called Emvironment, which has commenced a number of environmental initiatives such as recycling of materials involved in Emirates' businesses.

Relationship with the Government

Emirates is 100 per cent. owned by the Government of Dubai through its commercial investment arm, ICD. Emirates is an independent company with its own profit targets and operational autonomy which is run by an independent and experienced management team (see "*Management and Employees*" below). Emirates operates on a fully commercial basis and publishes annual independently audited accounts.

Emirates has AED 801 million (U.S.$218 million) in capital, including U.S.$10 million received from the Government of Dubai in start-up seed capital in 1985 and U.S.$88 million invested in infrastructure, which included two Boeing 727 aircraft and the Emirates Training College building. This investment has been more than covered by total dividend payments, which have totalled U.S.$2.2 billion to date. The Government of Dubai and the management of Emirates have consistently operated on the basis that Emirates is required to be self-sustainable and profitable. Apart from an individual aircraft financing guaranteed by the Government of Dubai in 1987 (which is no longer outstanding), neither ICD nor the Government of Dubai has ever acted as a guarantor for any of the loans raised by Emirates.

The Government of Dubai currently has no plans to offer shares in Emirates to the public.

Notwithstanding that the Group is a separate commercial enterprise operated independently of the Government of Dubai, its interests are closely aligned with the interests of the Government of Dubai and it benefits from strong relationships with regional air transportation regulators, Dubai Airports (which owns both DIA and Al Maktoum International Airport) and Dubai Aviation City Corporation (which owns Dubai World Central in which Al Maktoum International Airport is located), which is wholly-owned by the Government of Dubai. In particular:

- ***The Government of Dubai***

  In 2007, the Government of Dubai adopted the Dubai Strategic Plan 2015 (the "**DSP 2015**"), which focuses on core areas of economic development, social development, security, justice and safety, infrastructure, land and development, and government excellence. The DSP 2015 envisages that economic growth in Dubai will be focused on travel and tourism, financial services, professional services, transport and logistics, trade and storage, and construction.

  Emirates is an integral facilitator of the DSP 2015 as it is the major carrier of airline passenger and cargo traffic to, from and through Dubai, thereby playing a central role in helping to develop Dubai's travel and tourism industry, as well as contributing significantly to the trade, transport and logistics and financial and professional services industries.

- ***Regional Air Transportation Regulators***

  Emirates' principal air transportation regulators in the UAE are the GCAA and the DCAA (see – "*Regulation*" above). Emirates enjoys constructive arms-length relationships with both of these regulators, including participating in recent industry consultation processes with the GCAA and DCAA regarding the application of international aviation treaties to the UAE and the status of local aviation regulation.

- ***Dubai Airports***

  Dubai Airports is the owner of both DIA and Al Maktoum International Airport. Emirates is the busiest of the more than 135 airlines operating out of DIA, accounting for approximately 65 per cent. of the 40.9 million passengers and for approximately 70 per cent. of the 1.93 million tonnes of cargo handled by DIA in the calendar year 2009. Since October 2008, Emirates has had its own dedicated terminal at DIA, Terminal 3, which is capable of accepting Airbus A380 aircraft. Dubai Airports is also in the process of constructing an additional concourse connected to Terminal 3 that will be exclusively dedicated to Emirates' Airbus A380 aircraft and which is currently scheduled to open in 2012. Emirates SkyCargo division is also one of the key tenants at Dubai Airports' Cargo City at DIA, operating out of the Cargo Mega Terminal. Emirates pays the full published landing charges at DIA and does not benefit from any form of volume related discount. Emirates does not currently operate at Al Maktoum International Airport.

MANAGEMENT AND EMPLOYEES

Senior Management

Decree No. 2 of 1985 establishing Emirates provides for Emirates to be represented, managed and operated by a Chairman appointed from time to time by the Government of Dubai. His Highness Sheikh Ahmed bin Saeed Al-Maktoum has been Chairman of Emirates from its inception.

Emirates does not have a separately constituted board of directors. The members of its senior management team comprise:

Name	Title
His Highness Sheikh Ahmed bin Saeed Al-Maktoum	Chairman and Chief Executive
Sir Maurice Flanagan	Executive Vice Chairman
Tim Clark..	President – Emirates Airline
Gary Chapman	President Group Services & dnata
Adel Ahmad Al Redha	Executive Vice President – Engineering & Operations
Abdulaziz Al Ali	Executive Vice President – Human Resources
Nigel Hopkins	Executive Vice President – Service Departments
Ali Mubarak Al Soori	Executive Vice President – Chairman's office, Facilities/Projects Management and Procurement and Logistics (Non Aircraft)

The business address of each of the members of senior management is Emirates Group Headquarters, P.O. Box 686, Dubai, UAE.

Brief biographies of each of the members of senior management are set out below:

His Highness Sheikh Ahmed bin Saeed Al-Maktoum

His Highness Sheikh Ahmed bin Saeed Al-Maktoum is the Chairman and Chief Executive of Emirates Airline and Group. H.H. Sheikh Ahmed bin Saeed Al-Maktoum is the younger brother of the late ruler of Dubai, Sheikh Rashid bin Saeed Al-Maktoum.

In addition to his position at Emirates, His Highness has served as President of the Dubai Civil Aviation Authority since 1985, Chairman of Dubai Airports, Chairman of Dubai Airport Free Zone Authority, Chairman of Dubai World, Deputy Chairman of the Dubai Executive Council, member of the board of the Dubai Council for Economic Affairs, Vice-Chairman of the Dubai World Trade Centre, member of the board of ICD and as member of the board of the General Civil Aviation Authority of the UAE. His Highness is also chairman of flydubai and Dubai Aerospace Enterprise.

His Highness Sheikh Ahmed bin Saeed Al-Maktoum holds a Bachelors degree from the University of Denver, Colorado, U.S.A. He is a fellow of The Royal Aeronautical Society and a recipient of Commandeur de l'Ordre de la Legion d'Honneur (the Legion of Honour).

Sir Maurice Flanagan KBE, CBE, BA, Hon. FRAeS, FRAeS, FCIT

Sir Maurice is the Executive Vice Chairman of Emirates.

Sir Maurice started his career in 1953 with British Overseas Airways Corporation (the forerunner of British Airways) working in variety of posts. Prior to joining Emirates, he worked as a member of British Airways' senior management team for four years and later as Director and General Manager of dnata. Sir Maurice was managing director of Emirates from its creation in 1985 until July 2003.

Sir Maurice holds an honorary Doctor of Letters degree from the University of Bradford and an honorary Doctor of Laws from the University of Liverpool.

Tim Clark

Mr. Clark is President of Emirates.

Prior to joining Emirates Mr. Clark worked as a route planner at both Bahrain's Gulf Air and British Caledonian Airways. He joined Emirates in 1985 as Head of Airline Planning, in which role he is attributed with establishing a number of key Emirates' route networks. Mr. Clark became President of Emirates in 2003.

In addition to his work at Emirates, Mr. Clark is the Chairman of the Emirates Airline Foundation, a non-profit charity.

Mr. Clark holds a Bachelors degree in economics from London University. He is also a Fellow of the Royal Aeronautical Society.

Gary Chapman

Mr. Chapman is President of Group Services and dnata. Mr. Chapman's principal responsibilities are to oversee the Emirates Group's corporate support functions of Finance, Human Resources, Medical Services, Legal and IT. Mr. Chapman is also responsible for jet fuel price risk management and manages the global operations of dnata and a number of its associated entities.

Prior to joining the Emirates Group, Mr. Chapman spent 12 years with a prominent Arab trading business involved in construction and the provision of support services to the oil industry.

Mr. Chapman is also Chairman of Maritime and Mercantile International L.L.C. and Changi International Airport Services Pte Ltd, and is a member of the board of directors for Emirates Flight Catering Co. LLC, Emirates CAE Flight Training, Premier Inn Hotels LLC and dnata's overseas ground handling and aircraft catering operations.

Mr. Chapman qualified as a Chartered Accountant in New Zealand.

Adel Ahmad Al Redha

Mr. Al Redha is the Executive Vice President – Engineering & Operations. Mr. Al Redha's principal responsibilities involve overseeing several major departments, including Flight Operations, Network Operations (including managing the Network Control Centre), Flight Training, Engineering and Aircraft Procurement.

Mr. Al Rehda joined Emirates as an engineer in 1988, having worked for two years previously as a trainee aircraft engineer with another carrier in the region. He has held a number of positions within Emirates, including head of the Procurement & Logistics department and, more recently, Director of Engineering.

Mr. Al Redha holds a Bachelor of Science degree in Engineering Technology/Aircraft Maintenance from the University of Northrop, USA, and a Masters degree in Air Transport from Cranfield University, UK.

Abdulaziz Al Ali

Mr. Al Ali is the Executive Vice President – Human Resources. Mr. Al Ali's principal responsibilities are to develop effective training procedures for new employees and to ensure that employees adhere to the Group's policies, procedures and rules.

Mr. Al Ali joined Emirates in 1988. Prior to becoming Executive Vice President – Human Resources in 2003, Mr. Al Ali held a number of other posts at Emirates, including Director of Human Resources.

Mr. Al Ali holds a Bachelors degree in Mathematics from Colchester University, UK and a Master of Science degree in Mathematics from the University of Wisconsin, Milwaukee, USA.

Nigel Hopkins

Mr. Hopkins is the Executive Vice President – Service Departments. Mr. Hopkins' principal responsibilities relate to the Finance, Treasury, IT, Legal and Insurance services within the Emirates Group.

Mr. Hopkins joined Emirates in 1994 and was appointed to his current position in June 2005. Prior to his promotion, he held a number of finance roles within the Emirates Group, most recently Senior Vice President of Finance where he headed up the Group Finance team. Prior to joining Emirates, Mr. Hopkins worked at British Airways for 10 years.

Mr. Hopkins is a Fellow of the UK Association of Chartered Certified Accountants.

Ali Mubarak Al Soori

Mr. Al Soori is the Executive Vice President – Chairman's Office, Facilities/Projects Management and Procurement and Logistics (Non-Aircraft). Mr. Al Soori's principal responsibilities are to ensure all projects are executed on time and within budget, which involves undertaking feasibility studies, approving budgets and timeframes, and appointing consultants and specialists, as well as negotiating contracts.

Mr. Al Soori joined Emirates in 1986 as manager of the Chairman's Office and became Senior Vice President, Chairman's Office & Facilities Management in 2003. He was promoted to his current position in 2008. Mr. Al Soori has overseen the construction of many of the buildings in the Group's property portfolio, including the Emirates Engineering Centre, the Harbour Hotel and Residence, Emirates' Crew Training Centre, Emirates Group Headquarters and the Sevens sports complex.

Conflicts

There are no conflicts of interest between the duties of the members of the senior management listed above to Emirates and their private interests or other duties.

Employees

Emirates believes that it has an excellent relationship with its employees as shown by the fact that its average work force attrition rate over the five financial years ended 31 March 2011 was approximately 8.0 per cent. (and approximately 6.5 per cent. excluding cabin crew which, as an industry norm, have higher attrition rates). Emirates believes that it provides its employees with competitive compensation packages and benefits. Emirates' work force attrition rate is calculated on the basis of only those employees who have resigned and does not count those employees who leave for other reasons such as retirement.

The table below shows a breakdown of the Group's average employee strength for each of financial year 2011, 2010 and 2009.

	Financial year ended 31 March		
	2011	**2010**	**2009**
Cabin crew	11,715	10,785	10,324
Flight deck crew	2,434	2,237	2,141
Engineering	2,083	1,904	1,849
Other	9,086	9,084	9,379
Total employees in the UAE	25,318	**24,010**	**23,693**
Overseas stations	4,940	4,676	4,344
Total Emirates	30,258	**28,686**	**28,037**
Subsidiary companies	8,539	7,966	7,775
Average employee strength	**38,797**	**36,652**	**35,812**

In financial year 2010, as part of a cost reduction strategy, Emirates imposed a freeze of non-essential hires in the early part of the year, instituted a policy of non-replacement of staff leaving and a policy of internal secondment from well resourced areas of the business to areas with staff shortages. In addition, Emirates offered employees the opportunity to take unpaid leave, which was accepted by 4,900 staff.

Employee productivity for Emirates airline, measured in terms of revenue per airline employee, was AED 1.7 million in financial year 2011 and AED 1.5 million in each of financial year 2010 and 2009. Capacity per airline employee was 1,059,000 ATKM in financial year 2011 compared to 994,000 ATKM in financial year 2010 and 870,000 ATKM in financial year 2009. Load carried per airline employee was 730,000 RTKM in financial year 2011 compared to 665,000 RTKM in financial year 2010 and 566,000 RTKM in financial year 2009.

Emirates has a number of in-house training schemes designed to ensure that all of its staff are trained to the highest industry standards and obtain all relevant certificates and licences required in order to perform their duties.

In accordance with UAE law, the Group provides end of service benefits to all employees. Under UAE law, the entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, Emirates also contributes to the General Pension and Social Security Authority scheme calculated as a percentage of the UAE national employees' salaries.

For non-UAE national employees in certain senior management grades, the Group contributes a percentage of their salaries into a Provident Fund scheme established in the Isle of Man. Employees in these higher grades who remain with Emirates for five years or more have the option to elect for either the UAE end of service benefits or their entitlement under the Provident Fund scheme to be paid to them at the time they leave Emirates. Employees who are members of the Provident Fund scheme are able to select investment options for their Provident Fund contributions from various options provided under the scheme.

AIRLINE INDUSTRY OVERVIEW

Introduction

The global airline industry generally follows economic cycles and, over the longer term, RPKMs have generally grown in line with world gross domestic product ("**GDP**"). Although GDP was one of the primary drivers of growth in the past, other factors, including in particular affordable fares in part due to low fare carriers expansion, are likely to continue to contribute increasingly to traffic growth.

The airline industry has always been, by nature, a cyclical industry. The airline industry has endured some major crises over the last 30 years, including the worst financial losses in aviation history following the terrorist attacks in New York and Washington on 11 September 2001, as well as the effects of regional conflict, SARS, high fuel prices during 2007 and the first half of 2008 followed by the global financial crisis during late 2008 and 2009 and, to a lesser extent, the effects of more specific interruptions such as the Icelandic volcanic ash clouds over Europe in early 2010.

In spite of the cyclical nature of the industry, the aviation sector has shown it is resilient and annual world traffic growth has fallen only three times in modern aviation history – in 1991 around the first Gulf War, in 2001-2002 following the terrorist attacks in the United States and in 2009 during the financial crisis. Within these general trends, different regions have experienced different growth patterns.

Historically, the airline industry was governed by bilateral air service agreements between individual countries. These regulations limited the market size for the benefit of national carriers. However, since the early 1980s deregulation of international air transport (sometimes referred to as an "open skies" policy) has allowed airlines to expand and develop more comprehensive route networks. New international carriers emerged to compete with the established airlines. In addition, low fare carriers commenced business and have increased in size and influence. These developments, and the resulting increase in competition between airlines, technological developments such as larger and more efficient aircraft and the removal of price controls, have brought down the level of fares, except in capacity constrained or time zone constrained markets. Although economic growth still plays a major role, lower fares have increasingly played an important role in stimulating traffic growth. Lower prices have also created new traffic for the airline industry by attracting travellers using other transport modes, such as rail and ferries.

Other significant airline developments have been the formation of global airline alliances (such as Star, Skyteam and Oneworld) which have developed in importance since the 1990s. These alliances have also reportedly allowed carriers to offer passengers global networks and better manage the level of competition, although little evidence exists to analyse the impact of alliances. More recently, as a result of the financial crisis of late 2008 and 2009, certain airlines (such as United Airlines) have filed for bankruptcy protection. In addition, certain airlines have consolidated through corporate mergers and acquisitions (for example British Airways and Iberia and United Airlines and Continental Airlines).

Technological Developments

Technology has also played an important role in the development of the airline industry. New technologies allow airlines to reduce costs. In the early 1970s, the introduction of the Boeing 747 revolutionised long-haul transport and, in the 1980s, computer reservation systems enabled airlines to manage their capacity better. The fall in yield experienced by the airline industry in the past has been largely offset by the reduction in unit costs made possible by modern civil aircraft. Fuel efficiency and the reduction in noise and emissions have been significant drivers of technological development. The manufacturers of large civil aircraft (primarily Airbus and Boeing) have developed larger aircraft (for example the Airbus A380) and longer range aircraft variants (for example, the Airbus A340-500, Airbus A340-600, Boeing 777-200LR and Boeing 777-300ER aircraft). The new ultra long-range aircraft (for example, the Airbus A340-500 and Boeing 777-

200LR aircraft have an extended range of over 8,000 nautical miles and can fly non-stop for over 16 hours) provide airlines with the ability to link any two destinations on their global network with one single stop at their hub (for example in relation to Emirates, New York to Sydney, with one stop in Dubai). Similarly, the Airbus A380 ultra long-range is currently the largest passenger aircraft in production, with some of the lowest seat costs in the industry and long haul capability of approximately 8,300 nautical miles. These aircraft will potentially allow new markets to be developed and may relieve some airport congestion, providing a solution to slot-constrained airports. Other technological developments, such as electronic commerce, have also allowed airlines to reduce operating costs, particularly those relating to ticket sales and distribution.

Recent Traffic Trends

According to the Airports Council International (the "**ACI**"), worldwide airport passenger numbers dropped by 1.8 per cent. during 2009 to 4.8 billion, from a high of 4.9 billion in 2008 and, during the same period, total cargo volumes handled by airports fell by 7.9 per cent. to 79.6 million tonnes. Also during 2009, the movement in global aircraft fell by 5.1 per cent. as airlines dropped routes and reduced excess capacity in response to the global financial crisis. Within the Middle East, however, total passenger numbers increased by 7.7 per cent., total cargo up-lifted increased by 4.3 per cent. and the total number of aircraft movements increased by 4.4 per cent. The ACI has not yet published equivalent data for 2010.

On 2 February 2011, IATA announced an 8.2 per cent. increase in the number of passengers carried during 2010 and a 20.6 per cent. increase in the volume of cargo transported during 2010. IATA also announced that the passenger load factor for 2010 was 78.4 per cent., representing an increase of 2.7 per cent. from 2009, and that the freight load factor was 53.8 per cent., representing an increase of 5.2 per cent. from 2009. Load factors are a measure of how well an airline is utilising its available capacity and are calculated by dividing the airline's RTKM by its ATKM. IATA further reported that Middle Eastern carriers reported the strongest full year growth of passenger demand out of all of the regions it surveyed, at 17.8 per cent. reflecting an increase in regional capacity of 13.2 per cent., largely as a result of deliveries of aircraft to Gulf-based carriers. Also according to IATA, passenger load factors for Middle Eastern carriers recorded a 3.0 per cent. increase during 2010 to 76.0 per cent.

Traffic Forecasts

ACI's current growth forecast for international traffic over the five year period from 2007 to 2012 is for average annual growth of 3.0 per cent. during the period. The same forecast, by region, shows the Middle East experiencing average annual growth of 6.0 per cent. during that period, compared to the Asia/Pacific region at 5.0 per cent., Africa at 4.9 per cent., Latin America at 3.7 per cent., Europe at 2.8 per cent. and North America at 1.5 per cent.

According to Boeing's Current Market Outlook 2010-2029, total RPKMs are projected to grow by 5.3 per cent. annually over the 20 year period between 2009 and 2029. Boeing also projects annual growth in traffic flows to, from and within the Middle East of:

- 6.5 per cent. (in respect of African traffic flows to and from the Middle East);
- 7.3 per cent. (in respect of European traffic flows to and from the Middle East);
- 7.2 per cent. (in respect of Middle Eastern traffic flows to and from North America);
- 7.3 per cent. (in respect of Middle Eastern traffic flows to and from South Asia);
- 7.4 per cent. (in respect of Middle Eastern traffic flows to and from Southeast Asia); and
- 6.0 per cent. (in respect of traffic flows within the Middle East region).

Industry Statistics

According to IATA, in terms of 2009 international RPKMs, Emirates was the leading airline with 118,284 million RPKMs, ahead of Lufthansa (with 118,264 million RPKMs), Air France (with 116,711 million RPKMs) and British Airways (with 109,402 million RPKMs). No other airline was credited by IATA with exceeding 100,000 million international RPKMs in 2009.

Domestic RPKMs tables are dominated by US and Chinese airlines reflecting the size of their respective domestic markets. Unlike many other comparable airlines, Emirates does not have a domestic market. Nevertheless, measured in terms of combined international and domestic RPKMs, Emirates was ranked seventh by IATA in 2009 and sixth by World Airline Report in its World Airline Traffic Results 2009.

In terms of international and overall RTKMs, Emirates was ranked fifth and sixth, respectively, by IATA in 2009.

Complementing Emirates' rankings, DIA was ranked as the sixth busiest airport in the world in 2009 in terms of international passenger numbers by ACI and the only airport in the top 10 to show an increase in passenger numbers in 2009 over 2008. In addition, DIA was ranked by ACI as the eighth busiest airport in the world in 2009 in terms of freight and mail loaded and unloaded and the third busiest in terms of freight only loaded and unloaded. Again, DIA was the only airport in the top 10 to show an increase in both categories in 2009 compared to 2008.

Primary Industry Sensitivities

The primary sensitivities of the airline industry are to changes in jet fuel prices, insurance charges and the level of passenger demand each of which is influenced by a number of different factors including, but not limited to, the state of the world economy and by political events (see "*Risk Factors – Emirates' business may be significantly adversely effected by a reduction in the volume of travellers using its services, which could be caused by a range of events beyond its control*" and "*Risk Factors – The Group's results of operations may be materially affected by changes in jet fuel prices*"). All of these factors have shown some volatility in recent years, particularly the price of jet fuel which, according to an IATA press release dated 2 February 2011, accounts for 27.0 per cent. of airlines' operating costs and is the most significant operating cost item for most airlines. Environmental issues in the form of more stringent noise and emission standards, including the recently announced EU carbon emissions trading scheme, also impose higher operating costs on the airline industry.

TAXATION

General

The following is a general description based upon the Issuer's understanding of certain United Arab Emirates and European Union tax considerations relating to the Notes as in effect on the date of this Prospectus and is subject to any change in law or relevant fiscal rules and practice and their interpretation that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax considerations relating to the Notes and does not constitute legal or tax advice. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the United Arab Emirates of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes.

United Arab Emirates

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments on debt securities (including the Notes). In the event of the imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future. The UAE has entered into "Double Taxation Arrangements" with certain other countries.

EU Savings Directive

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch, Emirates NBD Bank PJSC, HSBC Bank plc and Morgan Stanley & Co. International plc (together, the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 6 June 2011, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Notes at 99.904 per cent. of their principal amount less certain commissions set out therein. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The yield for the Notes is 5.147 per cent. per annum on an annual basis. The yield is calculated as at the issue date of the Notes on the basis of the relevant issue price. It is not an indication of future yield.

Certain of the Joint Lead Managers and their affiliates have from time to time performed, and in the future may perform, various financial advisory, commercial banking and investment banking services for the Issuer and its affiliates, for which they have received and/or will receive fees and expenses.

General

Neither the Issuer nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer or any other Joint Lead Manager in any such jurisdiction as a result of any of the foregoing actions.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering or the sale of securities.

Each Joint Lead Manager has acknowledged that the information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

Each Joint Lead Manager has represented and agreed that the offer of the Notes shall be by way of private placement under Article 9 (paragraph a, No.2) of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"). The offer of Notes shall not therefore constitute a "public offer" pursuant to the KSA Regulations.

Secondary market activity is subject to restrictions under Article 17 of the KSA Regulations. Any Saudi person who has acquired Notes pursuant to a private placement may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Notes are offered or sold to a "Sophisticated Investor" (as defined in Article 10 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered, and will not offer, Notes to the Public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law No. 21/2001) of Bahrain) in Bahrain.

State of Qatar

Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

GENERAL INFORMATION

1. The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that listing of the Notes on the Official List and admission of the Notes to trading on the Market will be granted on or before 8 June 2011, subject only to the issue of the Global Note Certificate. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a written decision of the Chairman of the Issuer on 28 February 2011.

3. The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately GBP 4,200.

4. There has been no significant change in the financial or trading position of the Issuer or of the Group, and no material adverse change in the financial position or prospects of the Issuer or of the Group, since 31 March 2011.

5. Neither the Issuer nor any member of the Group is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

6. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 063283355. The International Securities Identification Number (ISIN) for the Notes is XS0632833553.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

7. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.

8. For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies (and English translations, which will be accurate and direct transactions, where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent:

   (a) the Fiscal Agency Agreement (which include the form of the Global Note Certificate) and the Deed of Covenant;

   (b) Decree Number (2) of 1985 concerning the establishment of Emirates;

   (c) Decree Number (7) of 1991 amending Decree Number (2) of 1985;

   (d) the published annual report which includes the audited consolidated financial statements of the Group for each of the years ended 31 March 2010 and 31 March 2011; and

(e) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus.

This Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

9. PricewaterhouseCoopers has audited, and rendered unqualified audit reports on, the accounts of the Group for the three years ended 31 March 2011. The auditors have no material interest in the Issuer or the Group.

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Emaar Square
Building 4
Level 8
P.O. Box 11987, Dubai
United Arab Emirates
Telephone +971 (0) 4 3043100
Facsimile +971 (0) 4 3469150

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 2011 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 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 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
4 May 2011

Warwick Hunt
Registered Auditor Number 643
Dubai, United Arab Emirates

W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

Emirates

Consolidated income statement

for the year ended 31 March 2011

	Note	2011 AED m	2010 AED m
Revenue	4	53,098	42,477
Other operating income	5	1,286	978
Operating costs	6	(48,943)	(39,890)
Operating profit		**5,441**	**3,565**
Other gains and losses	7	(4)	48
Finance income	8	521	330
Finance costs	8	(506)	(355)
Share of results in associated companies and joint ventures	13	91	77
Profit before income tax		**5,543**	**3,665**
Income tax expense	9	(78)	(50)
Profit for the year		**5,465**	**3,615**
Profit attributable to non-controlling interests		**92**	**77**
Profit attributable to Emirates' Owner		**5,373**	**3,538**

Consolidated statement of comprehensive income

for the year ended 31 March 2011

Profit for the year		**5,465**	**3,615**
Currency translation differences	19	38	124
Cash flow hedges	19	(282)	(244)
Other comprehensive income		**(244)**	**(120)**
Total comprehensive income for the year		**5,221**	**3,495**
Total comprehensive income attributable to non-controlling interests		**92**	**77**
Total comprehensive income attributable to Emirates' Owner		**5,129**	**3,418**

Notes 1 to 37 form an integral part of the consolidated financial statements.

Emirates
Consolidated statement of financial position
as at 31 March 2011

	Note	2011 AED m	2010 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	39,848	33,753
Intangible assets	12	901	927
Investments in associated companies and joint ventures	13	386	461
Advance lease rentals	14	384	233
Loans and other receivables	15	1,704	1,432
Derivative financial instruments	33	-	64
		43,223	**36,870**
Current assets			
Inventories	16	1,290	1,084
Trade and other receivables	17	6,481	7,008
Derivative financial instruments	33	123	74
Short term bank deposits	31	3,777	1,176
Cash and cash equivalents	31	10,196	9,335
		21,867	**18,677**
Total assets		**65,090**	**55,547**

	Note	2011 AED m	2010 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	18	801	801
Retained earnings		20,459	16,794
Other reserves	19	(565)	(321)
Attributable to Emirates' Owner		**20,695**	**17,274**
Non-controlling interests		**207**	**201**
Total equity		**20,902**	**17,475**
Non-current liabilities			
Borrowings and lease liabilities	20	20,502	16,753
Retirement benefit obligations	24	390	364
Deferred revenue	25	1,722	1,483
Deferred credits	26	401	460
Deferred income tax liability	27	2	4
Trade and other payables	28	31	21
Derivative financial instruments	33	642	467
		23,690	**19,552**
Current liabilities			
Trade and other payables	28	17,551	15,475
Income tax liabilities		22	19
Borrowings and lease liabilities	20	2,728	2,852
Deferred credits	26	136	162
Derivative financial instruments	33	61	12
		20,498	**18,520**
Total liabilities		**44,188**	**38,072**
Total equity and liabilities		**65,090**	**55,547**

The consolidated financial statements were approved on 4 May 2011 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

Notes 1 to 37 form an integral part of the consolidated financial statements.

Emirates

Consolidated statement of changes in equity

for the year ended 31 March 2011

	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 2009	801	(201)	14,812	15,412	159	15,571
Currency translation differences	-	124	-	124	-	124
Cash flow hedges	-	(244)	-	(244)	-	(244)
Other comprehensive income	**-**	**(120)**	**-**	**(120)**	**-**	**(120)**
Profit for the year	-	-	3,538	3,538	77	3,615
Total comprehensive income for the year	**-**	**(120)**	**3,538**	**3,418**	**77**	**3,495**
Dividend	-	-	(1,556)	(1,556)	(35)	(1,591)
Transactions with owners	**-**	**-**	**(1,556)**	**(1,556)**	**(35)**	**(1,591)**
31 March 2010	**801**	**(321)**	**16,794**	**17,274**	**201**	**17,475**
Currency translation differences	-	38	-	38	-	38
Cash flow hedges	-	(282)	-	(282)	-	(282)
Other comprehensive income	**-**	**(244)**	**-**	**(244)**	**-**	**(244)**
Profit for the year	-	-	5,373	5,373	92	5,465
Total comprehensive income for the year	**-**	**(244)**	**5,373**	**5,129**	**92**	**5,221**
Dividend	-	-	(1,708)	(1,708)	(86)	(1,794)
Transactions with owners	**-**	**-**	**(1,708)**	**(1,708)**	**(86)**	**(1,794)**
31 March 2011	**801**	**(565)**	**20,459**	**20,695**	**207**	**20,902**

Notes 1 to 37 form an integral part of the consolidated financial statements.

Emirates
Consolidated statement of cash flows
for the year ended 31 March 2011

	2011 AED m	2010 AED m
Operating activities		
Profit before income tax	5,543	3,665
Adjustments for:		
Depreciation and amortisation (Note 6)	3,677	2,962
Finance costs - net (Note 8)	(15)	25
Gain on sale of property, plant and equipment	(454)	(258)
Gain on sale of available-for-sale investments (Note 5)	(195)	-
Gain on sale of associate	(15)	-
Share of results in associated companies and joint ventures (Note 13)	(91)	(77)
Net provision for impairment of trade receivables (Note 17)	42	14
Impairment of available-for-sale financial assets	-	109
Provision for employee benefits (Note 6)	373	301
Change in fair value of derivative financial instruments at fair value through profit or loss	4	(48)
Net movement on derivative financial instruments	(40)	(299)
Employee benefit payments	(347)	(304)
Income tax paid	(77)	(63)
Change in inventories	(204)	(32)
Change in receivables and advance lease rentals	133	(316)
Change in payables, deferred credits and deferred revenue	2,670	2,649
Net cash generated from operating activities	**11,004**	**8,328**

Notes 1 to 37 form an integral part of the consolidated financial statements.

	2011 AED m	2010 AED m
Investing activities		
Proceeds from sale of property, plant and equipment	3,241	883
Additions to intangible assets (Note 12)	(49)	(72)
Additions to property, plant and equipment (Note 32)	(6,504)	(3,416)
Investments in associated companies and joint ventures (Note 13)	-	(18)
Proceeds from sale of investments in associated companies and joint ventures (Note 13)	82	-
Proceeds from sale of available-for-sale investments	195	-
Movement in short term bank deposits	(2,601)	1,443
Net movement in held-to-maturity financial assets	-	200
Interest income	451	308
Dividends from associated companies and joint ventures (Note 13)	93	95
Net cash used in investing activities	**(5,092)**	**(577)**
Financing activities		
Repayment of bonds	(1,837)	-
Net loan drawdown / repayment (Note 22)	739	(122)
Aircraft financing costs	(412)	(319)
Other finance charges	(59)	(103)
Net lease liabilities	(1,083)	(1,447)
Dividend paid	(2,308)	(956)
Dividend paid to non-controlling shareholders	(86)	(35)
Net cash used in financing activities	**(5,046)**	**(2,982)**
Net increase in cash and cash equivalents	**866**	**4,769**
Cash and cash equivalents at beginning of year	9,322	4,547
Effects of exchange rate changes	(1)	6
Cash and cash equivalents at end of year (Note 31)	**10,187**	**9,322**

Notes to the consolidated financial statements
for the year ended 31 March 2011

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 and comply 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 2011 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:

- IFRS 9, Financial instruments (effective from 1 January 2013)
- IAS 24 (Revised), Related Party Disclosures (effective from 1 January 2011)

Basis of consolidation

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

The 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 liabilities incurred or assumed. 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 at their fair values at the acquisition date. On an acquisition-by-acquisition basis any non-controlling interests in the acquiree is recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. Summary of significant accounting policies (continued)

Transactions with non-controlling interests are treated as transactions with the equity Owner of Emirates. 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.

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

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, associated companies 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, 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.

Emirates has changed its accounting policy for transactions with non-controlling interests and the accounting for the loss of control or significant influence from 1 April 2010 when revised IAS 27, Consolidated and separate financial statements became applicable. The revision to IAS 27 contained consequential amendments to IAS 28, Investments in associates and IAS 31, Interests in joint ventures.

Previously transactions with non-controlling interests were treated as transactions with external parties. Disposals therefore resulted in gains or losses that were recorded in the consolidated income statement while purchases resulted in the recognition of goodwill.

Previously, when Emirates ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceased, became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial asset.

The new policy has been applied prospectively to transactions occurring on or after 1 April 2010 and no adjustments have been made to any of the amounts previously recognised in the consolidated financial statements.

Revenue

Passenger and cargo (which includes courier and mail) sales are recognised as revenue when the transportation is provided. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Unused flight documents are recognised as revenue based on their terms and conditions and historical trends.

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

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

Liquidated damages

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

Foreign currency translation

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

2. Summary of significant accounting policies (continued)

Foreign currency transactions are translated into functional currency at exchange rates approximating to those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates ruling at the end of reporting period. The resultant foreign exchange gains and losses, other than those on qualifying cash flow hedges deferred in 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 the translation reserve in equity.

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

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

Taxation

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

Deferred income tax

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

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

Property, plant and equipment

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

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

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

The estimated useful lives and residual values are:

Aircraft - new	15 years (residual value 10%)
Aircraft - used	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 or lease term or useful life of the asset concerned.

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

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

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

2. Summary of significant accounting policies (continued)

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 as deferred credit and amortised over the lease term. In the case of profits arising on sale and leaseback transactions resulting in finance leases, the excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time.

The revised agreement is considered as a new agreement and accounted for prospectively over the remaining term of the lease.

Goodwill

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

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

Other intangible assets

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

2. Summary of significant accounting policies (continued)

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

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

Service rights	15 years
Trade names	20 years
Contractual rights	15 years
Computer software	5 years

Available-for-sale financial assets

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

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

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

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

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

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

Derivative financial instruments

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

2. Summary of significant accounting policies (continued)

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

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

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

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

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

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

Inventories

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

Trade receivables

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

Borrowings

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

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.

2. Summary of significant accounting policies (continued)

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

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

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, and bank overdrafts. Other bank deposits with maturity less than a year are classified as short term bank deposits. Bank overdrafts are shown within current borrowings and lease liabilities on the consolidated statement of financial position.

Dividend distribution

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

Segment reporting

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

3. Critical accounting estimates and judgements

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

Depreciation of property, plant and equipment

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

Taxation

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

Frequent flyer programme

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

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

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

4. Revenue

	2011 AED m	2010 AED m
Services		
Passenger	41,415	32,995
Cargo	8,803	6,899
Excess baggage	293	278
Destination and leisure	226	156
Hotel operations	148	143
Others	286	279
	51,171	**40,750**
Sale of goods		
Consumer goods	957	882
In-flight catering	548	472
Food and beverage	422	373
	1,927	**1,727**
	53,098	**42,477**

5. Other operating income

Other operating income includes AED 209 m (2010: AED 224 m) from liquidated damages, AED 479 m (2010: AED 211 m) being the gain on sale and leaseback of aircraft, aircraft engines and parts, AED 195 m (2010: Nil) being the gain on sale of available-for-sale financial assets and a net foreign exchange gain of AED 5 m (2010: AED 113 m).

6. Operating costs

	2011 AED m	2010 AED m
Jet fuel	16,820	11,908
Employee (see (a) below)	7,617	6,345
Aircraft operating leases (see (b) below)	4,317	4,111
Sales and marketing	3,862	3,020
Depreciation (Note 11)	3,600	2,893
Handling	3,195	2,807
In-flight catering and related costs	2,305	2,180
Overflying	1,620	1,438
Aircraft maintenance	1,030	847
Landing and parking	974	874
Cost of goods sold	934	844
Amortisation (Note 12)	77	69
Corporate overheads (see (c) below)	2,592	2,554
	48,943	**39,890**

(a) Employee costs include AED 373 m (2010: AED 301 m) in respect of post-employment benefits and AED 770 m (2010: AED 175 m) in respect of an employee profit share scheme.

(b) Aircraft operating lease charges include AED 433 m (2010: AED 467 m) in respect of "wet" leases of freighter aircraft.

(c) Corporate overheads include non-aircraft operating lease charges amounting to AED 451 m (2010: AED 383 m).

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

	2011 AED m	2010 AED m
Finance income		
Interest income on short term bank deposits	448	255
Related parties (Note 35)	39	39
Other interest income	34	36
	521	**330**
Finance costs		
Aircraft financing costs	(444)	(272)
Interest charges on borrowings	(59)	(81)
Other interest charges	(3)	(2)
	(506)	**(355)**

9. Income tax expense

	2011 AED m	2010 AED m
The components of income tax expense are:		
Current tax expense	80	59
Deferred tax credit (Note 27)	(2)	(9)
	78	**50**

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

10. Segment information

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

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

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

Segment revenue is measured in a manner consistent with that in the consolidated income statement, with the exception of notional revenues from staff leave passage and duty travel which are included in total segment revenue under 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 2011 is as follows:

	Airline AED m	All other segments AED m	Reconciliation AED m	Total AED m
Total segment revenue	51,261	2,800	(124)	53,937
Inter-segment revenue	-	839	-	839
Revenue from external customers	51,261	1,961	(124)	53,098
Segment profit	4,718	747	-	5,465
Finance income	513	8	-	521
Finance costs	(497)	(9)	-	(506)
Income tax expense	(76)	(2)	-	(78)
Depreciation and amortisation	(3,509)	(168)	-	(3,677)
Share of results in associated companies and joint ventures	-	91	-	91
Segment assets	60,611	5,347	(868)	65,090
Investments in associated companies and joint ventures	-	386	-	386
Additions to property, plant and equipment	11,787	402	-	12,189
Additions to intangible assets	44	5	-	49
Additions to advance lease rentals	262	-	-	262

10. Segment information (continued)

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

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

Geographical information

	2011	2010
	AED m	AED m
Revenue from external customers:		
East Asia and Australasia	15,503	11,843
Europe	14,433	11,612
West Asia and Indian Ocean	6,405	5,322
Gulf and Middle East	5,641	4,941
Africa	5,598	4,756
Americas	5,518	4,003
	53,098	**42,477**

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

11. Property, plant and equipment (continued)

	Aircraft AED m	Aircraft engines and parts AED m	Land and buildings AED m	Other property, plant and equipment AED m	Capital projects AED m	Total AED m
Cost						
1 April 2010	21,866	3,546	6,167	7,219	4,215	43,013
Additions	487	393	13	1,488	9,808	12,189
Currency translation differences	-	-	51	10	(1)	60
Transfer from capital projects	5,901	222	378	428	(6,929)	-
Disposals / write off	(3,275)	(783)	(162)	(787)	-	(5,007)
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
Currency translation differences	-	-	3	2	-	5
Disposals / write off	(1,307)	(441)	(162)	(548)	-	(2,458)
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**

The net book amount of property, plant and equipment includes AED 19,497 m (2010: AED 14,459 m) in respect of aircraft held under finance leases.

The net book amount of aircraft, aircraft engines and parts includes an amount of AED 1,209 m (2010: AED 305 m) in respect of assets provided as security against term loans.

Land of AED 306 m (2010: AED 279 m) is carried at cost and is not depreciated.

Capital projects include pre-delivery payments of AED 4,995 m (2010: AED 2,376 m) in respect of aircraft (Note 29) due for delivery between 2011 and 2020. During the previous year, an amount of AED 109 m was transferred to deferred credits consequent to the sale and lease back of certain aircraft.

12. Intangible assets

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

12. Intangible assets (continued)

	Goodwill AED m	Service rights AED m	Trade names AED m	Contractual rights AED m	Computer software AED m	Total AED m
Cost						
1 April 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 amount						
31 March 2011	**557**	**97**	**17**	**23**	**207**	**901**

Computer software includes an amount of AED 52 m (2010: AED 67 m) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, goodwill amounting to AED 159 m (2010: AED 159 m) is allocated to the consumer goods cash generating unit, AED 25 m (2010: AED 25 m) is allocated to the food and beverages cash generating unit and AED 369 m (2010: AED 369 m) is allocated to the in-flight catering services cash generating unit. These cash generating units are based in the UAE. The recoverable amounts for these cash generating units have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include a risk adjusted discount rate, growth rates based on management's expectations for market development and historical gross margins of 24%, 24% and 27% for consumer goods, food and beverages and in-flight catering services cash generating units respectively. Cash flow projections are based on forecasts approved by management covering a three year period. Projected cash flows are discounted using a pre-tax discount rate of 12% per annum, which reflects specific risks relating to the cash generating units. Cash flows beyond the three year period have been extrapolated using a growth rate of 4% per annum. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate.

Goodwill allocated to the food and beverages cash generating unit in Australia amounts to AED 4 m (2010: AED 4 m) and management is of the opinion that this goodwill is not impaired.

13. Investments in subsidiaries, associated companies and joint ventures

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries			
Maritime & Mercantile International L.L.C.	68.7	Wholesale and retail of consumer goods	UAE
Maritime & Mercantile International Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail L.L.C.	68.7	Food and beverage operations	UAE
Emirates Leisure Retail (Oman) L.L.C.	70.0	Food and beverage operations	Oman
Emirates Leisure Retail (Singapore) Pte Ltd.	100.0	Food and beverage operations	Singapore
Emirates Leisure Retail (Australia) Pty Ltd.	100.0	Food and beverage operations	Australia
Emirates Hotel L.L.C.	100.0	Hotel operations	UAE
Emirates Hotels (Australia) Pty Ltd.	100.0	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90.0	In-flight and institutional catering	UAE

Principal associated company

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

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

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

Movement of investments in associated companies and joint ventures

	2011 AED m	2010 AED m
Balance brought forward	**461**	**441**
Investments during the year	-	18
Share of results	91	77
Dividends	(93)	(95)
Currency translation differences	9	20
Disposal during the year	(82)	-
Balance carried forward	**386**	**461**

The carrying value of the investments in associated companies amounted to AED 91 m (2010: AED 165 m) and the share of results amounted to AED 76 m (2010: AED 72 m).

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

	2011 AED m	2010 AED m
Total assets	382	625
Total liabilities	114	205
Net assets	268	420
Revenue	938	866
Profit for the year	176	164

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

	2011 AED m	2010 AED m
Non-current assets	550	506
Current assets	74	60
Non-current liabilities	274	221
Current liabilities	55	49
Total income	135	103
Total expense	120	98

14. Advance lease rentals

	2011 AED m	2010 AED m
Balance brought forward	**283**	**223**
Additions / transfers during the year	262	93
Charge for the year	(65)	(33)
Balance carried forward	**480**	**283**

Advance lease rentals will be charged to the consolidated income statement as follows:

	2011 AED m	2010 AED m
Within one year (Note 17)	**96**	**50**
Total over one year	**384**	**233**

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

15. Loans and other receivables

	2011 AED m	2010 AED m
Related parties (Note 35)	1,558	1,333
Other receivables	65	99
	1,623	**1,432**
Prepayments	81	-
	1,704	**1,432**

The amounts (excluding prepayments) are receivable as follows:

	2011 AED m	2010 AED m
Between 2 and 5 years	1,596	1,363
After 5 years	27	69
	1,623	**1,432**

Loans and other receivables (excluding prepayments) are denominated in the following currencies:

	2011 AED m	2010 AED m
UAE Dirhams	55	53
US Dollars	1,523	1,334
Others	45	45

The fair value of loans and receivables amounts to AED 1,623 m (2010: AED 1,435 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

	2011 AED m	2010 AED m
Engineering	548	483
In-flight consumables	454	355
Consumer goods	186	149
Other	102	97
	1,290	**1,084**

In-flight consumables include AED 239 m (2010: AED 154 m) relating to items which are not expected to be consumed within twelve months after the reporting period.

17. Trade and other receivables

	2011 AED m	2010 AED m
Trade receivables - net of provision	3,487	3,142
Related parties (Note 35)	1,977	2,010
Prepayments	1,026	1,532
Advance lease rentals (Note 14)	96	50
Operating lease and other deposits	905	899
Other receivables	694	807
	8,185	**8,440**
Less: Receivables over one year (Note 15)	(1,704)	(1,432)
	6,481	**7,008**

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:

	2011 AED m	2010 AED m
Balance brought forward	**90**	**84**
Charge for the year	76	47
Unused amounts reversed	(34)	(33)
Amounts written off as uncollectible	(13)	(10)
Currency translation differences	3	2
Balance carried forward	**122**	**90**

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:

	2011 AED m	2010 AED m
Below 3 months	275	516
3-6 months	19	31
Above 6 months	109	94
	403	**641**

18. Capital

Capital represents the permanent capital of Emirates.

19. Other reserves

	Fair value reserve			
	Hedging instruments AED m	Other AED m	Translation reserve AED m	Total AED m
1 April 2009	**(135)**	**-**	**(66)**	**(201)**
Currency translation differences	-	-	124	124
Loss on available-for-sale financial assets	-	(109)	-	(109)
Loss on fair value of cash flow hedges	(167)	-	-	(167)
Transferred to the consolidated income statement	(77)	109	-	32
31 March 2010	**(379)**	**-**	**58**	**(321)**
Currency translation differences	-	-	53	53
Gain 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)**

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

	2011 AED m	2010 AED m
Revenue	(41)	177
Other operating income	210	-
Operating costs	(38)	(137)
Finance costs	(164)	(72)
	(33)	**(32)**

20. Borrowings and lease liabilities

	2011 AED m	2010 AED m
Non-current		
Bonds (Note 21)	4,290	4,900
Term loans (Note 22)	1,009	296
Lease liabilities (Note 23)	15,203	11,557
	20,502	**16,753**
Current		
Bonds (Note 21)	727	1,835
Term loans (Note 22)	139	113
Lease liabilities (Note 23)	1,853	891
Bank overdrafts (Note 31)	9	13
	2,728	**2,852**
	23,230	**19,605**
Borrowings and lease liabilities are denominated in the following currencies:		
UAE Dirhams	2,023	2,085
US Dollars	19,860	16,301
Singapore Dollars	1,164	1,046
Others	183	173

The effective interest rate per annum on lease liabilities and term loans was 3.0% (2010: 2.5%) and on bonds was 1.8% (2010: 2.4%).

21. Bonds

	2011 AED m	2010 AED m
Bonds are denominated in the following currencies:		
UAE Dirhams	1,836	1,837
Singapore Dollars	1,164	1,047
US Dollars	2,020	3,857
	5,020	**6,741**
Less: Transaction costs	(3)	(6)
	5,017	**6,735**

	2011 AED m	2010 AED m
Bonds are repayable as follows:		
Within one year (Note 20)	**727**	**1,835**
Between 2 and 5 years	3,854	4,507
After 5 years	436	393
Total over one year (Note 20)	**4,290**	**4,900**

Contractual repricing dates are set at six month intervals except for bonds denominated in Singapore Dollars amounting to AED 582 m (2010: AED 524 m) which carry a fixed interest rate over their term.

USD bonds, carried at AED 2,020 m (2010: AED 2,020 m), represent the proceeds raised from an Islamic 'sukuk' (bond) issue to finance the construction of certain buildings.

The fair value of bonds amount to AED 4,802 m (2010: AED 6,268 m). The fair value of the Singapore Dollar bonds is AED 1,095 m (2010: AED 879 m), which is based on listed prices. The fair value of the other bonds is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

22. Term loans

	2011 AED m	2010 AED m
Balance brought forward	**409**	**531**
Additions during the year	992	-
Repayments during the year	(240)	(122)
Balance carried forward	**1,161**	**409**
Less: Transaction costs	(13)	-
	1,148	**409**
Loans are repayable as follows:		
Within one year (Note 20)	**139**	**113**
Between 2 and 5 years	498	296
After 5 years	511	-
Total over one year (Note 20)	**1,009**	**296**

22. Term loans (continued)

	2011 AED m	2010 AED m
Loans are denominated in the following currencies:		
UAE Dirhams	189	251
US Dollars	959	158

Contractual repricing dates are set at three to six month intervals. Term loans amounting to AED 973 m (2010: AED 158 m) are secured on aircraft, aircraft engines and parts.

The fair value of the term loans amounts to AED 1,129 m (2010: AED 404 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

	2011 AED m	2010 AED m
Gross lease liabilities:		
Within one year	2,390	1,280
Between 2 and 5 years	7,671	5,700
After 5 years	11,238	9,048
	21,299	**16,028**
Future interest	(4,243)	(3,580)
Present value of finance lease liabilities	**17,056**	**12,448**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 20)	**1,853**	**891**
Between 2 and 5 years	5,549	3,862
After 5 years	9,654	7,695
Total over one year (Note 20)	**15,203**	**11,557**

	2011 AED m	2010 AED m
The present value of finance lease liabilities are denominated in the following currencies:		
US Dollars	16,878	12,284
Others	178	164

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 2011, the penalties would have been AED 64 m (2010: AED 264 m).

The fair value of lease liabilities amounts to AED 16,377 m (2010: AED 10,730 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

	2011 AED m	2010 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	28,832	31,001
Other	2,444	2,769
	31,276	**33,770**
Within one year	4,485	4,452
Between 2 and 5 years	16,807	16,201
After 5 years	9,984	13,117
	31,276	**33,770**

In the event of the aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2011, the penalties would have been AED 414 m (2010: AED 1,014 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 fifteen of one hundred and three (2010: eighteen of one hundred and one) aircraft under these leases.

In addition, Emirates has seven (2010: seven) Boeing aircraft contracted on operating leases for delivery between April 2011 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 2011, 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% (2010: 5.0%) and a discount rate of 6.0% (2010: 6.0%) per annum. The present values of the defined benefit obligations at 31 March 2011 were computed using the actuarial assumptions set out above.

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

	2011 AED m	2010 AED m
Funded scheme		
Present value of defined benefit obligations	1,099	861
Less: Fair value of plan assets	(1,087)	(851)
	12	**10**
Unfunded scheme		
Present value of defined benefit obligations	467	388
Unamortised actuarial losses	(89)	(34)
	378	**354**
Liability recognised in the consolidated statement of financial position	**390**	**364**

(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 12 m (2010: AED 10 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.

24. Retirement benefit obligations (continued)

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

	2011 AED m	2010 AED m
Balance brought forward	**851**	**603**
Contributions received	170	152
Benefits paid	(41)	(19)
Change in fair value	107	115
Balance carried forward	**1,087**	**851**

Contributions received include the transfer of accumulated benefits from unfunded schemes. Emirates expects to contribute approximately AED 175 m for existing plan members during the year ending 31 March 2012.

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

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans follow relevant local regulations, which are mainly based on periods of cumulative service and levels of employees' final basic 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, together with adjustments for past-service costs and unamortised actuarial gains.

The movement in the defined benefit obligation is as follows:

	2011 AED m	2010 AED m
Balance brought forward	**354**	**335**
Current service cost	63	52
Interest cost	17	14
Payments made during the year	(56)	(47)
Balance carried forward	**378**	**354**

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

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

	2011 AED m	2010 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	159	146
Net change in the present value of defined benefit obligations over plan assets	2	(22)
	161	**124**
Unfunded scheme		
Current service cost	63	52
Interest cost	17	14
	80	**66**
Defined contribution plan		
Contributions expensed	**132**	**111**
Recognised in the consolidated income statement	**373**	**301**

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.

26. Deferred credits

	2011 AED m	2010 AED m
Balance brought forward	**622**	**661**
Net additions during the year	109	131
Recognised during the year	(167)	(170)
Transferred to property, plant and equipment	(27)	-
Balance carried forward	**537**	**622**
Deferred credits will be recognised as follows:		
Within one year	**136**	**162**
Over one year	**401**	**460**

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 liability

	2011 AED m	2010 AED m
Balance brought forward	**4**	**13**
Credited to the consolidated income statement (Note 9)	(2)	(9)
Balance carried forward	**2**	**4**

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

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 1,620 m (2010: AED 1,086 m).

28. Trade and other payables

	2011 AED m	2010 AED m
Trade payables and accruals	10,112	8,402
Related parties (Note 35)	390	285
Passenger and cargo sales in advance	7,080	6,209
Dividend payable	-	600
	17,582	**15,496**
Less: Payables over one year	(31)	(21)
	17,551	**15,475**

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

29. Commitments

Capital commitments

	2011 AED m	2010 AED m
Authorised and contracted:		
Aircraft fleet	140,145	92,145
Non-aircraft	1,451	1,028
Joint ventures	66	56
	141,662	**93,229**
Authorised but not contracted:		
Non-aircraft	2,429	1,429
Joint ventures	61	11
	2,490	**1,440**
	144,152	**94,669**

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

Financial year	Aircraft
2011-2012	21
Beyond 2011 - 2012	172

In addition, options are held on fifty Airbus aircraft.

Operational commitments

	2011 AED m	2010 AED m
Sales and marketing	1,347	1,592

30. Guarantees

	2011 AED m	2010 AED m
Performance bonds and letters of credit provided by bankers in the normal course of business	357	319

31. Short term bank deposits and cash and cash equivalents

	2011 AED m	2010 AED m
Bank deposits	12,753	9,553
Cash and bank	1,220	958
Cash and bank balances	**13,973**	**10,511**
Less: Short term bank deposits - margins placed	-	(230)
Less: Short term bank deposits - over 3 months	(3,777)	(946)
Short term bank deposits	**(3,777)**	**(1,176)**
Cash and cash equivalents as per the consolidated statement of financial position	**10,196**	**9,335**
Bank overdraft (Note 20)	(9)	(13)
Cash and cash equivalents as per the consolidated statement of cash flows	**10,187**	**9,322**

Cash and bank balances earned an effective interest rate of 3.6% (2010: 3.7%) per annum. Margins are placed against letters of credit issued by bankers.

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:

	2011 AED m	2010 AED m
Payments for property, plant and equipment	12,189	7,981
Less: Assets acquired under finance leases	(5,685)	(4,565)
	6,504	**3,416**

33. Derivative financial instruments

Description	2011		2010	
	Term	AED m	Term	AED m
Non-current assets				
Cash flow hedge				
Currency swaps and forwards		-	2010-2017	64
		-		**64**
Current assets				
Cash flow hedge				
Currency swaps and forwards		53		70
Fair value through profit and loss				
Jet fuel price futures and options		70		4
		123		**74**
Non-current liabilities				
Cash flow hedge				
Interest rate swaps	2011-2021	(552)	2010-2020	(467)
Currency swaps and forwards	2011-2017	(90)		-
		(642)		**(467)**
Current liabilities				
Cash flow hedge				
Interest rate swaps		(4)		(6)
Currency swaps and forwards		(57)		(6)
		(61)		**(12)**

The notional principal amounts outstanding are:

	2011 AED m	2010 AED m
Interest rate contracts	6,822	7,645
Currency contracts	4,998	3,646
Fuel price contracts	4,297	578

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 27 m (2010: AED 23 m) will enter into the determination of profit between 2011 and 2017.

Gains on account of terminated interest rate derivatives amounting to AED 19 m (2010: AED 36 m) will enter into the determination of profit between 2011 and 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
2010				
Assets				
Loans and other receivables	1,432	-	-	1,432
Derivative financial instruments	-	138	-	138
Trade and other receivables (excluding prepayments and advance lease rentals)	5,426	-	-	5,426
Short term bank deposits	1,176	-	-	1,176
Cash and cash equivalents	9,335	-	-	9,335
Total	**17,369**	**138**	**-**	**17,507**
Liabilities				
Borrowings and lease liabilities	-	-	19,605	19,605
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	8,241	8,241
Derivative financial instruments	-	479	-	479
Total	**-**	**479**	**27,846**	**28,325**

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
2011				
Assets				
Loans and other receivables	1,704	-	-	1,704
Derivative financial instruments	-	123	-	123
Trade and other receivables (excluding prepayments and advance lease rentals)	5,359	-	-	5,359
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**

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:

	2011 AED m	2010 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Associated companies	51	33
Sale of goods - Companies under common control	12	8
Services rendered - Joint ventures	12	10
Services rendered - Companies under common control	78	64
	153	**115**
(ii) Purchase of goods and services		
Purchase of goods - Associated companies	268	282
Purchase of goods - Companies under common control	2,668	2,322
Services received - Companies under common control	1,634	1,469
	4,570	**4,073**
Other transactions:		
(i) Finance income		
Joint ventures	8	8
Companies under common control	31	31
	39	**39**
(ii) Compensation to key management personnel		
Salaries and short term employee benefits	187	124
Post-employment benefits	14	13
Termination benefits	-	1
	201	**138**

	2011 AED m	2010 AED m
(iii) Sale of investment		
Sale of investment in associated company- Companies under common control	**82**	**-**
(iv) Provision of letters of credit		
Parent company	**-**	**918**
Year end balances		
(i) Receivables - sale of goods and services (Note 17)		
Associated companies	14	28
Joint ventures	9	6
Companies under common control	13	31
	36	**65**
(ii) Receivables - other transactions		
Joint ventures	6	5
Companies under common control	773	830
Parent company	-	500
	779	**1,335**
Receivable within one year (Note 17)	**115**	**592**
Receivable over one year (Note 15)	**664**	**743**

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)

	2011 AED m	2010 AED m
(iii) Payables - purchase of goods and services (Note 28)		
Associated companies	30	19
Companies under common control	360	266
	390	**285**
(iv) Loans		
Joint ventures	96	100
Companies under common control	1,062	504
	1,158	**604**
Movement in the loans were as follows:		
Balance brought forward	**604**	**721**
Addition during the year	571	33
Repayments during the year	(18)	(155)
Currency translation differences	1	5
Balance carried forward	**1,158**	**604**
Receivable within one year (Note 17)	**265**	**17**
Receivable over one year (Note 15)	**893**	**587**

The effective interest rate on the loans was 5.2% (2010: 6.9%) per annum.

	2011 AED m	2010 AED m
(v) Loans and advances to key management personnel		
Balance brought forward	**6**	**8**
Additions during the year	3	3
Repayments during the year	(5)	(5)
Balance carried forward	**4**	**6**
Receivable within one year (Note 17)	**3**	**3**
Receivable over one year (Note 15)	**1**	**3**

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

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 systems. Emirates regularly reviews its risk management procedures and systems to reflect changes in markets, products and emerging best practice. Emirates uses derivative financial instruments to hedge certain risk exposures.

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

(i) Credit risk

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

Emirates manages limits and controls concentrations of risk wherever they are identified. In the normal course of business, Emirates places significant deposits with high credit quality banks and financial institutions. Transactions with derivative counterparties are similarly limited to high credit quality financial institutions. Exposure to credit risk is also managed through regular analysis of the ability of counterparties and potential counterparties to meet their obligations and by changing their limits where appropriate. Approximately 38% (2010: 42%) of short term bank deposits and cash and cash equivalents are held with financial institutions under common control. Approximately 93% (2010: 92%) of cash and bank balances are held with financial institutions based in the UAE.

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

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

	2011 AED m	2010 AED m
AA- to AA+	388	466
A- to A+	12,167	8,738
Lower than A-	977	889

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.

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.

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.

	2011		2010	
	Effect on profit AED m	**Effect on equity** AED m	**Effect on profit** AED m	**Effect on equity** AED m
Interest cost				
- 100 basis points				
UAE Dirhams	21	21	21	21
US Dollars	76	(209)	61	(422)
Singapore Dollars	6	6	5	5
Others	-	(21)	-	(28)
	103	**(203)**	**87**	**(424)**
+ 100 basis points				
UAE Dirhams	(21)	(21)	(21)	(21)
US Dollars	(76)	209	(61)	422
Singapore Dollars	(6)	(6)	(5)	(5)
Others	-	21	-	28
	(103)	**203**	**(87)**	**424**

36. Financial risk management (continued)

	2011		2010	
	Effect on profit AED m	Effect on equity AED m	Effect on profit AED m	Effect on equity AED m
Interest income				
- 100 basis points	(29)	(29)	(17)	(17)
+ 100 basis points	29	29	17	17
Currency - UK Pounds				
+ 1%	1	(5)	1	(4)
- 1%	(1)	5	(1)	4
Currency - Euro				
+ 1%	2	(7)	3	(3)
- 1%	(2)	7	(3)	3
Currency - Australian Dollars				
+ 1%	1	(5)	3	1
- 1%	(1)	5	(3)	(1)
Currency - Japanese Yen				
+ 1%	-	(3)	-	(1)
- 1%	-	3	-	1
Currency - Singapore Dollars				
+ 1%	(12)	(12)	(10)	(10)
- 1%	12	12	10	10
Fuel price				
+ 5 US Dollar	-	44	(1)	(1)
- 5 US Dollar	-	(22)	2	2

(iii) Liquidity risk

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

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

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

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

Summarised below in the table is the maturity profile of financial liabilities and net-settled derivative financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year AED m	2 - 5 years AED m	Over 5 years AED m	Total 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**

36. Financial risk management (continued)

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

37. Capital risk management

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

Emirates monitors the return on Owner's equity which is defined as the profit for the year expressed as a percentage of average Owner's equity. Emirates seeks to provide a better return to the Owner by borrowing and taking aircraft on operating leases to meet its growth plans. In 2010, Emirates achieved a return on Owner's equity funds of 28.3% (2010: 21.6%) in comparison to an effective interest rate of 2.7% (2010: 2.5%) on borrowings.

Emirates also monitors capital on the basis of a gearing ratio which is calculated as the ratio of borrowings and lease liabilities, net of cash to total equity. In 2011 this ratio was 44.3% (2010: 52.0%) and if aircraft operating leases are included, the same ratio was 127.1% (2010: 158.5%).

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Emirates Towers Offices
Level 40
P.O. Box 11987, Dubai
United Arab Emirates
Telephone +971 (0) 4 3043100
Facsimile +971 (0) 4 3304100

Independent auditor's report to the Owner of Emirates

Report on the financial statements

We have audited the accompanying consolidated financial statements of Emirates and its subsidiaries (together referred to as "Emirates"), which comprise the consolidated statement of financial position as of 31 March 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Emirates as of 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
29 April 2010

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

AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

Consolidated income statement

for the year ended 31 March 2010

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

Consolidated statement of comprehensive income

for the year ended 31 March 2010

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

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

Consolidated statement of financial position
as at 31 March 2010

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

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

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

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

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

Consolidated statement of changes in equity
for the year ended 31 March 2010

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

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

Consolidated statement of cash flows

for the year ended 31 March 2010

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

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

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

1. General information

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

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

The main activities of Emirates comprise:

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

2. Summary of significant accounting policies

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

Basis of preparation

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

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

At the date of authorisation of these consolidated financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing on or after 1 July 2009. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Emirates' operations:

- IFRS 3 (Revised), Business combinations (effective from 1 July 2009)
- IFRS 5 (Amendment), Measurement of non-current assets (or disposal groups) classified as held-for-sale (effective from 1 January 2010)
- IFRS 8 (Amendment), Operating segments (effective from 1 January 2010)
- IFRS 9, Financial instruments (effective from 1 January 2013)
- IAS 1 (Amendment), Presentation of financial statements (effective from 1 July 2009)
- IAS 17 (Amendment), Leases (effective from 1 January 2010)
- IAS 24 (Revised), Related Party Disclosures (effective from 1 January 2011)
- IAS 27 (Revised), Consolidated and separate financial statements (effective from 1 July 2009)
- IAS 36 (Amendment), Impairment of assets (effective from 1 January 2010)
- IAS 38 (Amendment), Intangible assets (effective from 1 July 2009)
- IAS 39 (Amendments), Financial instruments: Recognition and Measurement (effective from 1 January 2010)

Basis of consolidation

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

2. Summary of significant accounting policies (continued)

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

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

Associated companies are those entities in which Emirates has significant influence but not control, generally accompanying a shareholding between 20% and 50% of voting rights. Investments in associated companies are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition. Equity accounting is discontinued from the date significant influence ceases, and the investment is then accounted for in accordance with IAS 39 provided the associate does not become a subsidiary or joint venture. The carrying value of the investment at the date it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with IAS 39.

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

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

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

Revenue

Passenger and cargo (which includes courier and mail) sales are recognised as revenue when the transportation is provided. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Unused flight documents are recognised as revenue based on their terms and conditions and historical trends.

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

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

Liquidated damages

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

Foreign currency translation

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

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

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

Income and cash flow statements of subsidiaries are translated into UAE Dirhams at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates and their assets and liabilities are translated at the exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in the translation reserve in equity.

2. Summary of significant accounting policies (continued)

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

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

Taxation

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

Deferred income tax

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

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

Property, plant and equipment

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

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

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

The estimated useful lives and residual values are:

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

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

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are substantially ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation. In the case of general borrowings, a capitalisation rate, which is the weighted average rate of general borrowing costs, is applied to the expenditure on qualifying assets and included in the cost of the asset.

2. Summary of significant accounting policies (continued)

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

Manufacturers' credits

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

Finance and operating leases

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

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

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

Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time.

The revised agreement is considered as a new agreement and accounted for prospectively over the remaining term of the lease.

Goodwill

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

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

Other intangible assets

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

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

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

Service rights	15 years
Trade names	20 years
Contractual rights	15 years
Computer software	5 years

2. Summary of significant accounting policies (continued)

Available-for-sale financial assets

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

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

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

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

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

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

Derivative financial instruments

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

Inventories

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

Trade receivables

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

Borrowings

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

Retirement benefit obligations

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

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

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

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

2. Summary of significant accounting policies (continued)

Frequent flyer programme

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

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

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

Trade payables

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

Derecognition of financial assets and financial liabilities

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

Cash and cash equivalents

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

Dividend distribution

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

Segment reporting

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

3. Critical accounting estimates and judgements

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

Depreciation of property, plant and equipment

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

Taxation

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

Frequent flyer programme

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

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

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

4. Revenue

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

5. Other operating income

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

6. Operating costs

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

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

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

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

7. Other gains and losses

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

8. Finance income and costs

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

9. Income tax (expense) / credit

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

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

10. Segment information

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

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

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

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

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

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

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

10. Segment information (continued)

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

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

Geographical information

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

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

The major revenue earning asset is the aircraft fleet, which is registered in the UAE. Since the aircraft fleet is deployed flexibly across Emirates' route network, providing information on non-current assets (other than financial instruments and deferred tax assets) by geographical areas is not considered meaningful.

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

11. Property, plant and equipment

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

11. Property, plant and equipment (continued)

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

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

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

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

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

12. Intangible assets

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

12. Intangible assets (continued)

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

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

For the purpose of testing goodwill for impairment, goodwill amounting to AED 159 m (2009: AED 159 m) is allocated to the consumer goods cash generating unit, AED 25 m (2009: AED 25 m) is allocated to the food and beverages cash generating unit and AED 369 m (2009: AED 369 m) is allocated to the in-flight catering services cash generating unit. These cash generating units are based in the UAE. The recoverable amounts for these cash generating units have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include a risk adjusted discount rate, growth rates based on management's expectations for market development and historical gross margins of 22%, 24% and 22% for consumer goods, food and beverages and in-flight catering services cash generating units respectively. Cash flow projections are based on forecasts approved by management covering a three year period. Projected cash flows are discounted using a pre-tax discount rate of 12% per annum, which reflects specific risks relating to the cash generating units. Cash flows beyond the three year period have been extrapolated using a growth rate of 4% per annum. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate.

Goodwill allocated to the food and beverages cash generating unit in Australia amounts to AED 4 m (2009: AED 3 m) and is not significant in comparison to the total carrying amount of goodwill. Management is of the opinion that the goodwill is not impaired.

13. Investments in subsidiaries, associated companies and joint ventures

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries			
Maritime & Mercantile International L.L.C.	68.7	Wholesale and retail of consumer goods	UAE
Maritime & Mercantile International Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail L.L.C.	68.7	Food and beverage operations	UAE
Emirates Leisure Retail (Oman) L.L.C.	70.0	Food and beverage operations	Oman
Emirates Leisure Retail (Singapore) Pte Ltd.	100.0	Food and beverage operations	Singapore
Emirates Leisure Retail (Australia) Pty Ltd.	100.0	Food and beverage operations	Australia
Emirates Hotel L.L.C.	100.0	Hotel operations	UAE
Emirates Hotels (Australia) Pty Ltd.	100.0	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90.0	Catering services to airlines	UAE
Principal associated company			
Alpha Flight Services Pty Ltd.	49.0	Catering services to airlines	Australia
Principal joint ventures			
Emirates-CAE Flight Training L.L.C.	50.0	Flight simulator training	UAE
Premier Inn Hotels L.L.C.	51.0	Hotel operations	UAE
CAE Flight Training (India) Private Ltd.	50.0	Flight simulator training	India

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

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

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

Movement of investments in associated companies and joint ventures

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

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

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

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

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

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

14. Advance lease rentals

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

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

15. Other investments

(a) Available-for-sale financial assets

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

The equity instrument represents 43.6% of the equity share capital in a company in which Emirates no longer has the ability to exercise significant influence. Hence, the investment is classified as an available-for-sale investment. An impairment loss of AED 109 m (2009: AED 73 m) has been recognised in operating costs in the consolidated income statement in relation to this equity instrument on account of losses sustained. The fair value of the equity instrument is based on management's best estimate of future cash flows discounted using a rate based on the market interest rate and the risk premium specific to the equity instrument.

(b) Held-to-maturity financial assets

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

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

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

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

16. Loans and other receivables

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

16. Loans and other receivables (continued)

The fair value of loans and receivables amounts to AED 1,435 m (2009 : AED 1,043 m). Fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturity and currencies based on credit spread applicable at the end of each reporting period.

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

17. Inventories

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

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

18. Trade and other receivables

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

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

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

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

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

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

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

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

19. Capital

Capital represents the permanent capital of Emirates.

20. Other reserves

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

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

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

21. Borrowings and lease liabilities

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

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

22. Bonds

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

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

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

USD bonds, carried at AED 2,020 m (2009: AED 2,020 m), represent the proceeds raised from an Islamic 'sukuk' (bond) issue to finance the construction of certain buildings.

The fair value of bonds amount to AED 6,268 m (2009: AED 6,325 m). The fair value of the Singapore Dollar bonds is AED 879 m (2009: AED 701 m), which is based on listed prices. The fair value of the other bonds is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

23. Term loans

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

23. Term loans (continued)

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

The fair value of the term loans amounts to AED 404 m (2009: AED 518 m). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

24. Lease liabilities

Finance leases

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

The lease liabilities are secured on the related aircraft and aircraft engines. In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2010, the penalties would have been AED 264 m (2009: AED 255 m).

The fair value of lease liabilities amounts to AED 10,730 m (2009: AED 6,978 m). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

Operating leases

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

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

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

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

25. Provisions

A. Retirement benefit obligations

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 March 2010, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 5.0% (2009: 5.0%) and a discount rate of 6.0% (2009: 6.5%) per annum. The present values of the defined benefit obligations at 31 March 2010 were computed using the actuarial assumptions set out above.

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

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

(i) Funded scheme

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

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

The liability of AED 10 m (2009: AED 32 m) represents the amount that will not be settled from plan assets and is calculated as the excess of the present value of the defined benefit obligation for an individual employee over the fair value of the employee's plan assets at the end of the reporting period.

25. Provisions (continued)

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

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

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

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

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans follow relevant local regulations, which are mainly based on periods of cumulative service and levels of employees' final basic salary. The liability recognised in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for past-service costs and unamortised actuarial gains.

The movement in the defined benefit obligation is as follows:

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

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

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

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

25. Provisions (continued)

B. Frequent flyer programme

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

26. Deferred revenue

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

27. Deferred credits

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

28. Deferred income tax liability

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

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

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 1,086 m (2009: AED 391 m).

29. Trade and other payables

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

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

30. Commitments

Capital commitments

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

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

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

In addition, options are held on fifty Airbus aircraft.

Operational commitments

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

31. Guarantees

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

32. Short term bank deposits and cash and cash equivalents

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

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

33. Cash outflow on property, plant and equipment

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

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

34. Derivative financial instruments

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

The notional principal amounts outstanding are:

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

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

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

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

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

35. Classification of financial instruments

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

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

35. Classification of financial instruments (continued)

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

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

The levels of fair value hierarchy are defined as follows:

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

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

36. Related party transactions

The following transactions were carried out with related parties:

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

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

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

36. Related party transactions (continued)

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

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

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

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

37. Financial risk management

Financial risk factors

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

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

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

(i) Credit risk

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

Emirates manages limits and controls concentrations of risk wherever they are identified. In the normal course of business, Emirates places significant deposits with high credit quality banks and financial institutions. Transactions with derivative counterparties are similarly limited to high credit quality financial institutions. Exposure to credit risk is also managed through regular analysis of the ability of counterparties and potential counterparties to meet their obligations and by changing their limits where appropriate. Approximately 42% (2009: 23%) of short term bank deposits, cash and cash equivalents and held-to-maturity financial assets are held with financial institutions under common control. Approximately 92% (2009: 92%) of cash and bank balances are held with financial institutions based in the UAE.

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

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

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

37. Financial risk management (continued)

(ii) Market risk

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

Jet fuel price risk

Emirates is exposed to volatility in the price of jet fuel and closely monitors the actual cost against the forecast cost. To manage the price risk, Emirates utilises commodity futures and options to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected. During the previous year, Emirates significantly reduced its open positions in hedging instruments.

Currency risk

Emirates is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Exposure arises due to exchange rate fluctuations between the UAE Dirham and other currencies generated from Emirates revenue earning and borrowing activities. Long term debt obligations are mainly denominated in UAE Dirhams, the functional currency or in US Dollars to which the UAE Dirham is pegged. Currency exposure exists on the Singapore Dollar bond, the summarised quantitative data for which is available in Note 22. Senior management monitors currency positions on a regular basis.

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

Interest rate risk

Emirates is exposed to the effects of fluctuations in the prevailing levels of interest rates on borrowings and investments. Exposure arises from interest rate fluctuations in the international financial markets with respect to interest cost on its long term debt obligations, operating lease rentals and interest income on its cash surpluses. The key reference rates based on which interest costs are determined are LIBOR, EIBOR for UAE Dirhams and SIBOR for Singapore Dollars. Summarised quantitative data is available in Note 21 for interest cost exposures.

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

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

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

37. Financial risk management (continued)

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

(iii) Liquidity risk

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

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

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

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

Summarised below in the table is the maturity profile of financial liabilities and net-settled derivative financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

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

37. Financial risk management (continued)

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

38. Capital risk management

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

Emirates monitors the return on Owner's equity which is defined as the profit for the year expressed as a percentage of average Owner's equity. Emirates seeks to provide a better return to the Owner by borrowing and taking aircraft on operating leases to meet its growth plans. In 2010, Emirates achieved a return on Owner's equity funds of 21.6% (2009: 4.4%) in comparison to an effective interest rate of 2.5% (2009: 3.5%) on borrowings.

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

39. Business combination

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

	Recognised on acquisition AED m	Acquiree's carrying amount AED m
Property, plant and equipment (Note 11)	16	15
Intangible assets (Note 12)	36	-
Other current assets	1	1
Current liabilities	(4)	(4)
Fair value of assets acquired	**49**	**12**
Goodwill (Note 12)	3	
Total purchase consideration	52	
Cash outflow on acquisition	**52**	

40. Effect of transitional provision of IFRIC 13

Emirates operates a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on Emirates and other airlines that participate in the programme. As a result of IFRIC 13 Customer Loyalty Programmes being adopted with effect from 1 April 2009, Emirates' accounting policy was changed from an incremental cost to a deferred revenue model. This implies that a portion of revenue is allocated to the award credits and accounted for as deferred revenue. Revenue is recognised when award credits are redeemed and Emirates fulfills its obligations to provide goods or services.

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

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

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

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

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

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

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

REGISTERED OFFICE OF THE ISSUER

Emirates
P.O. Box 686
Dubai
United Arab Emirates

Joint Lead Managers

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London, EC2N 2DB
United Kingdom

Emirates NBD Bank PJSC
P.O. Box 777
Dubai
United Arab Emirates

HSBC Bank plc
8 Canada Square
London, E14 5HQ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London, E14 4QA
United Kingdom

Fiscal Agent and Principal Paying Agent

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Registrar

Deutsche Bank Luxembourg S.A.
2 boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

Legal Advisers

To the Issuer
as to UAE and English law

Allen & Overy LLP
Level 2, The Gate Village Building GV08
Dubai International Financial Centre
P.O. Box 506678
Dubai
United Arab Emirates

To the Joint Lead Managers
as to English law

Linklaters LLP
Ninth Floor, Currency House
Dubai International Financial Centre
P.O. Box 506516
Dubai
United Arab Emirates

Auditors of the Issuer

PricewaterhouseCoopers
(Dubai Branch), Building 4, Level 8
Emaar Square
P.O. Box 11987
Dubai
United Arab Emirates

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tel: + 44 (0) 20 7613 1800   document number 4324