

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

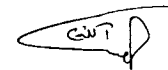
Profit for the year		3,615	750
Currency translation differences	20	124	(44)
Available-for-sale financial assets	20	-	41
Cash flow hedges	20	(244)	745
Other comprehensive income		(120)	742
Total comprehensive income for the year		3,495	1,492
Total comprehensive income attributable to minority interest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

Consolidated statement of financial position
as at 31 March 2010

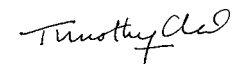
	Note	2010 AED m	2009 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	33,753	29,086
Intangible assets	12	927	923
Investments in associated companies and joint ventures	13	461	441
Advance lease rentals	14	233	192
Available-for-sale financial assets	15	-	113
Loans and other receivables	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

Consolidated statement of changes in equity
for the year ended 31 March 2010

	Attributable to Emirates' Owner				Minority interest AED m	Total equity AED m
	Capital AED m	Other reserves AED m	Retained earnings AED m	Total 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

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

	2010	2009
	AED m	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	2009
	AED m	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 to the consolidated financial statements for the year ended 31 March 2010

1. General information

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

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

The main activities of Emirates comprise:

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

2. Summary of significant accounting policies

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

Basis of preparation

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

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

At the date of authorisation of these consolidated financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing on or after 1 July 2009. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Emirates' operations:

- IFRS 3 (Revised), Business combinations (effective from 1 July 2009)
- IFRS 5 (Amendment), Measurement of non-current assets (or disposal groups) classified as held-for-sale (effective from 1 January 2010)
- IFRS 8 (Amendment), Operating segments (effective from 1 January 2010)
- IFRS 9, Financial instruments (effective from 1 January 2013)
- IAS 1 (Amendment), Presentation of financial statements (effective from 1 July 2009)
- IAS 17 (Amendment), Leases (effective from 1 January 2010)
- IAS 24 (Revised), Related Party Disclosures (effective from 1 January 2011)
- IAS 27 (Revised), Consolidated and separate financial statements (effective from 1 July 2009)
- IAS 36 (Amendment), Impairment of assets (effective from 1 January 2010)
- IAS 38 (Amendment), Intangible assets (effective from 1 July 2009)
- IAS 39 (Amendments), Financial instruments: Recognition and Measurement (effective from 1 January 2010)

Basis of consolidation

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

2. Summary of significant accounting policies (continued)

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

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

Associated companies are those entities in which Emirates has significant influence but not control, generally accompanying a shareholding between 20% and 50% of voting rights. Investments in associated companies are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition. Equity accounting is discontinued from the date significant influence ceases, and the investment is then accounted for in accordance with IAS 39 provided the associate does not become a subsidiary or joint venture. The carrying value of the investment at the date it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with IAS 39.

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

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

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

Revenue

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

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

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

Liquidated damages

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

Foreign currency translation

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

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

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

Income and cash flow statements of subsidiaries are translated into UAE Dirhams at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates and their assets and liabilities are translated at the exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in the translation reserve in equity.

2. Summary of significant accounting policies (continued)

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

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

Taxation

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

Deferred income tax

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

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

Property, plant and equipment

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

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

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

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

The estimated useful lives and residual values are:

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

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

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are substantially ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation. In the case of general borrowings, a capitalisation rate, which is the weighted average rate of general borrowing costs, is applied to the expenditure on qualifying assets and included in the cost of the asset.

2. Summary of significant accounting policies (continued)

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

Manufacturers' credits

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

Finance and operating leases

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

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

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

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

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

Goodwill

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

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

Other intangible assets

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

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

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

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

2. Summary of significant accounting policies (continued)

Available-for-sale financial assets

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

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

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

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

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

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

Derivative financial instruments

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

Inventories

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

Trade receivables

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

Borrowings

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

Retirement benefit obligations

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

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

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

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

2. Summary of significant accounting policies (continued)

Frequent flyer programme

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

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

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

Trade payables

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

Derecognition of financial assets and financial liabilities

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

Cash and cash equivalents

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

Dividend distribution

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

Segment reporting

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

3. Critical accounting estimates and judgements

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

Depreciation of property, plant and equipment

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

Taxation

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

Frequent flyer programme

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

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

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

4. Revenue

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

5. Other operating income

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

6. Operating costs

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

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

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

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

7. Other gains and losses

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

8. Finance income and costs

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

9. Income tax (expense) / credit

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

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

10. Segment information

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

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

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

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

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

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

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

10. Segment information (continued)

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

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

Geographical information

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

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

The major revenue earning asset is the aircraft fleet, which is registered in the UAE. Since the aircraft fleet is deployed flexibly across Emirates' route network, providing information on non-current assets (other than financial instruments and deferred tax assets) by geographical areas is not considered meaningful.

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

11. Property, plant and equipment

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

11. Property, plant and equipment (continued)

	Aircraft	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

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

35. Classification of financial instruments (continued)

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

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

The levels of fair value hierarchy are defined as follows:

Level 1 : Measurement is made by using quoted prices (unadjusted) from active market.

Level 2 : Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.

Level 3 : Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

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

36. Related party transactions

The following transactions were carried out with related parties:

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

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

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

36. Related party transactions (continued)

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

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

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

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

37. Financial risk management

Financial risk factors

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

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

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

(i) Credit risk

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

Emirates manages limits and controls concentrations of risk wherever they are identified. In the normal course of business, Emirates places significant deposits with high credit quality banks and financial institutions. Transactions with derivative counterparties are similarly limited to high credit quality financial institutions. Exposure to credit risk is also managed through regular analysis of the ability of counterparties and potential counterparties to meet their obligations and by changing their limits where appropriate. Approximately 42% (2009: 23%) of short term bank deposits, cash and cash equivalents and held-to-maturity financial assets are held with financial institutions under common control. Approximately 92% (2009: 92%) of cash and bank balances are held with financial institutions based in the UAE.

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

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

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

37. Financial risk management (continued)

(ii) Market risk

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

Jet fuel price risk

Emirates is exposed to volatility in the price of jet fuel and closely monitors the actual cost against the forecast cost. To manage the price risk, Emirates utilises commodity futures and options to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected. During the previous year, Emirates significantly reduced its open positions in hedging instruments.

Currency risk

Emirates is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Exposure arises due to exchange rate fluctuations between the UAE Dirham and other currencies generated from Emirates revenue earning and borrowing activities. Long term debt obligations are mainly denominated in UAE Dirhams, the functional currency or in US Dollars to which the UAE Dirham is pegged. Currency exposure exists on the Singapore Dollar bond, the summarised quantitative data for which is available in Note 22. Senior management monitors currency positions on a regular basis.

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

Interest rate risk

Emirates is exposed to the effects of fluctuations in the prevailing levels of interest rates on borrowings and investments. Exposure arises from interest rate fluctuations in the international financial markets with respect to interest cost on its long term debt obligations, operating lease rentals and interest income on its cash surpluses. The key reference rates based on which interest costs are determined are LIBOR, EIBOR for UAE Dirhams and SIBOR for Singapore Dollars. Summarised quantitative data is available in Note 21 for interest cost exposures.

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

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

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

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