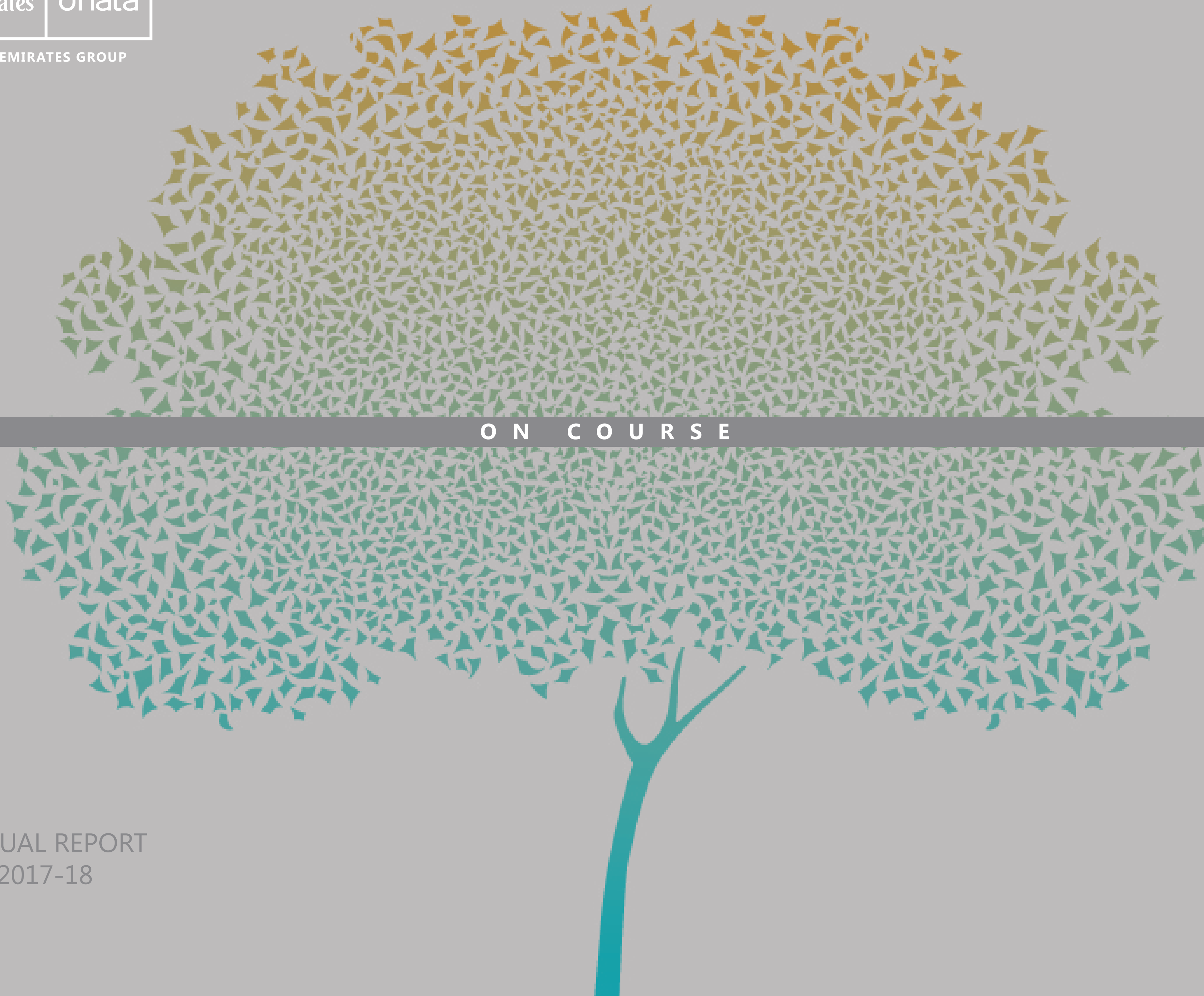
THE EMIRATES GROUP



ON COURSE

ANNUAL REPORT
2017-18

His Highness Sheikh Mohammed bin Rashid Al Maktoum

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

2018 marks 100 years since the birth of the late Sheikh Zayed bin Sultan Al Nahyan, the founding father of the UAE. It is an appropriate time to reflect on his vision and legacy which has shaped and guided the journey of our nation for more than four decades.

We are moving into a future where change will be constant and people will experience unprecedented transformation in their daily lives. More than ever, Sheikh Zayed's values of wisdom, respect, sustainability, and human development will provide a strong compass for the UAE and Dubai's plans to build the most advanced, inclusive and prosperous city in the world.

Every year, the UAE makes great strides in its pursuit of overall excellence. In the latest edition of the World Bank's "Doing Business" report, we moved up five positions to rank 21st in the world for Ease of Doing Business. For the fifth year in a row, we were also the highest ranked Arab nation in the list. The UAE's global competitiveness has been the result of our forward looking and broad-based economic diversification strategy.

From our modest beginnings as a trading post, Dubai has grown in importance as a regional hub for financial services, transport, construction and many other sectors. We have been able to achieve this position by harnessing the advantages of our geographical location and by embracing the principles of free market competition.

We have invested in building a best-in-class physical infrastructure to support a thriving and diverse economy, and consciously worked towards building an open and inclusive society focused on the happiness and prosperity of our citizens, residents and visitors.

Our ambition is to make Dubai a global hub for innovation and development, through a comprehensive transformation agenda outlined in our Dubai Plan 2021 and Smart Dubai 2021 strategies. Expo 2020 Dubai will offer yet another platform to connect minds across geographical boundaries and build bridges that will contribute immensely towards our ability to adapt to change and transition to a knowledge-based economy.

By placing the wellbeing of people at the heart of our strategy and by giving top priority to sustainability, we are driving well-rounded growth, which in turn will increase opportunities, attract innovators, and deliver tangible progress and a better quality of life.

The Emirates Group is one of the UAE corporations that is closely linked to the UAE and Dubai's development. Emirates and dnata's relentless pursuit of excellence, innovation and sustainability, reflect the values that have underpinned the progress of our nation.

They have both grown from their base in Dubai to achieve global prominence with operations spanning over 84 countries and a strong reputation for quality. Embracing competition and constant change, the Group has remained successful through the years by continually investing in people, infrastructure and technology, and by having an unbroken commitment to transformation and excellence.

The track record of the Emirates Group leaves me in no doubt that it will continue to make a strong and positive impact on the success story of Dubai and the UAE in the years to come.

The Ghaf tree (prosopis cineraria) is the national tree of the UAE. Indigenous to the UAE, it is sturdy, evergreen and drought tolerant

Emirates is a global airline, serving 155 airports in 83 countries from its hub in Dubai, United Arab Emirates. Operating the world's largest fleets of Airbus A380 and Boeing 777 aircraft, its main activity is the provision of commercial air transportation services.

dnata is one of the largest combined air services providers in the world, serving over 300 airlines in 35 countries. dnata's main activities are the provision of cargo and ground handling, catering and travel services.

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

Financial Highlights

Emirates Group

Financial highlights		2017-18	2016-17	% change
Revenue and other operating income*	AED m	102,409	94,706	8.1
Operating profit	AED m	5,282	3,659	44.4
Operating margin	%	5.2	3.9	1.3 pts
Profit attributable to the Owner	AED m	4,113	2,460	67.2
Profit margin	%	4.0	2.6	1.4 pts
Financial position				
Total assets**	AED m	141,625	133,281	6.3
Cash assets	AED m	25,365	19,066	33.0
Employee data				
Average employee strength	number	103,363	105,746	(2.3)

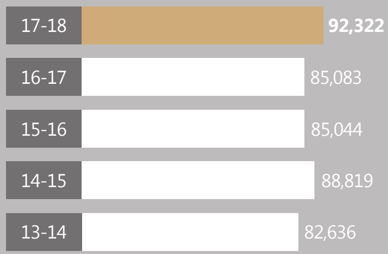
* After eliminating inter company income/expense of AED 2,987m in 2017-18 (2016-17: AED 2,559m).

** After eliminating inter company receivables/payables of AED 254m in 2017-18 (2016-17: AED 324m).

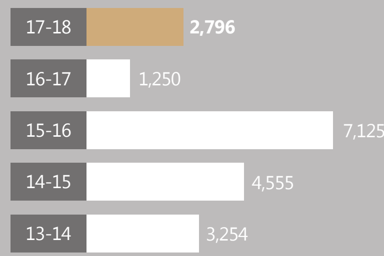
Percentages and ratios are derived based on the full figure before rounding.

The financial year of the Emirates Group is from 1 April to 31 March. Throughout this report all figures are in UAE Dirhams (AED) unless otherwise stated. The exchange rate of the Dirham to the US Dollar is fixed at 3.67.

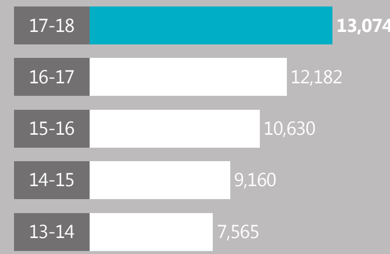
Revenue and operating income in AED m



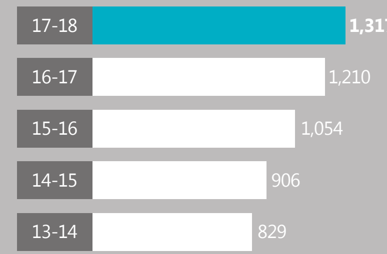
Profit attributable to the Owner in AED m



Revenue and operating income in AED m



Profit attributable to the Owner in AED m



Emirates

Financial highlights		2017-18	2016-17	% change
Revenue and results				
Revenue and other operating income	AED m	92,322	85,083	8.5
Operating profit	AED m	4,086	2,435	67.8
Operating margin	%	4.4	2.9	1.5 pts
EBITDAR	AED m	24,970	21,248	17.5
EBITDAR margin	%	27.0	25.0	2.0 pts
Profit attributable to the Owner	AED m	2,796	1,250	123.7
Profit margin	%	3.0	1.5	1.5 pts
Return on shareholder's funds	%	7.9	3.8	4.1 pts
Financial position				
Total assets	AED m	127,587	121,558	5.0
Cash assets	AED m	20,420	15,668	30.3
Net debt (including aircraft operating lease) to equity ratio	%	216.4	237.9	(21.5) pts
Airline operating statistics				
Passengers carried	number '000	58,485	56,076	4.3
Cargo carried	tonnes '000	2,623	2,577	1.8
Passenger seat factor	%	77.5	75.1	2.4 pts
Overall capacity	ATKM million	61,425	60,461	1.6
Available seat kilometres	ASKM million	377,060	368,102	2.4
Aircraft	number	268	259	9 nos
Employee data				
Average employee strength	number	62,356	64,768	(3.7)

dnata

Financial highlights		2017-18	2016-17	% change
Revenue and results				
Revenue and other operating income	AED m	13,074	12,182	7.3
Operating profit	AED m	1,196	1,224	(2.3)
Operating margin	%	9.1	10.0	(0.9) pts
Profit attributable to the Owner	AED m	1,317	1,210	8.8
Profit margin	%	10.1	9.9	0.2 pts
Return on shareholder's funds	%	19.3	20.3	(1.0) pts
Financial position				
Total assets	AED m	14,292	12,047	18.6
Cash assets	AED m	4,945	3,398	45.5
Key operating statistics				
Aircraft handled	number	659,591	623,611	5.8
Cargo handled	tonnes '000	3,083	2,844	8.4
Meals uplifted	number '000	55,718	60,747	(8.3)
Travel services: Total Transaction Value (TTV)	AED bn	11.3	10.7	5.6
Employee data				
Average employee strength	number	41,007	40,978	0.1

Chairman's statement

Ready to face challenges and maximise opportunities

Our core businesses of aviation and travel have always been vulnerable to market dynamics and unexpected events, whether natural or man-made.

In 2017/18, we saw the gradual recovery of economic activity in key markets which drove a strong uptick in airfreight activity and, to a lesser extent, a rise in air travel and tourism demand.

Business conditions, while improved, remained tough. We saw ongoing political instability and currency volatility in Africa including massive devaluations. On the flip side, we benefitted from the relative strengthening of key currencies like the Euro and Australian dollar against the US dollar.

For Emirates, surging oil prices in the second half of our financial year increased our operating costs. But it also stoked the embers of economic recovery which contributed to better seat load factors and a modest climb in yields.

Through the year, there was continual pressure on airfares as low cost airlines began operating new aircraft capable of longer missions, and targeting the same consumer segments as us. At the same time, legacy airlines in Europe and Asia were investing more in new products, and were more aggressive in leveraging their joint ventures.

dnata was also not immune to the vagaries of global markets. Our operations at Iraq's Erbil International Airport faced a six-month disruption from September 2017, due to a ban imposed on international flights.

Emirates and dnata have delivered the Group's 30th consecutive year of profit, and remain on course for future success

In Europe, security risks contributed to a sharp drop in short-haul travel to key European cities, while a supply shortage was experienced in secondary European destinations as a result of travellers changing their travel plans. However, this was balanced by a healthy increase in long-haul travel and cruise bookings.

Competition across dnata's business divisions remained cut-throat, and we had to work even harder to grow new and existing customer relationships, not through price discounts, but by investing to deliver high-quality services and high standards of safety.

Solid business growth and performance

Against this backdrop, Emirates and dnata forged ahead to deliver the Group's 30th consecutive year of profit.

Our solid business growth and strong performance has led to record Group revenues exceeding AED 100 billion for the first time, and a profit of AED 4.1 billion, up 67% from last year.

Emirates carried 58.5 million passengers, 4% more than last year, and our seat load factor improved to 77.5%. dnata handled 660,000 aircraft and 3.1 million tonnes of cargo, a 6% and 8% increase over 2016/17 respectively. dnata also served over 55 million meals to our customers at 62 locations around the world, and recorded a total transaction value of AED 11.3 billion in our travel business.

2017/18 was a very good year for air cargo, the traditional bellwether for economies, and both Emirates SkyCargo and dnata airport operations reaped the fruits of investments into specialised products and facilities that expanded our capabilities, and enabled us to offer even better services to our customers.

While expanding our business and growing revenues, we also tightened our cost discipline.

Across the Group, we progressed our initiatives to rebuild and streamline our back office operations with new technology, systems and processes. This year, our reduced recruitment activity, coupled with restructured ways of working gave us gains in productivity, and a slowdown in manpower cost increases.

Our investments

In 2017/18, the Group collectively invested AED 9.0 billion in new aircraft and equipment, the acquisition of companies, modern facilities, the latest technologies, and employee initiatives.

Emirates made two significant commitments for new aircraft during the year. At the 2017 Dubai Airshow, we announced a US$ 15.1 billion agreement for 40 Boeing 787-10 Dreamliners which will be delivered from 2022. In February, we raised our commitment to the Airbus A380 programme with a US$ 16 billion deal for 36 additional aircraft, including 16 options. These orders support our long-standing strategy to operate efficient wide-body aircraft that offer the latest passenger comforts.

Through the year, we introduced product and service improvements on board and on the ground. We know that we need to continually work hard to earn our customers' loyalty and win new fans, and these investments will help us ensure that the Emirates experience remains at the leading edge.

We also expanded our customer proposition through partnerships. Emirates entered into significant partnerships with flydubai and Cargolux in 2017/18, boosting our global network connectivity and the choice of air services that we offer for passenger and cargo customers respectively. We also received authorisation to extend our partnership with Qantas until 2023. Emirates Skywards welcomed new partners into our loyalty programme, offering members even more redemption and earning opportunities.

dnata strengthened our international footprint and capabilities with several key investments during the year. We entered the US cargo market with our acquisition of AirLogistix USA, and expanded our cargo handling capabilities with investments in new warehouses and equipment at London Gatwick, UK; Amsterdam-Schiphol, Netherlands; and Adelaide, Australia. In the travel space, we completed our acquisition of Destination Asia, one of Asia's largest destination management companies operating in 11 countries across the region.

AED 9.0

BILLION

invested collectively across the Group on acquisitions, new aircraft and equipment, modern facilities, employee initiatives and technology

Our Catering business will enter the Canadian market when our CAD 7 million catering facility in Vancouver opens at the end of 2018. We also invested in new catering facilities in Dublin, Ireland; and Melbourne, Australia; and opened new marhaba lounges in Karachi, Pakistan, and Melbourne, Australia.

In addition, we worked hard to consolidate our acquisitions of previous years with a focus on integrating efficiencies and steady organic growth.

Our strategic focus on delivering safe, efficient, and high-quality services consistently across our network has been critical to our success in winning new ground handling and catering contracts during the year. This also speaks to our ability to build strong long-term relationships with our customers.

During the year, we continued to seek balanced, diverse, and innovative sources of funding from international markets to support our growth.

US$4.9

BILLION RAISED

using a variety of financing structures, including a US$ 600 million Sukuk in March

One of the highlights for 2017/18 was the successful execution of a US$ 600 million Sukuk, the proceeds of which are earmarked for aircraft financing.

On course for future success

Emirates and dnata have always responded to the immediate challenges of each business cycle with agility, while not losing sight of the future.

We continue to work closely with key partners to deliver solutions that improve customer experience, business outcomes, and drive our respective industries forward. For instance, in October, we launched the world's first Aviation Experimental (X) Lab in Dubai's Area 2071 with a consortium of partners. This initiative brings together airlines, manufacturers, ground logistics, regulators, engineers, academics, and start-ups under a single roof to seek solutions for the future of air transport that no single organisation has the resources to deliver on its own.

Over the years, we have diligently laid the foundations for a sustainable and profitable future through our ongoing investments in infrastructure, technology, our people, and high-quality products.

In 2018, we join the UAE in celebrating the 100th year since the birth of the late Sheikh Zayed bin Sultan Al Nahyan, the country's founding father. Sheikh Zayed's values of wisdom, respect, sustainability, and human development will continue to guide the way we conduct and grow our business.

Looking ahead, the World Travel and Tourism Council forecasts that there will be 1.8 billion international tourists by 2030, and the International Air Transport Association (IATA) expects 7.8 billion passengers to travel in 2036, nearly double the number of air travellers in 2017.

Our dynamic hub, Dubai, already holds key spots on the global stage for aviation and tourism. The city is also gearing up to welcome 25 million visitors for the Expo 2020 Dubai in two years' time.

Dubai's business and tourism-friendly policies, and its infrastructure investments will continue to position our home city favourably to facilitate and benefit from the anticipated growth in demand for global connectivity and air transport services.

At Emirates and dnata, we are ready to meet the opportunities and remain on course for future success.

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

Overview
Emirates
dnata
Group
Financial Information
Additional Information

Leadership

HH SHEIKH AHMED BIN SAEED AL MAKTOUM

Chairman & Chief Executive
Emirates Airline & Group

SIR TIM CLARK

President
Emirates Airline

GARY CHAPMAN

President
Group Services & dnata

ADEL AHMAD AL REDHA

Executive Vice President
Chief Operations Officer
Emirates Airline

THIERRY ANTINORI

Executive Vice President
Chief Commercial Officer
Emirates Airline

ABDULAZIZ AL ALI

Executive Vice President
Human Resources
Emirates Group

ALI MUBARAK AL SOORI

Executive Vice President
Chairman's Office, Facilities & Project Management and Non-Aircraft P&L
Emirates Group

NIGEL HOPKINS

Executive Vice President
Service Departments
Emirates Group

CHRISTOPH MUELLER

Chief Digital & Innovation Officer
Emirates Group

Emirates



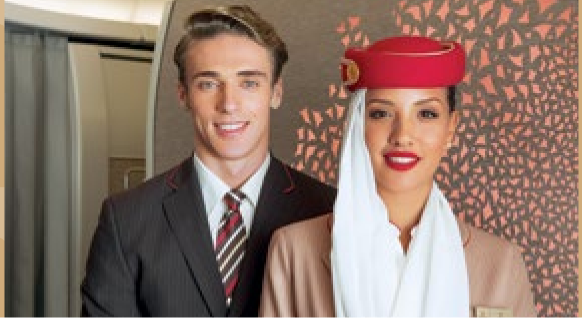
Delivering results

Emirates is the world's largest international airline. We facilitate global travel and trade traffic to Dubai, and through Dubai, connecting 157 destinations on six continents with high quality air travel and transport services. Over the years, Emirates has earned a reputation for excellence with our focus on safety, efficiency, quality, and service, across all aspects of our business and operations.

In 2017/18, we delivered a solid performance despite the relentless competitive pressure and ongoing geopolitical challenges.

Emirates posted a profit of AED 2.8 billion, with revenues at AED 92.3 billion. Yields across the network improved compared to the previous financial year, however these gains were largely offset by higher fuel prices and increased competition. We closed the year with an average passenger yield of 25.3 fils, up 2.3% from last year.

Emirates' new First Class cabin on a Boeing 777-300ER aircraft



During the year, Emirates carried a new record of 58.5 million passengers and 2.6 million tonnes of cargo across our network. Our average seat load factor was 77.5%, against a 2% increase in capacity.

This reflects the modest uptick in consumer confidence and travel demand, the healthy rebound in airfreight demand, and Emirates' continued ability to win over customers with our award-winning products and services - both above and below wing.

The year also came with its share of challenges. Higher oil prices raised our operating costs and ate into our profits.

As we began the 2017/18 financial year, the new US restrictions on electronic devices in aircraft cabins had just come into effect. This followed the enhanced security vetting procedures and new US entry requirements implemented at the start of 2017.

Emirates worked closely with stakeholders to address the new security requirements, and by July, our US flights were no longer subject to the 'electronics ban'. However, the raft of enhanced security measures had impacted consumers' travel appetite, leading us to reduce services to the US for several months. It was close to year-end before we were able to restore some of our US capacity in line with the gradual recovery in demand.

Through the year, we continued to lay a solid foundation for our future with significant investments in our people, product, aircraft, and the latest infrastructure for our business. This will help extend our competitive edge and ensure our long-term success.

Strengthening our customer proposition

During 2017/18, Emirates added two new passenger and three new freighter destinations to our global network, offering our customers even more travel choices.

In addition to our own organic network growth, we also expanded our global connectivity through strategic partnerships. In July, we entered a significant partnership with flydubai, which includes an extensive codeshare agreement, integrated network collaboration, fleet synergies, strategic schedule alignment, and initiatives to streamline the customer journey across Emirates' and flydubai's operations at Dubai International airport.

At the end of March, Emirates' customers could access 92 additional destinations on flydubai's network. We also extended our successful partnership with Qantas for a further five years until 2023, ensuring customers of both airlines continue to enjoy expanded travel choices and seamless connections between Australasia and key cities in Europe, Middle East and Africa, as well as reciprocal frequent flyer benefits.

58.5

MILLION PASSENGERS

flew on Emirates in 2017/18, a new record

On the cargo front, Emirates SkyCargo entered a strategic operational partnership with Cargolux to collaborate on freighter aircraft capacity, block space and interline, and connectivity between Dubai and Luxembourg. In October, the partnership was reinforced with the announcement of a codeshare agreement for cargo between the two carriers.

During the year, we signed agreements worth US$ 31.1 billion for 40 Boeing 787 Dreamliners and 36 additional A380s. These new aircraft, which will be delivered from 2020 onwards, illustrate our long-standing strategy of operating efficient wide-body aircraft that offer the latest passenger comforts and features.

We continued to invest in providing our customers with industry-leading travel experiences, and a strong value for money proposition.

Our efforts were rewarded by customer loyalty, as Emirates Skywards crossed a milestone of 20 million members, and by accolades including "Best Airline in the World", "Best Economy Class", and "Best First Class" in the TripAdvisor Travelers' Choice® Awards for Airlines 2017 which are based on unbiased customer reviews.

US$ 31.1

BILLION

commitment for new aircraft, with agreements for 40 Boeing 787 Dreamliners, and 36 additional Airbus A380s

One of the year's highlights was the highly anticipated launch of new cabin products for our Boeing 777 fleet, which include our game changing fully-enclosed First Class suites, as well as refreshed Business Class and Economy Class cabins for our 777-300ER; and our new, wider Business Class seats arranged in a 2-2-2 layout on our 777-200LR. On our A380 fleet, we introduced a refreshed version of our popular Onboard Lounge.

Reducing our environmental impact, contributing to the community

As an airline, fuel efficiency has always been a key focus area for our sustainability efforts. The delivery of 17 new aircraft, and retirement of eight older aircraft in 2017/18 has enabled us to keep our average fleet age at a youthful 5.7 years. Newer aircraft are also more efficient to operate, helping us reduce our emissions per ATKM.

Emirates spends billions of dirhams on fuel each year, so naturally we monitor the development of biofuel technology with great interest. One of the highlights this year is our participation in the "Fly Green Day" at Chicago O'Hare airport in November, where we operated our first 'official' biofuel flight. In this initiative, the biofuel was blended into the main airport fuel supply, rather than specially tankered to the aircraft. We remain supportive of developments towards safe, cost competitive, and truly sustainable biofuels, and a commercially viable supply chain.

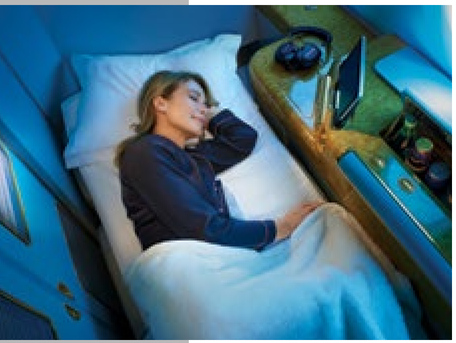
Through the year, our flight operations specialists continued to work closely with air traffic management providers and airports around the world to deliver more flight efficient routings and operational procedures to help reduce flight time, fuel consumption and emissions.

On the ground, we implemented a range of simple yet effective measures to become more energy efficient and reduce our environmental impact.

The Emirates Airline Foundation, our non-profit charity organisation, continued making a difference in the lives of disadvantaged children with projects spanning from India to Africa

Across 30 commercial and residential buildings in the UAE where Emirates conducts business or has leased employee accommodation, we organised energy usage studies, and surgically reduced the time that lights and air conditioning are kept running during non-operational hours. These energy savings reduced our electricity bills by about 8% each month.

We also replaced over 400 light fixtures at our Dubai headquarters' carpark with LED luminaires, cutting our energy consumption by 80%. The new LED lights also have double the lifetime of previous fixtures, reducing replacement costs.



Through the Emirates Airline Foundation, our non-profit charity organisation, we continued to make a difference in the lives of disadvantaged children. Projects supported by the foundation span from India to Africa, including Sri Lanka and Bangladesh. Our aim is to increase our presence in the markets we fly to, and to strengthen local communities by investing in the future of children in need.

In 2017/18, the foundation helped fund the building of a new facility for Safe Centre for Autism and Asperger's Syndrome in the UAE. The modern facility, slated to open end-2018, will enable 100 more children to access special education.

In South Africa, we donated a new school bus and founded the building of a new garage for the Fikelela Centre, an outreach programme in the Western Cape that provides care and housing for 40 children under the age of eight, who have been abandoned, orphaned, affected or infected by HIV/AIDS.

The foundation supported Australian Doctors for Africa (ADFA) in their missions to Ethiopia and Somaliland, where they delivered training programmes, installed new equipment for hospitals, and performed advanced orthopaedic care for patients in need. We also supported doctors volunteering with the Italian organisation Mission Bambini in their travel to Zambia to provide heart surgery for paediatric patients suffering from congenital and rheumatic heart diseases.

In Nairobi, Kenya, we supported the meals programme at the Little Prince Nursery and Primary School. Feeding the children, who are from the poorest areas in the slums, keeps them at school, helps them concentrate and stay healthy.

Emirates operates a modern and efficient fleet of Airbus A380 and Boeing 777 aircraft

Investing in our state-of-the-art fleet

Emirates' commitment to deliver superior comfort and an exceptional inflight experience to customers is reflected in our investment in a state-of-the-art fleet, with the latest wide-body aircraft.

At the end of 2017/18, our fleet was 268 aircraft strong, including 102 Airbus A380s, 153 Boeing 777s, and 13 Boeing 777 freighters. Emirates is currently the largest operator of the Airbus A380 and the Boeing 777 aircraft, two of the most popular and efficient aircraft flying the skies today.

In November, Emirates announced a US$ 15.1 billion commitment for 40 Boeing 787-10 Dreamliners at the 2017 Dubai Airshow. These new aircraft will enter into service from 2022 onwards, replacing older aircraft that will be phased out from the fleet, allowing us to maintain efficient operations and continue delivering an unmatched travel experience to our passengers.

In January, Emirates announced a US$ 16 billion order for 36 additional A380 aircraft, including 16 options - to be delivered from 2020 onwards. The world's largest commercial passenger aircraft and flagship of the Emirates fleet, the Airbus A380 has helped us elevate our passenger experience in the nine years since the aircraft joined our fleet. This latest order takes Emirates' total commitment to the A380 programme to 178 aircraft.

During the 2017/18 financial year, we received 17 new aircraft - nine Boeing 777s and eight Airbus A380s. This included the landmark delivery of our 100th Airbus A380 in November 2017.

We also retired eight aircraft as part of our fleet renewal strategy. Our investment in new aircraft and retirement of older aircraft kept our average fleet age at a youthful 5.7 years, a figure that is considerably lower than the aviation industry average.

World class fleet support

In March, Emirates unveiled a new Business Class cabin with wider seats in a 2-2-2 configuration on the first of its 10 Boeing 777-200LR aircraft.

The refurbishment of the aircraft was carried out completely in-house by the Emirates Engineering team working closely with Boeing and other suppliers, demonstrating our world-class fleet support capabilities. The aircraft was converted to a two-class configuration and Economy Class seats were also refreshed. The remaining nine Boeing 777-200LR aircraft in the fleet will be progressively reconfigured by Emirates Engineering over the next year.

In addition to the cabin reconfiguration project, our Engineering team completed 95 C-Checks on our fleet during the year to maintain them in peak condition. With cutting-edge facilities including seven heavy maintenance and four light maintenance hangars, and the expertise acquired by being the largest operator of the Airbus A380 and Boeing 777 aircraft types, Emirates Engineering has also selectively offered Maintenance, Repair and Overhaul (MRO) services to external customers.

In January, Emirates Engineering's Calibration Laboratory became one of the first in the region to achieve ISO 17025 certification, which ensures the accuracy and standards of tools and equipment used in the servicing of aircraft and other components.

The Emirates Aircraft Appearance Centre – the world's largest dedicated aircraft painting facility completed 22 paint makeovers in addition to end of lease repainting on seven aircraft. The centre also undertook 19 large and 138 small decal installation projects on our Airbus A380 and Boeing 777 aircraft.

As a tribute to the founding father of the UAE, 10 Emirates aircraft were fitted with a bespoke decal of the late His Highness Sheikh Zayed bin Sultan Al Nahyan. Demonstrating our commitment and support to Expo 2020 Dubai, Emirates also rolled out the first of 40 aircraft bearing the special Expo 2020 Dubai liveries in three themes. Spanning 40% of the total external surface area including the top of the aircraft, the Expo 2020 Dubai liveries are some of the largest decals to have been installed by the team.

As part of our mission to constantly innovate and improve efficiency across our operations, Emirates Engineering launched a trial project to manufacture aircraft cabin components using the latest 3D printing technology.

Using Selective Laser Sintering (SLS), we printed video monitor shrouds and cabin air vent grills that weigh less than components manufactured traditionally. This has the potential for significant reductions in emissions and costs when compounded over the entire fleet of Emirates aircraft. Other advantages include quicker per-part production times and reduced wastage of raw materials. With phase one of trials successfully completed, Emirates will progress to the next project phases to incorporate SLS 3D printing into our operations.

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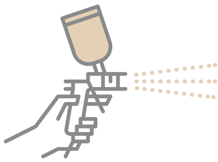


DECAL INSTALLATIONS

and 22 paint makeovers completed in-house at Emirates Engineering

Strengthening our global network

Emirates connects the world to, and through, our hub in Dubai - offering high quality air transport services to 155 destinations in 83 countries on six continents.

We continued to grow our network organically by adding new routes and flight services in response to opportunities created by the dynamic competitive landscape and evolving consumer demand.

Through our strategic partnerships and codeshares, we also expanded our network reach and relevance to customers.

In 2017/18, we launched two new passenger destinations and three freighter destinations. We grew our European footprint with the addition of daily services to Zagreb, Croatia. In the Far East, we started flights to Phnom Penh, Cambodia, via a linked service from Yangon, Myanmar. Our freighter network expanded with the addition of: Luxembourg City; Maastricht, Netherlands; and Aguadilla, Puerto Rico.

As we took delivery of aircraft into our fleet, Emirates was able to add capacity to 15 existing destinations, offering customers more choice of flight timings and onward connections. We also expanded the number of destinations served by our A380s to 48 with the introduction of our flagship aircraft to Nice. In addition, Emirates led one-off A380 services to Colombo, Bahrain and Beirut. Our A380 product continues to enjoy tremendous popularity among consumers, and over 99 million passengers have flown on the aircraft as it enters its 10th year of service in the Emirates fleet.

Strategic partnerships: more connectivity and consumer choice

Rather than pursue formal alliances, it has always been Emirates' strategy to focus on targeted and strategic partnerships that deliver mutual customer and commercial benefit. This enables us to retain control over our own destiny and respond to industry changes with agility.

Emirates' portfolio of 22 codeshare partners in 61 countries and 130 interline partners extend the reach of our own global network, offering more flight options for our customers.

In July, Emirates announced a significant partnership with flydubai, enabling both airline to leverage and complement each other's networks, unlocking further growth and operational scalability. The partnership includes an extensive codeshare agreement, and goes further with a strong focus on integrated network collaboration, fleet synergies and strategic schedule alignment. Efforts are also underway to streamline the customer journey across Emirates' and flydubai's operations at Dubai International airport.

At the end of March, Emirates and flydubai offered customers access to 92 destinations on our combined networks, and by the end of 2018, customers will be able to book travel to 157 destinations.

The partnership opened up new city-pair connections that did not exist previously, allowing both Emirates and flydubai to feed traffic into each other's complementary networks, serving a bigger pool of customers in more cities to bring them immense value and choice, along with strengthening Dubai's position as a global aviation hub.

The new model has opened up flydubai's robust regional networks in Russia, Central Asia and the Middle East for Emirates customers.

Phnom Penh in Cambodia joined Emirates' global passenger network in 2017

For flydubai customers, the new partnership has allowed for seamless connectivity to Emirates' worldwide network spanning six continents. Since the first codeshare operations began at the end of October, more than 400,000 passengers have taken advantage of the seamless connectivity offered by the Emirates and flydubai partnership.

In March, we received reauthorisation from the Australia Competition and Consumer Commission to extend our partnership with Qantas until 2023. The evolution of our partnership involves network changes that deliver greater year-round frequency and expanded services to Australia and New Zealand for Emirates customers.

More than eight million passengers have travelled on Emirates and Qantas' combined network since 2013, demonstrating the partnership's exceptional customer and connectivity proposition.

Under the renewed partnership, Qantas rerouted its Australia-Dubai-London services to operate via Singapore from March 2018, in addition to operating its own non-stop flight from Perth to London. Customer demand for flights between Australia and Dubai will remain well-served by Emirates with 91 weekly services to Perth, Melbourne, Sydney, Brisbane and Adelaide, including nine daily A380 flights. Qantas passengers will continue to have access to over 45 onward connections on Emirates to Europe, the Middle East and Africa.

These changes mean customers now have three options for travel between Europe and all Australian points on both Emirates and Qantas - via Dubai, via Perth or via Singapore, and continue to enjoy reciprocal frequent flyer benefits on both airlines.

The renewed partnership will also benefit customers flying between Australia and New Zealand with increased flight services operated by Qantas, as Emirates ceases trans-Tasman flights to Auckland, focussing instead on our non-stop Dubai-Auckland service, and new Dubai-Bali-Auckland flights which will launch in June 2018. We retain our existing Dubai-Sydney-Christchurch flight.

In North America, Emirates enhanced its codeshare agreement with JetBlue Airways to offer connections to an additional 20 routes for our passengers, offering more flexibility and seamless connections in the US. Today, Emirates passengers can access over 97 JetBlue destinations across the US, Caribbean and Mexico from our 12 US gateways.

Additionally, our partnership with Alaska Airlines provides seamless connections to 31 destinations via Seattle, Los Angeles and San Francisco in the west coast of USA and Canada.

Air cargo industry leadership

Emirates SkyCargo continues to lead the global air cargo industry as the world's largest international cargo airline measured by freight tonne kilometres flown (FTKMs). In addition to belly-hold cargo capacity offered on our fleet of 255 passenger aircraft, Emirates SkyCargo also operates 13 Boeing 777 freighters.

In 2017/18, Emirates SkyCargo achieved a revenue of AED 12.4 billion, an impressive increase of 17% over the previous year. This outstanding performance in a resurgent air freight market enabled Emirates SkyCargo to contribute 14% to the airline's total transport revenue.

Carrying a record 2.6 million tonnes of cargo, Emirates SkyCargo remains an important enabler of global trade, connecting production and consumer markets across six continents. We successfully rode the crest of the rise in demand for air freight capacity through the development of a new portfolio of transportation solutions tailored to industry verticals, landmark industry partnerships, and continuous investment in products and facilities.

Innovative and specialised solutions

This year, we launched Emirates Fresh - a bespoke solution for perishable commodities such as fruits, vegetables, flowers, seafood and meat which retains their freshness during the entire air transportation process. We also developed the Emirates Fresh ventilated cool dolly container to transport fresh cut flowers and ready-to-sell cut fruits and vegetables.

Emirates Pharma, our customised offering for pharmaceutical industries, has met with resounding success. Since the launch in the last financial year, we saw the volume of pharma shipments increase by 38%.

This year, we continued to advance our offering for pharma customers. In partnership with DuPont, we introduced White Cover Xtreme, the next generation thermal blanket that protects sensitive cargo from extreme heat and cold, and rainy conditions. We also rolled out our pharma corridors programme to offer enhanced origin-to-destination protection.

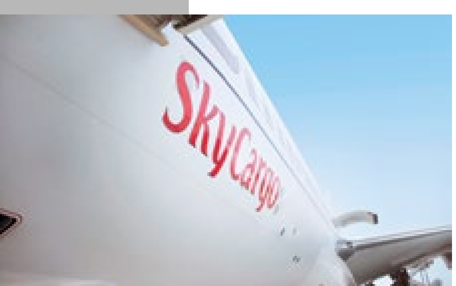
In the first phase of this programme, 12 cities across three continents joined our pharma corridors network.

Our Emirates Wheels product for the automotive industry and private car collectors has also met with great success. The average number of cars transported on our network has grown to between 150 and 200 cars per month - not only in the peak summer period, but throughout the year.

Emirates SkyCargo is also exploring bespoke offerings in other sectors. In November 2017, we signed an MoU with Dubai CommerCity to develop new solutions for the e-commerce sector using Dubai as a hub.

First-of-its-kind partnership

In May, Emirates SkyCargo and Cargolux announced a unique strategic operational partnership. Under this first-of-its-kind agreement between a mainline cargo airline and a specialised freight operator, Emirates SkyCargo and Cargolux work together on a number of areas including freighter aircraft capacity, block space and interline, and connectivity between Dubai and Luxembourg. In October, the partnership was reinforced with the announcement of a codeshare agreement for cargo between the two carriers.



Emirates SkyCargo has had one Cargolux Boeing 747 aircraft full time in its fleet since June 2017. This allows us to offer nose loading freighter capacity to customers for transporting outsized and odd shaped shipments. Through the partnership, we now offer cargo customers an extended global reach to destinations on Cargolux's network. We also commenced scheduled freighter services to Luxembourg in June with the aim of building up connectivity and improving the seamless movement of goods between our hubs.

The success of the partnership is underpinned by Emirates SkyCargo's and Cargolux's complementary strengths in terms of fleet, network and operations, as well as our shared values in customer service excellence.

Emirates SkyCargo also worked in partnership with Qantas Freight to strengthen the cargo capacity offered on the Trans-Tasman route for our customers in Australia, New Zealand and across the world.

Freighter services and charter operations

Emirates SkyCargo operates scheduled weekly freighter services to over 45 destinations across the globe. In addition to Luxembourg, we launched freighter services to Maastricht in the Netherlands, and to Aguadilla in Puerto Rico.

AED 12.4 AED

BILLION

revenue achieved in 2017/18, illustrating the resurgent air freight market and Emirates SkyCargo's success in developing innovative bespoke products and industry partnerships

Emirates Wheels is a bespoke solution for the automotive industry and private car collectors

In addition, our freighter have flown to some 140 destinations on charter operations. In all, we operated more than 362 charter operations in the financial year, carrying a variety of cargo - from Emirates Team New Zealand's sail boat from Auckland to Bermuda for the America's Cup race, to KhalifaSat, the first satellite built completely on UAE soil from Dubai to Incheon, South Korea.

Precious cargo that have been transported on Emirates SkyCargo freighters also include champion racing and eventing horses flown for major equine sporting events including the Dubai World Cup and the Longines Global Masters.

Our freighter aircraft with the unique rose decal brought cheer to people on special occasions. The aircraft touched down in Barcelona for the Catalan festival of the Rose and in Shanghai to mark Chinese Valentine's Day. A special floral decoration was organised in Dubai to mark the transport of perishables around the traditional South Indian festival of Onam.

28

RECORD WINS

as the 'Best Cargo Airline Middle East' at the annual Cargo Airline of the Year 2017 awards, in addition to other accolades

Setting standards

At the IATA World Cargo Symposium in March, Emirates SkyCargo was awarded the Cargo iQ certification in recognition of our efforts to provide customers with more transparency on the status of their shipments and to minimise any errors in the process. We have invested in setting up a dedicated 24/7 operational Cargo Operations Control Centre (COCC) in Dubai which uses live cargo data and Cargo iQ metrics to track a shipment's journey against its ideal route map.

We were also awarded the 'Authorised Economic Operator' (AEO) certification by the UAE Federal Customs authorities in March 2018. This allows faster customs clearance of cargo travelling on Emirates SkyCargo in the UAE, leading to quicker delivery times for our customers.

Emirates SkyCargo won a number of accolades this year in recognition of our emphasis on quality and excellence in customer service. These include: 'Best Cargo Airline Middle East' for a record 28th time at the annual Cargo Airline of the Year 2017 awards; 'Best Air Cargo Carrier- Middle East' at the 2017 Asian Freight, Logistics and Supply Chain (AFLAS) Awards; 'Best Carrier - All Services' and 'Best Carrier - Flown as Booked' at the Quality Award Italy 2016, organised by the IATA Airfreight Forwarders Association Italy (ANAMA).

With our expertise, network and customer focus, Emirates SkyCargo is in a strong position to deliver solutions that meet our customers' transportation needs and add further value to their business.

Making flying better

Our customers remain at the heart of our business. We continually innovate and invest in what matters most to our customers, from product innovations to service enhancements.

This year, Emirates again raised the bar for inflight product innovation with the launch of our latest Boeing 777-300ER in November. We presented new interiors and enhancements across all cabin classes, including our game-changing First Class private suites.

Incorporating cutting-edge technology, Emirates' new fully enclosed private suites have brought several world-firsts to market, including: 'virtual windows' in the middle aisle using real-time fibre-optic camera technology, a NASA-inspired 'zero gravity' seating position, and a personal video call service for our First Class customers. Design details such as personalised lighting and climate control features within the suite were inspired by the luxury automotive brand Mercedes-Benz.

In March, we unveiled a new Business Class cabin for our Boeing 777-200LR aircraft, with wider seats in a 2-2-2 layout. This US$ 150 million investment will see all 10 of our existing 777-200LR aircraft refurbished to offer a two-class product of 38 Business Class seats and 264 seats in Economy Class by 2019.

Our popular A380 Onboard Lounge also underwent a makeover. The revamped social area entered service in August, delighting customers with modern finishes, more seating options, and mood lighting amongst other features.

We served over 110 million meals on board during the year, delighting our customers with regionally inspired menus, and special treats for widely celebrated events like Chinese New Year, Christmas, Diwali, and Ramadan. We invested more than AED 540 million in our wine and spirits programme in 2017/18, working directly with top vineyards and distilleries around the world. Our commitment to finding the best partners and products saw a range of upgrades across our cabins, including inflight amenities, kids' activity packs, and a myriad of other little touches to enhance our customers' comfort.

We continued to invest in onboard connectivity for our customers. Over 99% of all Emirates flights are now Wi-Fi enabled, hosting more than 10.3 million internet sessions in 2017/18. In addition, 451,511 calls were made and over 1.6 million sms messages were sent using mobile phones on our flights.

During the year, we more than doubled our free Wi-Fi data offer for customers in all cabin classes to 20MB, and Skywards members in certain tiers as well as customers in First and Business Class receive unlimited free Wi-Fi. We also signed up with Thales to give our customers best-in-class connectivity with speeds of up to 50Mbps on our Boeing 777X aircraft due for delivery in 2020.

Emirates continues to provide customers across all classes a host of entertainment options at their fingertips with the industry's most comprehensive inflight entertainment system, ice. Awarded Skytrax's "Best Inflight Entertainment" for a record 13th year, ice now offers over 3,500 channels presented in 43 languages, including over 700 movies from around the world.

Customer experience on ground and online

The on-ground experience has always been an integral part of the Emirates customer journey.

Emirates game changing, fully enclosed First Class private suite inspired by Mercedes-Benz

This year, we added a new dedicated lounge in Boston for our premium passengers and frequent flyers, taking the number of dedicated Emirates Lounges around the globe to 41. We also refurbished existing lounges in Singapore and Bangkok, and completed a US$ 11 million makeover of our lounges in Dubai airport Concourse B.

We partnered with premium automotive brand BMW for an upgraded fleet of cars to chauffeur our Business Class passengers in the UAE to and from the airport. We also partnered with Mercedes-Benz for a fleet of S-Class cars for our First Class passengers, providing an on-ground extension of our latest Boeing 777 First Class experience.

During the year, we upgraded our contact centre technology platform which gave us more flexibility in routing calls to our employees, thus increasing our customer response times. We also introduced a new reservations system that makes it easier for our front line employees to serve customers, and supports continuous improvements to our system. As a result, customer satisfaction scores increased by 14 percentage points since the beginning of the year.

Helping our customers enjoy a stress-free journey, we began mobile push notifications to send customers real-time information on their flights, check-in, gate and baggage. From August to March, nearly 12 million notifications were sent via the Emirates App, and it is fast becoming the preferred channel for our customers on the go. Our investment to offer LiveChat for customer service has also paid off, achieving the highest satisfaction levels amongst all customer engagement channels. In 2017/18, we handled over 1 million customers on LiveChat, accounting for about 10% of all inbound queries to our contact centres, representing a 260% increase in volumes from the previous year.

Through the year, we worked closely with our partners and stakeholders to streamline the customer journey at our Dubai hub. This included pilot initiatives to fast-track and simplify passenger check-in, baggage drop-off and tracking, and the use of advanced technology within the terminal.

US$ 150

MILLION INVESTMENT

to refurbish all 10 of Emirates' existing Boeing 777-200LR aircraft into a two-class product with new, wider Business Class seats, and refreshed Economy Class cabins by 2019

Premium passengers and frequent flyers enjoy access to 41 dedicated Emirates Lounges around the world

Building loyalty

This year, our loyalty programme Emirates Skywards reached a milestone of 20 million members worldwide. The programme's steady growth over the past 18 years stems from our focus on offering members value, choice and flexibility.

In 2017/18, Emirates Skywards members redeemed 100 million miles a day on average, on reward flights, hotel stays, retail purchases and lifestyle experiences, including exclusive access to world-class sports and cultural events supported by the airline. Flight upgrades and Cash+Miles flight bookings topped the redemption categories with nearly 400,000 transactions each in the past 12 months.

We fully digitalised the Emirates Skywards card during the year, removing the need for members to carry a physical card, and we launched a dedicated Skywards section within the Emirates App to provide members with timely access to relevant programme information. We are also putting big data to work to deliver more personalised offers and experiences through predictive data modelling, leading to higher engagement amongst our members.

100 

MILLION SKYWARDS MILES

redeemed per day on average

Emirates Skywards continued to pursue partnerships that offer relevant opportunities for our diverse membership base. We now provide access to more than 1.8 million hotel properties around the world through the hotel booking sites of Booking.com and Rocketmiles. We also expanded our travel and lifestyle rewards partners with the addition of marhaba Meet and Greet service in Dubai and Mileslife in Asia.

We launched a new partnership with Standard Chartered Bank in Pakistan, taking our programme's total number of financial partners to 13 and expanding our co-brand credit card presence to seven countries. With the addition of flydubai to the programme, we expanded by 61 new cities the number of destinations on which members can earn miles.

In February, we were recognised at the 10th annual Loyalty Awards 2018, organised by FlightGlobal, clinching 'Excellence in Management' for outstanding strategy and leadership.

Emirates interacts with, and inspires audiences around the world through creative campaigns, events, and its direct digital channels

Building our brand

Our strong brand is one of our most important business assets. Emirates' global brand footprint and reputation as an airline synonymous with quality and excellence continues to be an important driver for our success in sales and marketing activity, and in attracting talent, partners and investments for our business.

Emirates continued to strategically invest in our brand throughout 2017/18, with initiatives that cut across marketing, events and sponsorships, and digital user experience.

This year we continued to reach, inspire, and interact with audiences around the world through creative and impactful marketing campaigns, corporate and industry events, as well as our direct digital channels.

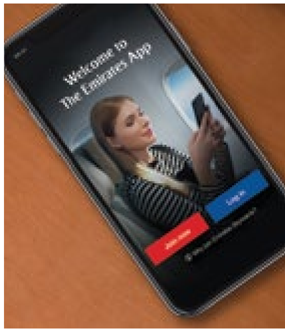
One of the year's highlights was the October launch of a US$ 15 million campaign to promote our extensive global network. The campaign illustrates how Emirates connects the world via Dubai, while cleverly incorporating our inflight experience.

We also stepped outside of conventional airline advertising to promote Emirates' latest products, creating cut-through with the use of humour. In November, we worked with TV motoring expert Jeremy Clarkson to unveil Emirates' game-changing First Class private suites which were inspired by Mercedes-Benz. In January, we released a new campaign to promote our Economy Class and showcase our win as 'Best Economy Class" at the TripAdvisor Travellers' Choice Awards for Airlines 2017.

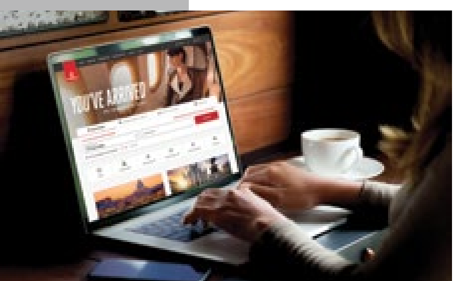
Our online brand experience

Our success in building brand familiarity and preference also drives more consumers to interact with Emirates on our direct digital channels. That is why we invest to ensure that our customers enjoy the same high-quality Emirates brand experience online as they do inflight and on the ground.

With the strong consumer shift towards using mobile devices to manage travel, Emirates has focussed on providing an even better mobile user experience.



This year, we added handy new push notifications to help customers while they travel. This feature sends alerts to customers when check-in opens, or if there are changes in departure times or gates; and also proactively provides information on their baggage, flight status, and acceptance status if they are on standby to fly.



Over 10 million customers have downloaded the Emirates App. Across iOS and Android, more than 1 million active users interact with our app every month. Today over half of the airline's online check-ins are completed via our mobile app. Importantly, our customers are telling us they love our app, with user ratings of 4.4 / 5 on Android's Google Play Store and 4.5 / 5 on the UAE Apple App Store.

This year, we rolled out our redesigned emirates.com website that ensures our customers can enjoy the same Emirates content and browsing experience, whether they are on their mobile phones, tablets or computers. In December, we launched a new homepage, which resulted in an uplift in flight searches and bookings.

During the year, we also launched new local language emirates.com websites for Croatia, Sweden, Belgium (Flemish), and Indonesian Bahasa, and a completely redesigned careers website for candidates seeking opportunities with the Emirates Group.

Today, Emirates offers online content in more local languages than any other airline, reflecting our global footprint and also our commitment to making our brand experience as relevant and engaging as possible for our diverse customer base.

Through the year, we continued to successfully use social media platforms to gain positive exposure and connect with our customers. By end-March, we had 18.1 million followers across Twitter, Facebook, Instagram, LinkedIn and YouTube, with highly engaged fans on all platforms. Today, Emirates is the most followed airline brand on Instagram, YouTube and LinkedIn.

Throughout the year, we marked special occasions such as Father's Day, International Women's Day, and widely celebrated festivals like Eid, Diwali, Lunar New Year, and Christmas, with branded content that showcased our company, our people, and our products in creative ways.

10

MILLION CUSTOMERS

have downloaded the Emirates App. Across iOS and Android, more than 1 million active users interact with our app every month

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Sports sponsorships: global exposure and consumer engagement

Sponsorships are one of the most visible ways Emirates brings our brand to life. Our sponsorships provide us the platform to reach and engage with consumers, linking Emirates with sports and cultural events that consumers are passionate about.

This year, Emirates partnered with football clubs Real Madrid and Paris Saint Germain on a campaign using the clubs' star players and our cabin crew to highlight our shared values: teamwork, ambition, innovation, and a passion for sports. The two videos produced for the #oneteam campaign have been watched over 4 million times by end-March.

Through our partnerships with the world's largest events and sporting clubs, Emirates has become one of the most recognised brands in global sports across football, cricket, tennis, golf, rugby, horseracing and Formula 1®.

During the year, our brand sponsored sports events were watched by a global television audience of 9.2 billion. A total of 1,427 events generated 120,300 hours of dedicated Emirates branded TV broadcast coverage with a media value of US$ 3.7 billion.

We also continued to strengthen our association with some of the top properties in sports.

In April, we signed one of the largest sponsorship deals in global football, when we renewed our shirt sponsorship of Real Madrid for a further five years until 2023.

Emirates again made history when we extended our shirt sponsorship of Arsenal Football Club for a further five years until the end of the 2023-2024 season. This agreement is the largest ever signed by the club and one of the biggest ever agreed in football. Our partnership with Arsenal is the longest running in the Premier League and one of the longest relationships in world sport. Arsenal's home ground will also continue to be known as Emirates Stadium up to 2028.

In August, we extended our title partnership with the prestigious FA Cup through to 2021, continuing our role as the first-ever title sponsor of this tournament.

We also renewed our European Tour agreement for another four years. The new deal includes Emirates becoming an Official Partner of the 2018 Ryder Cup. Emirates currently supports 19 events on the European Tour International Schedule, as well as the Race to Dubai, engaging with millions of golf fans around the world.

On the sailing front, Emirates welcomed the victorious crew of Emirates Team New Zealand in Dubai, as they celebrated their epic win of the prestigious 2017 America's Cup.

9.2

BILLION VIEWERS

reached on global TV via broadcasts of Emirates-sponsored sports events during the year, with 120,300 hours of dedicated Emirates brand exposure

Emirates' #oneteam campaign with Real Madrid

Dubai Fitness Challenge: our employees' physical and emotional wellbeing is one of our priorities

Our people, our success

Every day, our people deliver the exceptional travel experience that Emirates is known for. Our agility and our ability to rise to any challenge and come up with innovative solutions has always been thanks to our talented, passionate, and diverse multinational workforce.

We are committed to investing in recruiting, training and developing talent. We believe in empowering our employees and recognising their contributions.

We were proud this year to have been recognised by Universum as the Number 1 Employer of Choice in the UAE.

Recognising our stars

In 2017/18, 12,080 employees from the Group were recognised through Najm, our rewards and recognition programme. Five outstanding employees who went above and beyond their call of duty or who helped deliver a significant positive impact on the business were rewarded with the Chairman's Najm awards.

We celebrated the contributions made by our female employees on the occasion of Emirati Women's Day in August and on International Women's Day in March. Women have always been an important part of the Emirates success story.

Our employees' physical and emotional wellbeing is one of our priorities. To this end, we encouraged our colleagues to take part in the Dubai Fitness Challenge which ran for a month from 20 October. Launched by HH Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of the Dubai Sports Council, the initiative encouraged individuals to exercise 30 minutes every day for 30 days in a row. As an additional incentive, all employees who successfully completed the fitness challenge were rewarded with one free service-related ticket to travel to any destination on Emirates' network.

As part of our commitment to keep our employees happy, we also gave one service-related ticket for the second year in a row to all eligible employees to mark International Day of Happiness.

Developing our workforce

One of the year's highlights was the official launch of the Emirates Flight Training Academy (EFTA), our state-of-the-art training centre for cadet pilots. The Academy was officially inaugurated by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai in November. Our investment in the academy reflects Emirates' commitment, as a global leader in aviation, to develop career-ready pilots for our airline as well as the broader aviation industry.

Spread over an area of nearly 200 football fields in Dubai South, EFTA houses 36 cutting-edge ground school classrooms, ground-based simulators, a fleet of 27 modern training aircraft, a 1,800 metre dedicated runway with modern navigation aids and lighting, an independent air traffic control tower, rescue and firefighting service, and a maintenance centre.

The training approach followed by EFTA is also quite unique. Cadets move from training on the Cirrus SR 22 G6 single piston-engine aircraft directly to the Very Light Jet (VLJ) Embraer Phenom 100EV aircraft. This allows cadets more training time on jet aircraft which is more relevant for commercial airline pilot careers. The first batch of students under our National Cadet Programme moved into the facility in September 2017. EFTA also placed an order for six full motion Flight Simulation Training Devices configured for the Cirrus SR 22 G6 and Embraer Phenom 100EV aircraft.

Our National Recruitment and Development team continued to develop new career advancement opportunities for Emirati colleagues. We partnered with PwC Middle East to offer UAE National graduates a secondment opportunity with one of the world's renowned professional services company. We also enrolled Emirati colleagues in the latest cohort of the Rolls-Royce leadership programme, bringing the total number of Emirati colleagues who have benefitted from the programme to 105 in the past six years.

Over the last year, our Group Leadership & Talent team delivered the equivalent of over 5,585 days of training to 13,105 employees. In addition our employees signed up for and completed 61,642 online courses. Using technology and online platforms allows our employees better access to training content to refresh their skills and further hone their competencies.

In partnership with the UK government, we rolled out a new e-learning course for our cabin crew and airport ground employees on preventing human trafficking.

Emirates Aviation University, our Group's academic business division, expanded its course offerings by launching five new business-centred programmes in partnership with Coventry University. We also partnered with Boeing for seven students to take part in a mentorship programme developed by Boeing Middle East. In addition to academic and career guidance, students also get a valuable opportunity to develop their leadership skills and to get exposure to a corporate working environment.

Emirates Aviation University organised a career fair in February, working with key partners such as Rolls-Royce. The University also inaugurated new student residences in summer 2017.

12,080

EMPLOYEES RECOGNISED

through Najm, our rewards and recognition programme

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Another outstanding year

dnata delivered another outstanding year of robust growth in 2017/18. Profits rose 9% to AED 1.3 billion with revenue up 7% to AED 13.1 billion, surpassing all previous records.

Each of our four business divisions - UAE Airport Operations, International Airport Operations, Travel and Catering - experienced solid growth. The strong performance correlates with our focus on quality, safety, our people, and driving efficiencies across all our businesses in costs, processes, and resources.

Across our global network, we won new ground handling and catering contracts, entered into new markets and renewed existing partnerships. We invested AED 600 million in acquisitions, new facilities and equipment, leading-edge technologies and people development.

Our UAE Airport Operations completed a host of key initiatives aimed at significantly enhancing the efficiency of our processes and infrastructure in ground handling and cargo management. This positions us well to serve Dubai International (DXB), the world's number one airport for international passenger traffic and Al Maktoum International (DWC), which, when completed, is projected to be one of the world's largest passenger and cargo airports.

Our International Airport Operations entered the US cargo market for the first time with the acquisition of AirLogistix USA, which included a state-of-the-art cargo handling centre at George Bush Intercontinental Airport in Houston. We also opened a second cargo facility at Dallas Fort Worth International Airport and expanded our ground handling services to New York's John F. Kennedy Airport Terminal 4. Our airport hospitality brand, marhaba, opened new lounges at Karachi and Melbourne airports.

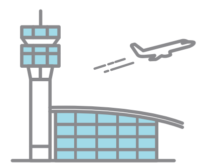
In October 2017, we celebrated 10 years of handling the Airbus A380 aircraft, starting with the arrival of the first commercial flight from Singapore to Sydney in 2007. dnata is the world's most experienced A380 ground handler, serving 10 operators of the world's largest commercial jet at 18 airports.

Our Travel division saw a volatile year of trading as international security threats continued to dampen demand, particularly short-haul travel in Europe. However, this was more than offset by a healthy demand in long-haul travel. Demand for cruise holidays remained strong, particularly in Australia, with Imagine Cruising, our cruise business, reporting a strong set of results in its first year of trading in this market.

This year, we also completed our acquisition of Destination Asia, one of Asia's largest destination management companies with operations in 11 countries, marking dnata's first foray into the region's inbound travel market.

The travel industry remains extremely competitive. Our focus is to stay ahead by continuously looking at new opportunities in our core business streams and in the associated travel services arena.

In April 2018, Catering announced an agreement to acquire Qantas' catering business, subject to the approval of the Australian Competition and Consumer Commission. Under the agreement, dnata will supply catering for Qantas flights for an initial period of 10 years. Qantas' catering businesses include wholly-owned subsidiaries Q Catering Limited and Snap Fresh Pty Limited, an advanced meal production plant in Queensland. If approved, this acquisition will allow us to leverage our global network and catering expertise for Qantas.

10 

YEARS

of handling the world's largest passenger aircraft. dnata is the most experienced A380 ground handler, serving 10 operators at 18 airports

dnata's vision is to be the world's most admired air travel services provider

dnata's ground handling operations span 80 airports around the world

We welcomed Canada as our newest market when we won a licence to provide flight catering services to airlines using Vancouver International Airport. We have committed to invest CAD 7 million to build a catering facility in Vancouver, which will open in Q4 of 2018. We also opened new catering facilities in Dublin and Melbourne, and strengthened our presence in the US with the acquisition of a New York-based inflight catering company, 121 Inflight Catering.

As we continue to expand our business in traditional flight catering, we are simultaneously responding with expertise and product offerings to our airline customers looking for more onboard retail to boost ancillary revenues.

Today, dnata operates in 35 countries where our 41,000 employees serve more than 300 airlines and 235,000 travellers every day. Given the scale of our operations and the number of people we impact, our primary goal is to invest in laying a strong foundation of sustained business practices and corporate values that will generate enduring growth.

In January, we announced a significant investment in Quantum, a three-year programme that will transform our processes in business support functions like Finance, HR and Procurement to ensure that we thrive in the future business landscape and continue growing our global presence. The latest Enterprise Resource Planning (ERP) solution provided by SAP will establish the tools needed to run our businesses efficiently by automating processes wherever possible. Quantum will ultimately provide us real time, consistent information, to make better decisions, manage and govern our global businesses more consistently, effectively, and provide scalability for continued growth and expansion. Phase one of this project is expected to be completed within the next two years and will focus on dnata's international businesses followed by dnata's UAE-based businesses, and Emirates' operations.

IN 35 COUNTRIES

Our 41,000 employees serve more than 300 airlines and 235,000 travellers every day

Industry recognition

For the fourth consecutive year, we were named Air Cargo News' Ground Handler of the Year. We also picked up significant awards for our Dubai ground handling operation at the Aviation Business Awards; for our Travel division at the World Travel Awards; for our Singapore Catering business from Pax International; and for our Cargo team from International Transport News.

Our commitment to investing in our people, in safety, technology and the dnata brand is putting us on course to achieve our vision to be the world's most admired travel services provider.

Fostering a safety culture

Safety and doing things the right way continue to be at the heart of everything we do. 2017/18 was focused on progressing dnata towards becoming a learning organisation on safety and standards, where every incident is regarded as an opportunity to improve and to put preventive measures in place. Nearly 9,000 employees in Dubai participated in our third dnata Culture Survey to get insights on our progress and how to make an even safer place to work in. Similar surveys were rolled out to our operations internationally.

During the year, we held leadership workshops across our network to introduce the Integrated Management System (IMS), which was launched in 2017. The IMS is a single framework of policies, procedures and processes across our businesses covering health, safety, security, environment and quality management.

We also launched the Heart and Minds programme to support employee behaviour and foster an organisational culture focused on our One dnata values of safe and reliable operations. Our Safety & Standards team commenced the development of a common standard for observing, reporting, managing and investigating incidents for application across our operations globally.

AED 150 MILLION

invested to replace our fleet of Ground Support Equipment (GSE) across our airport operations, ensuring modern, efficient equipment

Committed to sustainable operations

At dnata, we endeavour to effectively fulfil our environmental responsibility wherever we operate. With our scale of operations, we recognise that even small initiatives can have a large impact.

Across our network and business units, we are deliberately investing in sustainable operations to conserve water and energy consumption, recycle waste, reduce carbon emissions and recycle materials, such as paper, plastic, cardboard, wood, glass, metal, used cooking and mineral oils.

In 2017/18, we invested AED 150 million to replace our fleet of Ground Support Equipment (GSE) across our airport operations, ensuring that modern, efficient equipment are being deployed. Notably in the UAE, we already run a fleet of electric GSE, with 30 baggage tractors, two conveyor belts and two pushback tractors, and have added a further 50 Prius Hybrids to the fleet.

In the UK, we have partnered with a local GSE manufacturer to develop electric trucks which could significantly reduce carbon emissions. Leading by example, dnata's senior leadership team in Dubai has also replaced its fleet of company-provided vehicles with hybrid cars.

dnata's fleet of hybrid vehicles at Dubai International airport

Making a positive difference in our communities

dnata4good is dnata's Corporate Social Responsibility programme, designed to make a positive difference in the communities around us through employee engagement and community involvement. The programme encourages volunteer work, philanthropic efforts and fundraising activities in support of three main causes – Education, Humanitarian, and Wildlife Conservation.

Our projects supporting Education aim to address the cycle of poverty and underlying obstacles that prevent children from receiving quality education. Our employees have launched initiatives to assist in the building of schools and classrooms, vocational training, school meals, early childhood education, teacher training, curriculum development, and literacy and numeracy education.

This year, we completed our sixth school-building trek to raise funds for the dnata4good schools programme. To date, more than AED 900,000 has been contributed towards this programme. In partnership with Dubai Cares, this money has helped build five schools in poverty-stricken communities in Malawi and Nepal, with a sixth soon to be constructed in Senegal.

We also actively support wildlife conservation in our operating regions and beyond. In 2017, dnata Dynamos, a group of cyclists led by dnata employees completed a challenging 618km cycling trek through France, raising AED 150,000 for Rhino Revolution and Dubai Cares.

In 2017, dnata observed Breast Cancer Awareness month for the first time. Our teams across the network collaborated with locally registered charities to increase awareness of breast cancer and raise funds for research into a cure for the disease.

dnata4good also supports three global observation days in alignment with the United Nations: World Book Day, Breast Cancer Day and Environment Day.

In the nearly four years since launching dnata4good, over 100 projects have been completed and more than 10,000 employees across our global network have participated in at least one initiative. So far, over AED 4 million has been raised by our employees, including dnata matching funds dirham for dirham.

Safety and doing things the right way remain at the heart of everything we do

Industry leadership at world's busiest international hub

dnata's UAE Airport operations manage passenger and cargo aircraft landing at or departing Dubai. In 2017/18, revenues grew steadily by 4% to AED 3.2 billion. Our teams handled over 211,000 aircraft movements, more than 89 million passengers, and in excess of 731,000 tonnes of cargo at Dubai International (DXB) and Al Maktoum International (DWC) at Dubai World Central. Our airport hospitality brand, marhaba, serves nearly one million passengers every year with its comprehensive range of airport lounges and meet and greet services.

We continue to be recognised in the industry for our uncompromising focus on operational excellence and customer service. We were named Ground Services Provider of the Year in the 2017 Aviation Business Awards. We were also named "Most Reliable Cargo Handling Company' at the Logistics, Warehouse & Supply Chain Awards 2017, and were presented with the Best Safety Management (Investigation) Award by our customer, Cathay Pacific, in recognition of our high quality investigation and rectification efforts.

AED 40 MILLION

will be saved over the next five years by taking the maintenance of airside buses in-house

Optimising processes and resources

As our operations expand in tandem with the growth of Dubai as an aviation hub, we rigorously challenge our processes and work practices by applying leading technology and training to improve efficiency, safety, and avoid unnecessary cost on a sustainable basis. In March, we moved into our state-of-the-art airport operations control centre, and in June, our load control centre moved to a new, low-cost location off-airport.

In May, we brought the maintenance of airside buses in-house. From this move, we expect to improve the quality of maintenance, as well as generate savings of AED 40 million over the next five years.

We accelerated the recycling programme for our fleet of 12,000 units of Ground Services Equipment (GSE) at DXB and DWC. Instead of replacing the equipment at the end of their life cycle, we now perform a mechanical overhaul to put them back in service. Over 100 units of GSEs have been renewed to-date, reducing waste generated from this category of equipment by 250 tonnes, while passing all safety and quality checks and achieving savings in excess of AED 14 million.

In DWC, we began testing new equipment and processes at the passenger terminal, which has been undergoing significant expansion works to serve the future growth of travellers and flights. The learning from these tests is also being applied to enhance the efficiency of our operations at DXB. We partnered with flydubai to trial remote control electric vehicles used to service narrow-body aircraft.

Underpinning our success and ongoing commitment to excellence is a strong culture that reflects our One dnata values. During the year, we launched our LEAN academy, with its first 12 graduates. LEAN is a methodology to help eliminate waste, reduce complexity and optimise resources to add value to our customers. We trained the entire management team in the basic principles. Our employees generated over 100 ideas, which are being evaluated for implementation.

In November, nearly 9,000 employees completed our third Culture Survey, which tracks our progress on making dnata a better and safer place to work. The response rate is the highest ever achieved, and the results showed a significant improvement in employee engagement and safety culture, reflected in improvements in all safety measures.

Transforming the future of cargo management

In line with a strong global pick-up for air cargo transport, we saw cargo volumes handled increase by 2% to 731,000 tonnes during 2017/18. Revenues from our cargo business increased by 6%.

The year saw a steady delivery of initiatives started in 2014 to optimise our operations, covering facility improvements, process changes, infrastructure upgrades and IT development. We opened a new customer service centre and cargo integrated control centre located in the Dubai Airport Free Zone, as well as another cargo warehouse, increasing our processing capacity by 25%.

In addition, we completed the conversion of all diesel-powered forklifts to electric ones. This is reducing the carbon footprint at cargo operations in Dubai by 80%, saving 200,000 litres of fuel per year, and reducing CO2 emissions by 47 tonnes per year.

We also embarked on a series of technology initiatives aimed at transforming our processes to meet future growth.

In September, we made a substantial investment in a cutting-edge cloud-based software platform that will enable freight forwarders, agents and airlines to plan all land transport processes with us more efficiently. This solution, which will be implemented by July 2018, is the first of its kind in the aviation cargo industry.

In March, we became the first ground handler to implement a global roll-out of the iCargo terminal operation suite across all our stations. This investment will enable us to manage our air cargo movement worldwide seamlessly and have all our operations on one cargo management IT platform using unified processes. The system will be gradually implemented, and by 2020, will have a user base of over 5,000 employees across 27 stations in 10 countries.

We also successfully tested the use of blockchain technology to further streamline and simplify our cargo delivery processes from origin to final destination. We are now able to track the paper trail of cargo containers by digitizing the supply chain, thereby eliminating redundant data, improving transparency and tightening information security for all stakeholders.

Throughout the year, we organised Cargo Connect, a series of forums to demonstrate to our customers how our digital transformation roadmap will provide significant efficiency improvements to their business. As the aviation services leader in the market, we will continue to engage and collaborate with all stakeholders in the UAE aviation eco-system to drive innovation, and ultimately, deliver even better services.

dnata was named 'Ground Services Provider of the Year' at the 2017 Aviation Business Awards

dnata handles the world's largest commercial passenger aircraft for 10 airlines at 18 airports

Building a quality reputation across our global operations

Our international ground handling operations are in 78 airports around the world, serving more than 300 airlines.

dnata is one of the world's largest providers of airport services, supporting airline customers with aircraft appearance; load control and flight operations; passenger assistance; lounges; technical maintenance; cargo and ramp services.

In 2017/18, we focused on integrating the new businesses we acquired the previous year and on leveraging our global network to deliver strong growth. We handled 449,000 aircraft turnarounds, 2.4 million tonnes of cargo, and saw strong revenue growth of 14% to AED 3.8 billion.

More than just size and scale, our teams are earning recognition for our high quality standards, and winning over customers. Through the year, we won over 90 contracts with new and existing customers, including Etihad, Lufthansa Group, Air Canada, China Airlines, Saudia and Japan Airlines. In November alone, we commenced 10 new contracts in one day with six airlines at airports in Adelaide, Karachi, Islamabad, Lahore, Amsterdam, Manchester, Toronto and Dallas.

The confidence our customers have placed in us reflects their endorsement of our track record as well as the investment we have continuously made in our people, systems and processes to be a preferred provider of air services in each market. This includes investing AED 82 million on replacing our fleet of ground handling vehicles across our global network.

Expanding in key markets

In the US, we received a new licence to provide ground handling services at John F. Kennedy International Airport's (JFK) Terminal 4 in New York. This strengthened our existing operations in JFK's terminals 1, 7 and 8, as well as for UPS and United States Postal Service. We also commenced operations at Singapore Changi Airport's new Terminal 4 with our customer, Cathay Pacific, and at JFK's Terminal 8 with Cathay Pacific and Qantas.

marhaba, our airport hospitality brand, welcomed two new lounges, at Karachi's Jinnah International Airport in Pakistan, and at Melbourne's Tullamarine Airport Terminal 2, which is our first Australian passenger lounge.

During the year, our operations at Iraq's Erbil International Airport was disrupted from September 2017 to February 2018 due to a ban imposed on all international flights into and out of the Kurdistan region of Iraq. Despite this, we continued serving domestic flights while ensuring our readiness to recommence ground handling for international flights when they resumed.

90+
CONTRACTS
won with new and existing customers, including Etihad, Lufthansa Group, Air Canada, China Airlines, Saudia and Japan Airlines

Boosting cargo capability

In recent years, dnata has significantly expanded its global cargo offering, including the opening of new cargo facilities, as well as investing in technology and leading-edge equipment. We now handle 2.4 million tonnes of cargo at 43 airports worldwide and continue to increase our presence in key markets.

In May, we acquired AirLogistix USA, marking our first entry into the US cargo market and a further step towards becoming a global leader in the handling of perishable and pharmaceutical cargo. The acquisition includes a 30,000 sq ft, state-of-the-art cargo handling centre at George Bush Intercontinental Airport, the only dedicated perishable cargo facility at Houston airport.

As part of the same investment in AirLogistix USA, we officially opened a second cargo facility in Dallas Fort Worth International airport (DFW) in March 2018. The 37,000 sq ft cargo centre features the only dedicated cool-chain perishable cargo at DWF and bears IATA's CEIV accreditation for the highest international standards.

In the UK, we enlarged our cargo handling capacity at Gatwick Airport to support our growing customer base. We also expanded in Amsterdam with the opening of an additional cargo warehouse at Schiphol Airport. The 91,000 sq ft (8,500 sqm) facility has a capacity of over 80,000 tonnes of cargo break down and build up per year. In addition, dnata is the first handling company at Schiphol Airport to offer temperature-controlled cargo dollies to its infrastructure. The high-tech containers are specially designed to serve the pharmaceutical industry with a closed temperature-controlled system for seamless delivery of temperature-sensitive goods from the warehouse to the aircraft.

In Australia, we opened our first airside cargo facility in Adelaide. We also enhanced our export screening capability for USA bound cargo, investing AU$ 1.5 million in new infrastructure, improved operating procedures and employee training, which will strengthen the security of our customers' shipments.

ADDITIONAL

91,000

SQ FT

cargo warehouse opened at Schiphol Airport with capacity to handle over 80,000 tonnes of cargo per year

dnata invests in its people, equipment and technology to deliver safe, efficient and sustainable operations

Achieving efficiency and sustainability

While managing the rapid expansion of our business footprint, we are concurrently committed to operating with a mindset of efficiency and environmental sustainability.

In July, we opened a new 6,900 sqm maintenance base at Singapore Changi Airport featuring green technology. With three times more capacity than the first facility, the new maintenance base can handle an average of 9,000 repairs and maintenance activities annually.

To improve the maintenance operations of our ground service equipment fleet in Australia, we signed a long term agreement with Adaptalift GSE for a programme to replace, renew, and refurbish our equipment. In addition to increased utilisation, reliability and enhanced service to our airline customers, the programme will lead to more efficient operating costs.

In the UK, as part of our 'Cleaning our air from the ground up' philosophy, we deployed 10 electric vehicles across our operations which contribute positively to reducing our carbon footprint. We also partnered with a local GSE manufacturer to develop electric trucks capable of operating for 16 hours a day on batteries and saving an estimated 32 tonnes of CO2 per year per truck.

Our commitment to excellence continues to garner industry endorsement. For the fourth consecutive year, we were named by Air Cargo News as 'Ground Handler of the Year'. Our UK operation won 'Best Air Cargo Terminal Operator - Europe' for the third year running at the 2017 Asian Freight Logistics and Supply Chain Awards.

32

TONNES OF CO2

saved per year per truck through our partnership with a GSE manufacturer in the UK to develop electric trucks that can operate for 16 hours a day

dnata's talented and passionate chefs use the freshest local ingredients and the finest recipes to produce meals for our customers

Global experts in world cuisines

Every day, dnata prepares over 150,000 meals for more than 140 airlines in 62 catering locations around the world.

Our ability to deliver consistent and quality standards, our expertise in adding value to our customers' business, and our ability to anticipate change and invest for sustainable growth, continue to win us new contracts and recognition in the industry.

This year, we were named 'Airline Caterer of the Year' Asia by readers of Pax International. We also earned accolades from our customers including: 'Best Global Caterer (Golden Spoon) 2017' from Beijing Capital Airlines, and 'Best Corporative Caterer' 2017 from Xiamen Airlines.

In 2017/18, our catering business achieved a 7% increase in revenue to AED 2.1 billion, driven by improved performance in most markets. We uplifted more than 55 million meals to airline customers and continued to expand our value-added inflight services such as onboard retail. We won a number of new airline customers and extended existing partnerships with others, including Hainan Airlines, Singapore Airlines and Air China.

In several markets, we expanded our in-airport service, launching the marhaba lounge brand at Melbourne Airport and catering for Emirates and Lufthansa at their respective Milan Malpensa airport lounges. We continued to add to and enhance our airport café and restaurant business, which now includes more than 40 outlets across our network.

During the year, we rebranded our Australia flight catering business, Alpha Flight Services, to dnata catering. This is in line with our ambition to bring all our global businesses under the One dnata umbrella where possible, to better leverage the strengths and synergies that come with being a group, and to provide a consistent brand experience to our customers around the world.

Strategic growth

While we continually drive excellence and results in our ongoing operations, we also concurrently make strategic investments in markets where we can add value and capitalise on growth opportunities.

150,000

MEALS

served each day to over 140 airlines in 62 catering locations around the world

In Australia, we opened an AU$ 50 million state-of-the-art catering hub at Melbourne Airport in September. With a space of 11,000 sq ft and a capacity to prepare more than 750,000 meals a month, it is the largest such facility in the southern hemisphere and attests to our ability to run large-scale projects in mature markets.

In January, we opened our second catering facility in Ireland. The new facility at Dublin Airport represents a strategic investment into a market where we see great growth potential, with passenger traffic reaching 30 million annually, and an expanding base of international airlines. The new facility currently has the capacity to produce 120,000 meals a month, which can be increased if required.

In February, we entered the Canadian market when we were awarded a licence to provide flight catering services to airlines departing Vancouver International Airport. This exciting opportunity enables us to bring our expertise in global and diverse cuisine, particularly halal and Asian, to airlines and their passengers. We have commenced plans to invest over CAD 7 million to build and fit-out a dedicated catering facility at Vancouver, and expect to start operations in Q4 2018.

3

SILVER MEDALS

and a bronze for Cantonese cuisine at the World Master Chefs Competition held in Hong Kong

We strengthened our presence in the North American market with the acquisition of 121 In-flight Catering, a New York-based inflight and VIP caterer in March 2018. This is pending approval from the Committee of Foreign Investments in the United States (CFIUS). 121's heritage in high-end restaurant catering aligns with our ongoing focus on culinary excellence. Alongside the experienced 121 management team, we intend to expand further in the US, starting at Nashville International Airport, where we will open a catering facility in May 2018.

Capitalising on global trends

With passenger traffic growth from Asia projected to outpace other regions in the next two decades, we have been enhancing our capabilities as global experts in cuisine styles for this region.

Over the last five years, while building on our long-established strengths in halal and Western cuisine, we have consciously focused on developing culinary expertise in regional Asian cuisines such as Chinese, Japanese, and Korean.

Our chefs have proven their specialist skills, garnering top placings at Asian culinary competitions. In 2017/18, we won three silver medals and a bronze for Cantonese cuisine at the World Master Chefs Competition held in Hong Kong.

Our strategy continues to reap business results. During the year, we have expanded our presence with China Southern, Hainan Airlines, Air China and Tianjin Airlines in Australia. We now provide inflight meals to every Chinese airline flying into Australia.

dnata's team of industry experts provides customers with inflight retail solutions backed by the latest technological innovations

Our ability to identify key trends has enabled us to invest ahead and capitalise on opportunities to continue thriving in a highly competitive industry.

Building for flexibility and sustainability

As we upgrade, expand, or invest in new facilities, we deliberately build for flexibility and sustainability, so that we can respond to catering trends and customer needs with agility and speed to market. Our food preparation areas, for instance, are equipped with modular systems that can be easily reconfigured.

Wherever possible, we have also invested in green building design, equipment, processes and technology that support our commitment to sustainable operations. For instance, replacing diesel powered ramp vehicles with hybrid and electrical ones in the UK and UAE, using solar powered water heating systems in Italy and the Czech Republic, and recycling used cooking oil and packaging materials in Jordan.

Adding value to our customers

As the airline industry continues to invest in ancillary revenue opportunities, we have been able to use our retail capability and expertise to support our customers in their onboard retail strategies.

On top of the quality products we offer for inflight sales, we also provide dedicated support services, such as managing crew engagement, training and incentive programmes, and a suite of technology solutions for customer marketing and management.

Our dedicated product development and design business, En Route International, expanded its product partnerships in 2018 with a number of leading, on-ground global brands now looking to us to launch their products inflight.

dnata Travel manages Arabian Adventures, the Gulf region's leading Destination Management Company that creates memorable experiences for visitors to the UAE

Global products, services and expertise

dnata's diverse portfolio of market-leading travel businesses means that we are well-placed to serve customers from all segments of the travel industry with our products, services and expertise.

Our travel brands include: Congress Solutions International; dnata Travel; Emirates Holidays; G Travel International; Gold Medal; MMI Travel; Netflights; Pure Luxury Worldwide Holidays; Sunmaster; The Global Travel Group; Travel2; Travelbag; and Travel Republic, as well as destination management companies (DMCs) Arabian Adventures and Gulf Ventures providing in-resort services and offering ground tours and activities in the UAE and Oman. We also have strategic stakes in Imagine Cruising, Destination Asia, City Sightseeing Dubai, and Travel Counsellors. We manage EmQuest on behalf of the Emirates Group, and we have wholly owned and joint venture companies in eight countries in the Middle East and Indian subcontinent region.

In 2017/18, our travel division recorded solid growth, achieving a total transaction value of AED 11.3 billion. We purchased close to eight million room nights, a healthy increase over the previous year, as we continued to optimise our centralised land purchasing function. Across our B2B and B2C brands, our Net Promoter Score finished at 63%, which is 10% points higher than the industry benchmark for Leisure, Travel & Tourism.

8
MILLION
room nights purchased during the year

Tapping opportunities in the Middle East

In the Middle East, an upswing in both inbound and outbound tourism demand presented opportunities to expand our operations in the region.

In the UAE, we continued to see a healthy increase in the number of inbound passengers. In 2017/18, 9.5 million customers who travelled to or transited through Dubai, used our services, a 9.1% increase from the previous year. City Sightseeing Dubai, our hop-on-hop-off-tours, saw a healthy 12% growth in bookings with revenues rising by 11%.

Our travel management business in the UAE and in eight other countries across the region performed strongly, with sales growth of 14%, underpinned by a record number of new contracts, and achieving over 95% in customer retention rates.

In November, we launched the Yalago brand as a global leisure bedbank to serve third-party customers in the leisure travel segment with accommodation bookings, and have already secured 27 external customers. We also invested significantly in a health and safety programme, partnering with an independent provider to regularly audit all of our hotel suppliers around the world, so that our customers have peace-of-mind when booking their stay with us.

Emirates Holidays expanded to the US, bringing our offering of exceptional travel experiences to discerning travellers. We successfully trialled the use of artificial intelligence in the US market with a cutting-edge advertising campaign incorporating an AI-powered chatbot that interacts with customers directly, recommending destinations and vacation packages based on their preferences. We also expanded our online transactional presence to more countries and introduced Arabic websites.

As the travel industry continues evolving in a very competitive environment, we are forging ahead with strategic investments in our business transformation.

In 2017/18, we created two travel reservation systems for Emirates Holidays and dnata Travel's B2B business, to replace existing ones. The new systems provide enhanced functionality and a more efficient way to serve our partners and customers. In our contact centres, we are close to upgrading our entire telephony platform worldwide, which coupled with a new industry leading CRM system, will allow us to provide a superior customer experience along with far greater efficiencies.

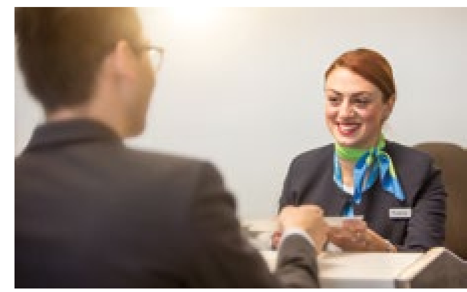
In December, EmQuest, Emirates' technology distribution arm for the travel industry, extended its partnership with global technology company Sabre for an eight-year period. This exclusive partnership in the UAE, established in 2009, has enabled EmQuest to be the preferred technology distributor for travel management companies operating in the UAE.

On 9 February, it was announced that Hogg Robinson Group plc (HRG), in which dnata holds a 21.85% shareholding, had received a recommended cash offer from American Express Global Business Travel. On 16 March, the offer was approved by the shareholders of HRG. However completion of the acquisition remains subject to certain conditions, including regulatory clearances. Following the expected completion of the transaction, dnata intends to continue to partner with HRG in the Middle East and West Asia where strong relationships have been developed over the past decade with our corporate customers and agency partners.

Staying ahead of the pack in Europe

In Europe, the travel industry faced a challenging trading year. Customer demand shifted away from higher security risk destinations in the Eastern Mediterranean to the Western Mediterranean and led to subsequent supply challenges and increased prices for the consumer. On the positive side, the impact was mitigated by a healthy increase in long-haul travel and cruise bookings.

Other industry challenges that we tackled during the year included: the rise in fraudulent personal travel insurance claims, and compliance with the European General Data Protection Regulation (GDPR), which comes into force in May 2018.



We also demonstrated our crisis management capability with the robust handling of natural disasters, terrorist activity, and company failures. For instance when Monarch Airlines collapsed, disrupting the travel plans of many, we were able to help our affected customers rebook their travel plans quickly, minimising their inconvenience.

Our UK-based Imagine Cruising business completed its first year of trading in Australia, where our Cruise and Stay Holidays were well received. To boost growth in this market, Imagine Cruising acquired Holiday Planet, a leading travel company in Perth.

During the year, we completed our new senior management team, recruiting best-in-class professionals who bring breadth and depth of travel experience to drive our growth in Europe and the Middle East. We also established a panel of external advisers, who are distinguished veterans in the travel industry, to lend their expertise and experience in our expansion strategy.

dnata serves customers from all segments of the travel industry through our diverse portfolio of products and services

Expanding in Asia

In India, dnata won its biggest corporate travel management contract and achieved overall growth of 20% in the year.

We completed our acquisition of a stake in Destination Asia, a leading DMC with presence across 11 Asian countries. This formally marked our entry into South East Asia's inbound travel market.

6
TROPHIES
won at the British Travel Awards 2017

Award-winning quality and service

Our focus on quality and service continues to be valued by our customers and recognised by the industry.

At the World Travel Awards Middle East 2017, dnata Travel won triple honours. We were named 'UAE's Leading Travel Agency' for the fourth consecutive year, 'Abu Dhabi's Leading Travel Agency', and 'The Middle East's Leading Business Travel Agency'.

Arabian Adventures MICE became the first UAE-based DMC to win the prestigious 'Crystal Award for Excellence in Incentive Travel' from the Society for Incentive Travel Excellence (SITE).

In the UK, Emirates Holidays swept the British Travel Awards 2017 with six wins. The team was voted by the travelling British public for: Best Luxury Holiday Company, Best Family Holiday Company, Best Holiday Company to the Middle East, Best Holiday Company to the Indian Ocean, Best Holiday Company to Southern Asia, and Best Holiday Company to South-East Asia (Silver Award).

02 MAY

dnata is named Ground Handler of the Year at the 2017 Air Cargo News awards for the 4th consecutive year

1ST QUARTER

01 APRIL

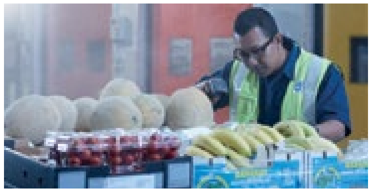
Emirates Holidays launches operations in the USA as Emirates Vacations

10 APRIL

Emirates wins 'Best Airline in the World' at TripAdvisor's Travelers' Choice Awards for Airlines 2017

03 APRIL

Emirates SkyCargo launches SkyFresh, a range of cool chain solutions for perishables and fresh consumables



10 APRIL

dnata's Catering team in Singapore picks up the 'Airline Caterer of the Year' award from PAX International, a leading publication for the catering industry

21 JUNE

Emirates wins 13th consecutive 'World's Best Inflight Entertainment' award at Skytrax World Airline Awards 2017

09 MAY

dnata commences cargo operations in the USA with its acquisition of AirLogistix USA's operations in Houston

09 MAY

Emirates SkyCargo and Cargolux announce strategic operational partnership focusing on aircraft capacity, block space and interline, hub connectivity, and cargo handling

24 MAY

Emirates launches 'Together' initiative in collaboration with key partners in Dubai to improve the traveller experience at Dubai International

31 MAY

dnata Australia enhances its export screening capability for USA bound cargo, investing AU$ 1.5 million in new infrastructure, improved operating procedures, and employee training

01 JUNE

Zagreb, Croatia joins Emirates' global network

04 JUNE

dnata Travel launches Secret Stays programme, offering the best last-minute deals in Dubai and Abu Dhabi

12 JUNE

Emirates SkyCargo starts freighter services to Luxembourg as part of its strategic partnership with Cargolux

2ND QUARTER

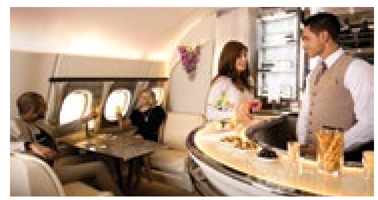
01 JULY
Emirates launches daily linked service from Dubai to Phnom Penh in Cambodia, via Yangon in Myanmar

01 JULY
dnata opens its second cargo warehouse at Amsterdam Airport Schiphol. The brand new 8,500 sqm facility will help the business meet customer demand

13 JULY
Emirates inaugurates its 41st dedicated lounge at Boston Logan International Airport

17 JULY
Emirates and flydubai announce an extensive partnership, including a broad codeshare agreement, schedule alignment, and network optimisation to provide passengers access to over 200 unique destinations

20 JULY
marhaba opens its first passenger lounge in Karachi's Jinnah International Airport



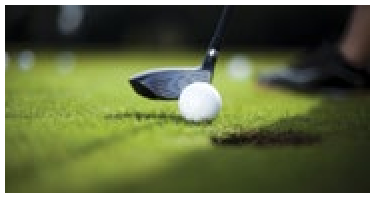
01 AUGUST
Emirates' newly revamped A380 Onboard Lounge makes its operational debut to Kuala Lumpur

09 AUGUST
Emirates renews partnership with The Football Association (FA) for another three years. The agreement sees the tournament continuing to be named The Emirates FA Cup

17 AUGUST
Emirates SkyCargo rolls out a new white cover solution developed in collaboration with DuPont, offering enhanced protection for temperature-sensitive cargo

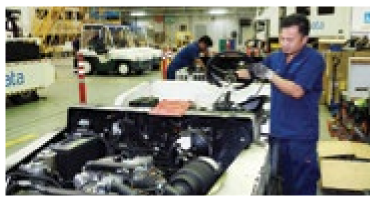
22 AUGUST

Emirates becomes official partner of the 2018 Ryder Cup and extends its partnership with the European Tour until 2021



24 AUGUST

dnata ramps up recycling programme for its fleet of 12,000 Ground Services Equipment (GSE) at both its Dubai hubs, recycling 140 GSE units and reducing waste by 250 tonnes in 2017

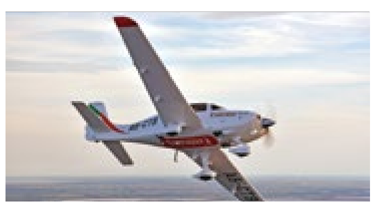


06 SEPTEMBER

dnata digitalizes its end-to-end air cargo processes in Dubai, increasing transparency and co-ordination with freight forwarders, agents and airlines, via a cloud-based software platform

07 SEPTEMBER

Emirates Flight Training Academy takes delivery of its first two Cirrus SR22 G6 training aircraft, the first of the 22 single-piston engine Cirrus aircraft ordered by the Academy to train ab initio pilots



12 SEPTEMBER

marhaba opens its first Australian passenger lounge at Melbourne's Tullamarine Airport Terminal 2

15 SEPTEMBER

Alpha Flight Services in Australia opens its 11,000 sq ft state-of-the-art catering hub at Melbourne Airport, the largest such facility in the southern hemisphere

21 SEPTEMBER

Emirates signs an agreement with Real Madrid to extend its shirt sponsorship until 2022

27 SEPTEMBER

Emirates clinches the Passenger Choice award for Best Entertainment at the 2017 APEX Passenger Choice Awards and is given a Five-Star Global Airline Official Airline Rating

25 OCTOBER
dnata marks 10 years of handling the Airbus A380 aircraft, since the first commercial flight arrived in Sydney in 2007. dnata is the most experienced A380 ground handler, serving 10 operators of the world's largest commercial jet at 18 airports

3RD QUARTER

15 OCTOBER
Emirates launches US$ 15 million campaign to inspire travel and promote its global network including its home, Dubai

25 OCTOBER
Emirates and a consortium of industry partners announce an initiative to build the world's first Aviation X-Lab at Area 2071, the experimental nucleus of the UAE's Centennial Plan

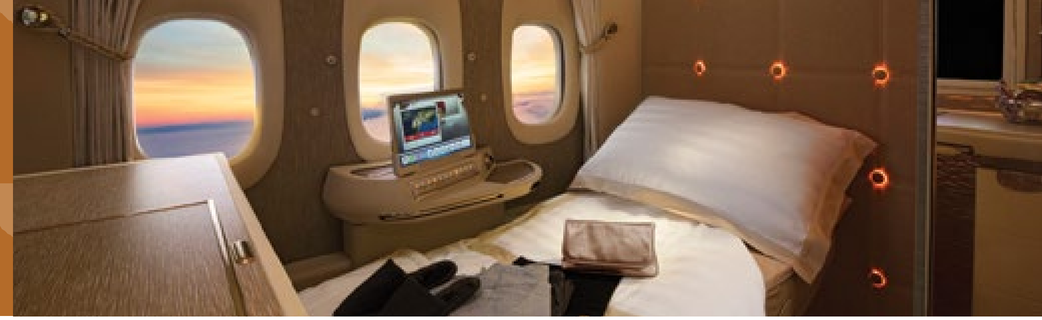
29 OCTOBER
dnata Travel earns triple honours at the World Travel Awards Middle East 2017 - 'UAE's Leading Travel Agency' for the fourth consecutive year, 'Abu Dhabi's Leading Travel Agency', and 'The Middle East's Leading Business Travel Agency'

01 NOVEMBER
Emirates unveils the first aircraft in its fleet emblazoned with a new livery dedicated to Expo 2020 Dubai

01 NOVEMBER
dnata celebrates a landmark day with 10 new contracts, starting with six different airlines at eight different stations - spanning Adelaide, Karachi, Islamabad, Lahore, Amsterdam, Manchester, Toronto and Dallas

12 NOVEMBER

Emirates launches new interiors for its Boeing 777 aircraft, including fully enclosed private suites in First Class inspired by Mercedes-Benz. The global campaign for its new game-changing product was fronted by motoring celebrity Jeremy Clarkson



03 NOVEMBER

Emirates receives its 100th Airbus A380, and unveils a bespoke livery as a tribute to the late HH Sheikh Zayed bin Sultan Al Nahyan, founding father of the UAE

12 NOVEMBER

Emirates announces a US$ 15.1 billion commitment for 40 Boeing 787-10 Dreamliners, taking its total wide-body commitment with Boeing to 252 aircraft

13 NOVEMBER

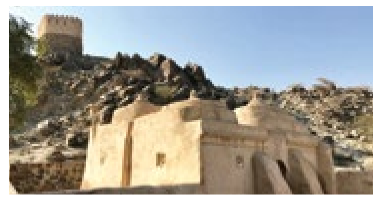
The Emirates Flight Training Academy is officially inaugurated by HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, and Ruler of Dubai

15 NOVEMBER

Emirates and Thales sign an agreement to equip the airline's future Boeing 777X fleet with next generation broadband inflight connectivity, using the Inmarsat GX global network for best-in-class connectivity

16 NOVEMBER

Emirates Engineering announces use of cutting-edge 3D printing technology to manufacture components for Emirates' aircraft cabins



20 NOVEMBER

Arabian Adventures launches new, revamped tours and safaris to showcase the diversity of UAE's attractions

23 NOVEMBER

dnata's cargo operations marks an innovation milestone, as it successfully tests the use of blockchain technology to improve efficiency, security, and visibility for airfreight stakeholders in Dubai, together with partners Emirates Innovation Lab, flydubai Cargo, and IBM

23 NOVEMBER

The Emirates Group publishes its seventh annual Environmental Report outlining the Group's environmental performance for the financial year 2016/17

4TH QUARTER

8 JANUARY
Emirates Group Security and Etihad Aviation Group sign a Memorandum of Understanding for cooperation in aviation security

21 JANUARY
dnata opens new flight catering facility at Dublin Airport with a capacity of 4,000 meals a day, focussed on serving premium long-haul airline customers. This is its second facility in Ireland, after Cork

14 JANUARY
Arabian Adventures MICE becomes the first UAE-based DMC to win the prestigious Crystal Award for Excellence in Incentive Travel from the Society for Incentive Travel Excellence (SITE)

05 FEBRUARY
Emirates Engineering announces agreement with Qantas for aircraft maintenance, including the stripping and repainting of eight Qantas A380 aircraft. The agreement highlights Dubai as a centre of excellence for Airbus A380 maintenance

16 JANUARY
Emirates launches 'Upgrade your Airline' campaign to promote travel on its award-winning Economy Class

06 FEBRUARY
Emirates SkyCargo expands its footprint in Europe with new scheduled freighter services to Maastricht

18 JANUARY
Emirates signs a US$ 16 billion deal for 36 additional Airbus A380 aircraft including 16 options, taking its total A380 commitment to 76 aircraft

08 FEBRUARY
The Emirates Group signs a Memorandum of Understanding with the Andhra Pradesh Economic Development Board to establish a collaboration framework to support the development of the Indian state's aviation sector.

20 FEBRUARY

dnata obtains licence to provide flight catering services at Vancouver International Airport

15 FEBRUARY

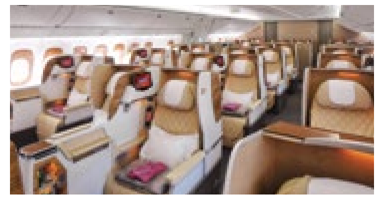
Emirates SkyCargo transports KhalifaSat from Dubai to South Korea on a specially chartered Boeing 777 freighter. KhalifaSat is the first satellite developed and built by Emirati engineers in the UAE at the Mohammed Bin Rashid Space Centre (MBRSC)

19 FEBRUARY

Emirates extends its shirt partnership with Arsenal Football Club for a further five years until the end of the 2023/24 season

28 FEBRUARY

Emirates Skywards reaches the milestone of 20 million members



05 MARCH

Emirates unveils its refurbished Boeing 777-200LR aircraft with two-class cabin, offering wider seats in Business Class laid out in a 2-2-2 configuration, and a refreshed Economy Class

06 MARCH

dnata opens a 37,000 sq ft cargo centre at Dallas Fort Worth International Airport, a US$ 3 million investment that includes the airport's only dedicated cool-chain perishable cargo facility

22 MARCH

Emirates closes US$ 600 million sukuk bond

23 MARCH

Emirates and Qantas receive reauthorisation from the Australian Competition and Consumer Commission to continue their partnership until 2023

Overview
Emirates
dnata
Group
Financial Information
Additional Information

Emirates' growing network

Emirates operates flights to 157 destinations in 84 countries, offering industry-leading passenger and cargo air transport services.

We connect the world to, and through, our hub in Dubai.

Emirates destinations ●

NORTH AMERICA
AGUADILLA
BOSTON
CHICAGO O'HARE
COLUMBUS
DALLAS/FORT WORTH
FORT LAUDERDALE
HOUSTON
LOS ANGELES
MEXICO CITY
NEWARK
NEW YORK
ORLANDO
SAN FRANCISCO
SEATTLE
TORONTO
WASHINGTON

SOUTH AMERICA
BUENOS AIRES
CIUDAD DEL ESTE
QUITO
RIO DE JANEIRO
SAO PAULO
VIRACOPOS

EUROPE
AMSTERDAM
ATHENS
BARCELONA
BIRMINGHAM
BOLOGNA
BRUSSELS
BUDAPEST
COPENHAGEN
DUBLIN
DÜSSELDORF
FRANKFURT
GENEVA
GLASGOW
HAMBURG
ISTANBUL
LARNACA
LIEGE
LISBON
LONDON GATWICK
LONDON HEATHROW
LUXEMBOURG
LYON
MADRID
MALTA
MANCHESTER
MAASTRICHT
MILAN
MOSCOW
MUNICH
NEWCASTLE
NICE
OSLO
PARIS
PRAGUE
ROME
ST. PETERSBURG
STOCKHOLM
VENICE
VIENNA
WARSAW
ZAGREB
ZARAGOZA
ZURICH

AFRICA
ABIDJAN
ABUJA
ACCRA
ADDIS ABABA
ALGIERS
CAIRO
CAPE TOWN
CASABLANCA
CONAKRY
DAKAR
DAR EL SALAAM
DJIBOUTI
DURBAN
ELDORET
ENTEBBE
HARARE
JOHANNESBURG
KHARTOUM
LAGOS
LILONGWE
LUANDA
LUSAKA
MAURITIUS
NAIROBI
OUAGADOUGOU
SEYCHELLES
TUNIS

MIDDLE EAST
AMMAN
BAGHDAD
BAHRAIN
BASRA
BEIRUT
DAMMAM
DUBAI INTERNATIONAL
DUBAI WORLD CENTRAL
JEDDAH
KUWAIT
MASHHAD
MEDINA
MUSCAT
RIYADH
TEHRAN

ASIA
AHMEDABAD
BALI
BANGKOK
BEIJING
BENGALURU
CEBU
CHENNAI
CLARK
COLOMBO
DHAKA
GUANGZHOU
HANOI
HO CHI MINH CITY
HONG KONG
HYDERABAD
ISLAMABAD
JAKARTA
KABUL
KARACHI
KOCHI
KOLKATA
KUALA LUMPUR
LAHORE
MALE
MANILA
MULTAN
MUMBAI
NEW DELHI
OSAKA
PESHAWAR
PHNOM PENH
PHUKET
SEOUL
SHANGHAI
SIALKOT
SINGAPORE
TAIPEI
THIRUVANANTHAPURAM
TOKYO HANEDA
TOKYO NARITA
YANGON
YINCHUAN
ZHENGZHOU

AUSTRALASIA
ADELAIDE
AUCKLAND
BRISBANE
CHRISTCHURCH
MELBOURNE
PERTH
SYDNEY

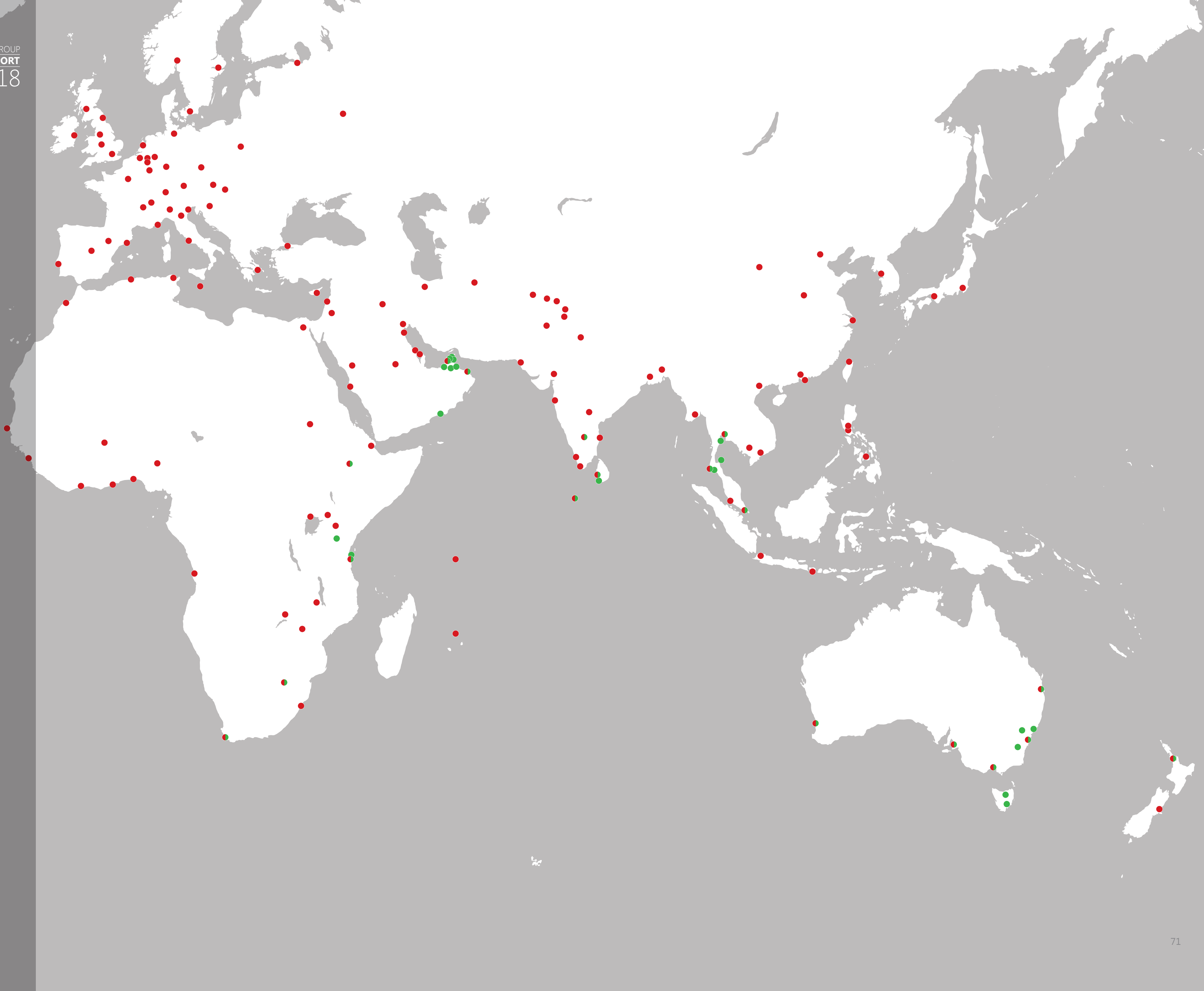
Emirates presence ●

AFRICA
ADDIS ABABA
ARUSHA
CAPE TOWN
DAR ES SALAAM
JOHANNESBURG
ZANZIBAR

MIDDLE EAST
ABU DHABI
AJMAN
AL AIN
DUBAI
FUJAIRAH
MUSCAT
RAS AL KHAIMAH
SALALAH
SOHAR
SHARJAH
UMM AL QUWAIN

ASIA
BANGKOK
BENGALURU
COLOMBO
GALLE
HUA HIN
KRABI
MALE
PHUKET
SAMUI
SINGAPORE

AUSTRALASIA
ADELAIDE
AUCKLAND
BRISBANE
CANBERRA
HOBART
LAUNCESTON
MELBOURNE
NEWCASTLE
PERTH
SYDNEY
WOLGAN VALLEY



dnata's growing network

dnata's business footprint in airport operations, catering and travel services, span 196 cities and airports across the globe.

We aim to be the world's most admired air services provider.

dnata presence ●

NORTH AMERICA
ATLANTA
AUSTIN
BOSTON
CHICAGO O'HARE
DALLAS/FORT WORTH
DETROIT
EL PASO
GRAND RAPIDS
HOUSTON
INDIANAPOLIS
LAREDO
LOS ANGELES
LUBBOCK
MCALLEN
MILWAUKEE
NEW YORK
NEWARK
ONTARIO
ORLANDO
PHILADELPHIA
SAN DIEGO
SANFORD
SAN FRANCISCO
TAMPA
TORONTO
WASHINGTON
WICHITA

SOUTH AMERICA
ARACAJU
BELEM
BOA VISTA
BRASILIA
CAMPINA GRANDE
CURITIBA
FLORIANOPOLIS
FORTALEZA
ILHEUS
JOAO PESSOA
JUAZEIRO DO NORTE
MACAPA
MACEIÓ
MANAUS
NATAL
PETROLINA
PORTO ALEGRE
PORTO SEGURO
RECIFE
RIO DE JANEIRO
SALVADOR
SANTAREM
SAO LUIS
SAO PAULO
TERESINA

EUROPE
ABERDEEN
ALGHERO
ALTON
AMSTERDAM
BARI
BELFAST
BIRMINGHAM
BOLOGNA
BRIGHTON
BRINDISI
BRISTOL
BUCHAREST
CAGLIARI
CARDIFF
CATANIA
CHELTENHAM
DONCASTER
EAST MIDLANDS
EDINBURGH
FLORENCE
GENEVA
GENOA
GLASGOW
HALIFAX
KINGSTON
KNUTSFORD
LAMEZIA TERME
LEEDS
LONDON GATWICK
LONDON HEATHROW
LONDON STANSTED
LUTON
MANCHESTER
MILAN LINATE
MILAN MALPENSA
NAPLES
NEWCASTLE
OLBIA
PALERMO
PISA
PRAGUE
PRESTON
ROME CIAMPINO
ROME FIUMICINO
SANDYCROFT
SOFIA
SOLIHULL
SWINDON
TRAPANI
TURIN
VENICE
VERONA
WINCHESTER
ZURICH

AFRICA
CAPE TOWN
JOHANNESBURG

MIDDLE EAST
ABU DHABI
AJMAN
AL AIN
AL KHOBAR
AMMAN
BAHRAIN
BURAIMI
DAMMAM
DOHA
DUBAI INTERNATIONAL
DUBAI WORLD CENTRAL
DUQM
ERBIL
FUJAIRAH
IBRA
IBRI
JEDDAH
JUBAIL
MAABELA
MUSCAT
NIZWA
QASSIM
RABIGH
RAS AL KHAIMAH
RIYADH
SALALAH
SEEB
SHARJAH
SOHAR
TAIF
YANBU

ASIA
AHMEDABAD
BAGAN
BALI
BANGKOK
BEIJING
BENGALURU
CEBU
CHIANG MAI
CLARK
DA NANG
DELHI / NOIDA
FAISALABAD
GUILIN
HANOI
HO CHI MINH
HONG KONG
HYDERABAD
INLE LAKE
ISLAMABAD
JAKARTA
KABUL
KARACHI
KOH SAMUI
KOTA KINABALU
KUALA LUMPUR
KYOTO
LAHORE
LUANG PRABANG
MANDALAY
MANILA / MAKATI
MULTAN
MUMBAI
PATTAYA
PENANG
PESHAWAR
PHNOM PENH
PHUKET
PUNE
QUETTA
SHANGHAI
SIEM REAP
SINGAPORE
TOKYO
VIENTAINE
YANGON
YOGYAKARTA

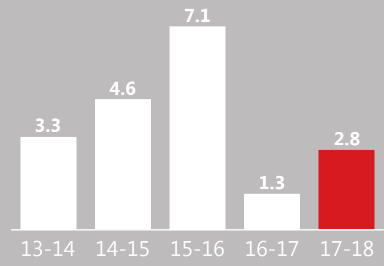
AUSTRALASIA
ADELAIDE
AUCKLAND
BRISBANE
CAIRNS
CANBERRA
COOLANGATTA
DARWIN
MELBOURNE
PERTH
SYDNEY
TOWNSVILLE

EMIRATES

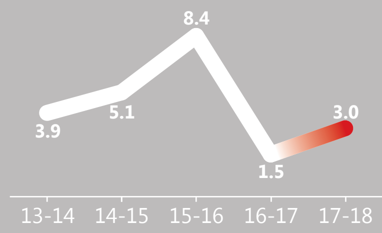
Financial

COMMENTARY

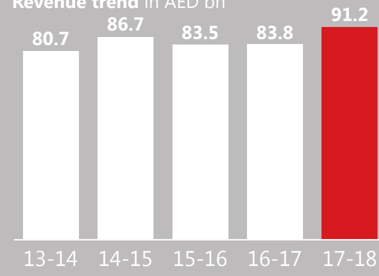
Profit attributable to the Owner in AED bn



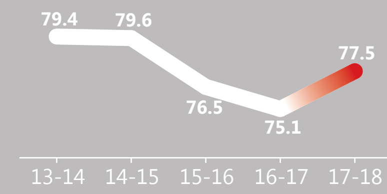
Profit margin in %



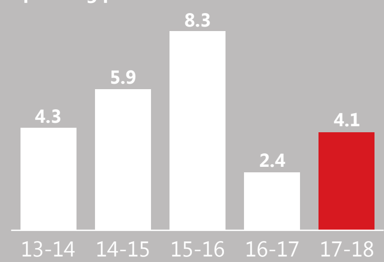
Revenue trend in AED bn



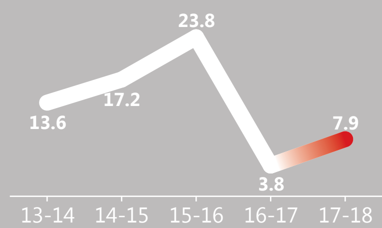
Passenger seat factor in %



Operating profit in AED bn



Return on shareholder's funds in %



Revenue in AED m	**2017-18**	**2016-17**	**% change**
Passenger	73,963	68,491	8.0
Cargo	12,439	10,592	17.4
Excess baggage	433	392	10.5
Transport revenue	**86,835**	**79,475**	**9.3**
Sale of goods	2,982	2,932	1.7
Hotel operations	746	738	1.1
Others	662	687	(3.6)
Non-transport revenue	**4,390**	**4,357**	**0.8**
Total	**91,225**	**83,832**	**8.8**

Emirates continued to cruise through the turbulent winds of competition and geopolitical challenges, and remained 'On Course' with its growth plan, providing best-in-class air transport services to its customers. Financial year 2017-18 was our 30th consecutive profitable year. Our growing passenger and cargo capacity numbers demonstrate the popularity of our product and network. Enhanced consumer confidence further strengthens our resolve to continue developing our business profitably and sustainably. Better yields, an ever-improving product, higher passenger numbers, an upsurge in cargo business and a weak US Dollar, all contributed to this year's performance.

We continued with our strategy of fleet modernisation, adding 8 A380 super-jumbos and 9 B777s to our fleet while phasing out 8 older aircraft. This led to a net capacity growth of 1.6% to 61.4bn ATKMs. We enhanced our service by investing in new aircraft cabin interiors and lounges.

We transported 58.5m passengers (2016-17: 56.1m) and carried 2.6m tonnes (2016-17: 2.6m) of cargo during the year.

Profitability

Profit attributable to the Owner

Our operations continued to be profitable and the profit attributable to the Owner stood at AED 2.8bn. This is 123.7% better than last year's profit of AED 1.3bn.

Profit margin

The profit margin doubled compared to the previous year and at 3.0% (2016-17: 1.5%) represented a strong result despite higher fuel prices during the year.

Operating profit

The operating profit for the year was up at AED 4.1bn (2016-17: AED 2.4bn) and operating margin increased to 4.4%, a healthy 1.5%pts increase from the previous year (2016-17: 2.9%).

Return on shareholder's funds

The improved profitability ensured a 7.9% return on shareholder's funds, more than double the 3.8% return achieved last year.

Revenue

Revenues crossed the AED 90bn mark and stood at AED 91.2bn (2016-17: AED 83.8bn).

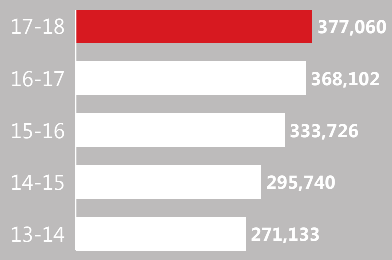
Transport revenue which forms more than 95% of Emirates revenue, increased by 9.3% to AED 86.8bn (2016-17: AED 79.5bn).

An increase in the fleet size, introduction of new destinations, higher frequencies to existing destinations and better load factors successfully improved passenger numbers, RPKMs and cargo carried.

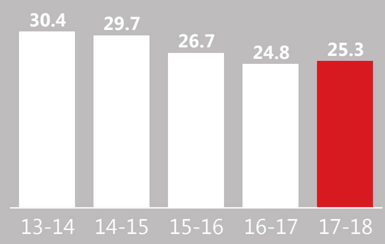
An improved pricing strategy and increased demand generated higher passenger and cargo yields. Furthermore, the strengthening of major currencies against the US Dollar pushed revenues favourably by 1% (2016-17: 3% unfavourable).

		2017-18	**2016-17**	**% change**
Passengers carried	million	58.5	56.1	4.3
Available seat km	ASKM million	377,060	368,102	2.4
Passenger seat km	RPKM million	292,221	276,608	5.6
Passenger seat factor	%	77.5	75.1	2.4 pts

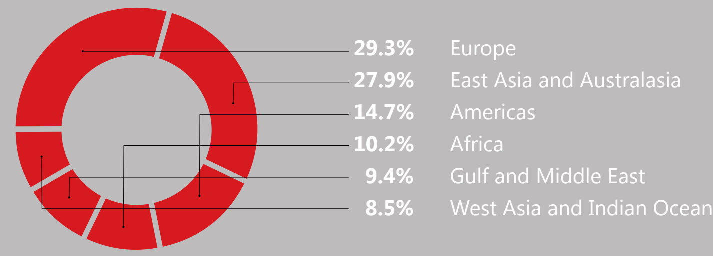
Available seat kilometres (ASKM) in millions



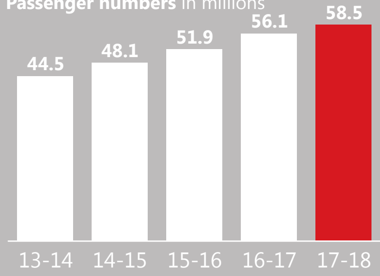
Passenger yield in fils per RPKM



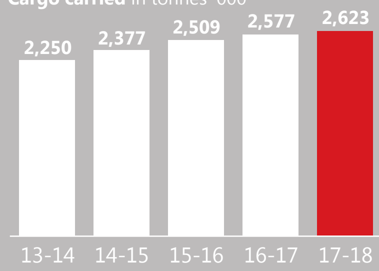
Geographical revenue in %



Passenger numbers in millions



Cargo carried in tonnes '000



Geographical revenue in AED bn

Year	Europe	East Asia and Australasia	Americas	Africa	Gulf and Middle East	West Asia and Indian Ocean	Total
2017-18	26.7	25.4	13.4	9.4	8.5	7.8	91.2
2016-17	23.9	22.6	12.5	8.7	8.7	7.4	83.8
% change	12%	12%	7%	8%	(2%)	5%	9%

Passenger revenue and seat factor

Passenger traffic continued to grow with an RPKM increase of 5.6%. Further, passenger yield at AED 25.3 fils per RPKM (2016-17: AED 24.8 fils per RPKM) grew by 2.0%. Together, these factors contributed to a strong 8.0% growth in passenger revenue (including excess baggage) to AED 74.4bn (2016-17: AED 68.9bn).

With customer service and a higher quality product at the heart of our business, seat factor grew to 77.5% (2016-17: 75.1%). Our ASKMs grew by 2.4% and reached 377.1bn (2016-17: 368.1bn). We carried a record 58.5 million (2016-17: 56.1 million) passengers during the year, an increase of 4.3% over last year. The premium class seat factor was up 1.8%pts and the economy class seat factor increased by 2.4%pts compared to the previous year.

Further, revenues were also boosted by the full year impact of our prior year ancilliary offerings including paid seats and lounge access.

During the year, we entered into a codeshare agreement with flydubai in order to leverage existing capabilities of both airlines and provide more destination choices to our customers.

Cargo revenue

Cargo revenue touched AED 12.4bn, an impressive 17.4% increase over the prior year (2016-17: AED 10.6bn). FTKM increased by 3.5% to 13.4bn and the yield per FTKM increased by 13.4% over the previous year. As a result, cargo revenue now constitutes 14.3% of Emirates transport revenue (2016-17: 13.3%).

The increase in belly capacity from two new passenger destinations was complemented by three new freighter destinations during the year. Overall, cargo volumes increased by 1.8% to 2.6m tonnes in the current year. The yields benefitted from a weak US Dollar and improved demand.

During the year, Emirates SkyCargo entered into a strategic partnership with Cargolux focusing on freighter aircraft capacity and connectivity between Dubai and European points.

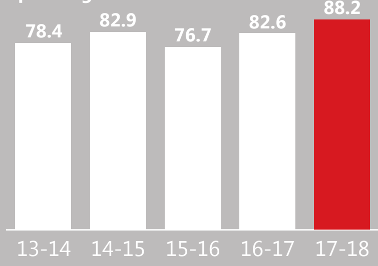
Non-transport revenue

Non-transport business mainly comprises of the sale of consumer goods, food and beverages, hotel and catering operations. Non-transport revenue at AED 4.4bn (2016-17: AED 4.4bn) remained unchanged compared to the previous year.

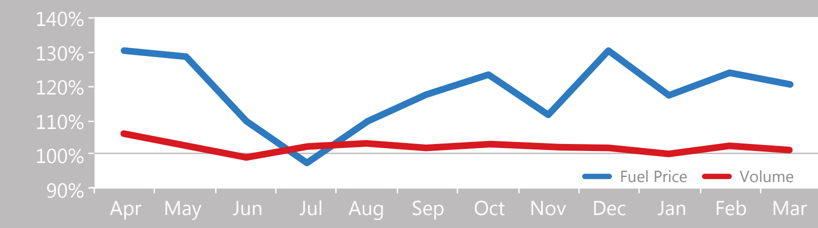
Revenue distribution

Emirates continued to benefit from its strategy of having a diverse revenue base, with no region contributing more than 30% of revenues. Europe remains the largest revenue contributor at 29.3% of Emirates revenue (2016-17: 28.5%). Revenue from Europe and the East Asia and Australasia regions increased by 12%. Gulf and Middle East region showed a small decline due to the ongoing political instability. Other regions also showed increases in comparison to the prior year.

Operating costs in AED bn

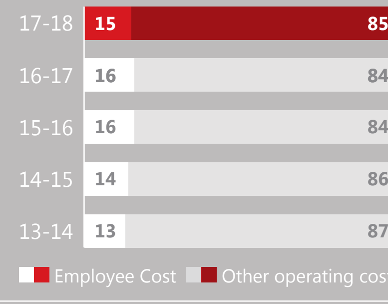


Fuel price and quantity development

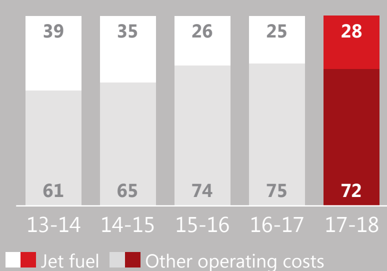


Graph represents % change in average monthly fuel price and quantity in 2017-18 indexed to 2016-17

Employee cost as % of operating costs

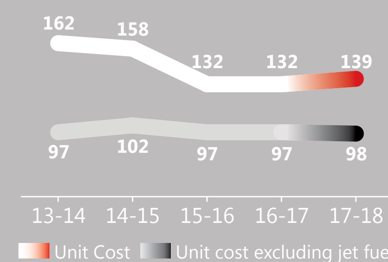


Jet fuel cost as % of operating costs



Operating costs in AED m	2017-18	2016-17	% change	2017-18 as % of operating cost
Jet fuel	24,715	20,968	17.9	28.0
Employee	13,080	12,864	1.7	14.8
Aircraft operating leases	11,691	10,509	11.2	13.2
Depreciation and amortisation	9,193	8,304	10.7	10.4
Sales and marketing	6,404	5,698	12.4	7.3
Handling	5,335	5,885	(9.3)	6.0
In-flight catering and related costs	3,323	3,343	(0.6)	3.8
Overflying	2,891	2,851	1.4	3.3
Facilities and IT related costs	2,485	2,470	0.6	2.8
Aircraft maintenance	2,364	2,738	(13.7)	2.7
Landing and parking	2,153	2,057	4.7	2.4
Cost of goods sold	1,575	1,499	5.1	1.8
Crew layover	1,125	1,082	4.0	1.3
Corporate overheads (including fx loss)	1,902	2,380	(20.1)	2.2
Total operating costs	**88,236**	**82,648**	**6.8**	**100.0**

Unit cost in fils per ATKM



Expenditure

Operating costs

Operating costs grew by 6.8%, closing at AED 88.2bn (2016-17: AED 82.6bn). This increase is higher than the capacity growth of 1.6% measured in ATKMs, primarily due to fuel costs which were up by 17.9% owing to higher fuel prices, and our ongoing capacity expansion.

Despite a spike in jet fuel cost and a weak US Dollar, Emirates has been successful in reviewing its cost base and bringing efficiencies which partially reduced these adverse impacts.

Jet fuel costs

Jet fuel costs increased to AED 24.7bn (2016-17: AED 21.0bn) during the year. Average crude prices soared above USD 60 a barrel during the second half of the year, increasing jet fuel expense by 15%, which together with a higher fuel uplift of 3%, in line with the increased operations, resulted in fuel costs per ATKM rising to AED 41 fils (2016-17: AED 35 fils).

Jet fuel costs remained unhedged during the year and we continue to manage our position by assessing our fuel price risk on an ongoing basis.

Employee costs

In line with the capacity increase of 1.6%, employee costs were up 1.7% at AED 13.1bn (2016-17: 12.9bn). Our employee numbers reduced by 3.7%, as this year our reduced hiring activity, coupled with new and innovative ways of working gave us gains in productivity and a slowdown in cost increase.

Aircraft operating leases

Aircraft operating lease costs increased by 11.2% to AED 11.7bn (2016-17: AED 10.5bn). We acquired 10 new aircraft on operating leases during the year and were also impacted by the full year effect of 23 aircraft taken in the prior year. This increase was partially offset by the phase out of 6 (2016-17: 25) aircraft on completion of lease terms.

Direct operating costs ('DOC')

Direct operating costs including handling, in-flight catering, overflying, landing and parking, aircraft maintenance and crew layover costs declined by 4.3%, despite capacity growth and higher activity levels. This decline was driven by various cost saving initiatives, a reduction in number of departures and contract negotiations across all DOC elements.

Other operating costs

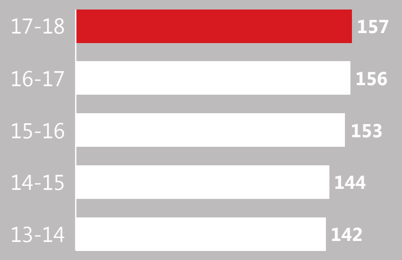
The increase in depreciation and amortisation charge of 10.7% or AED 889m was predominantly the result of the addition of 7 aircraft on finance lease, more staff accommodation facilities and our new flight training academy, coupled with the full year impact of last year's aircraft deliveries.

Sales and marketing costs increased by 12.4% and stood at AED 6.4bn (2016-17: AED 5.7bn). The upside is the result of higher spend on new and upgraded sponsorship contracts and increase in online advertising costs as we concluded two major online campaigns i.e., 'Upgrade your Airline' and 'The Game Changer'. Further, selling and distribution costs accelerated in line with the increase in transport revenue.

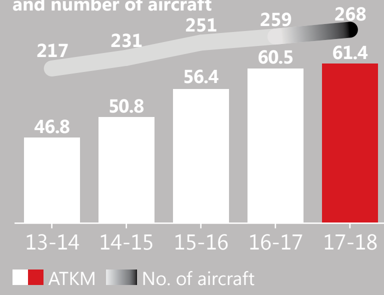
Unit cost

With the increase in jet fuel prices, unit cost per ATKM increased to 139 fils (2016-17: 132 fils) per ATKM. Unit cost per ATKM excluding jet fuel stands at 98 fils (2016-17: 97 fils) per ATKM.

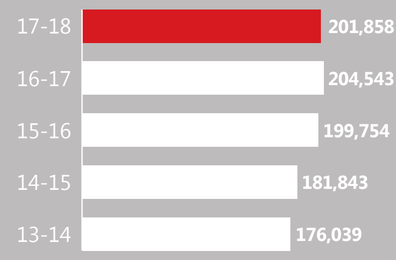
Destinations



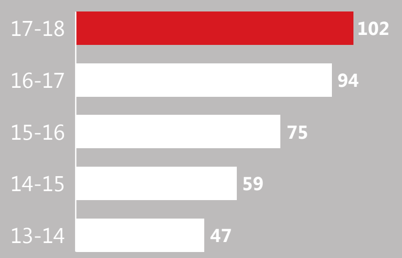
Available tonne kilometres (ATKM) in bn **and number of aircraft**



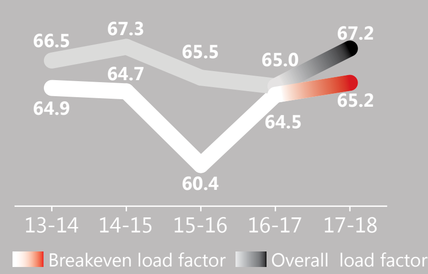
Aircraft departures



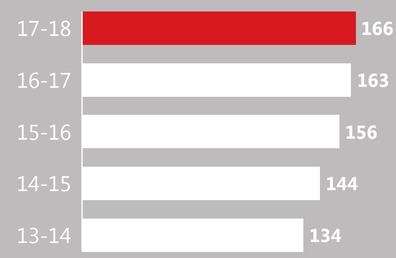
A380 aircraft numbers



Overall and breakeven load factor in %



B777 aircraft numbers



Capacity, traffic and load factor

Capacity rose by 1.6% to 61.4bn ATKMs (2016-17: 60.5bn) resulting from new aircraft deliveries. The overall traffic load or RTKM growth was 5%, increased to 41.3bn (2016-17: 39.3bn).

Our enhanced product and increased demand delivered an improvement in passenger and cargo volumes during the year, passengers carried were up 4.3% at 58.5m (2016-17: 56.1m) and cargo volumes showed an increase of 1.8% (2016-17: 2.7%).

The overall load factor increased to 67.2% (2016-17: 65.0%) due to higher RTKM's. The break-even load factor increased moderately to 65.2% (2016-17: 64.5%) owing to higher unit cost per ATKM.

During the year, we achieved significant milestones as we received our 100th A380 aircraft and welcomed our 20 millionth Skywards member.

We continue to maintain our position as the largest operator of A380 aircraft and added another 8 new aircraft into the fleet. The high seat factor on the A380 fleet continued to demonstrate the customer preference for this aircraft and our product offering. The fleet carried 41% (2016-17: 37%) of our passengers in 2017-18. With current A380 operations to 48 destinations, 31% (2016-17: 30%) of all destinations across the Emirates network are served by an A380.

The B777 aircraft continues to remain the pillar of our operation. We added 9 aircraft to the fleet and phased out 6, which brings the total to 166. We remain the world's largest B777 operator and it accounts for 59% (2016-17: 62%) of the airline's capacity, carrying 59% (2016-17: 61%) of our passengers and 75% (2016-17: 74%) of cargo tonnage.

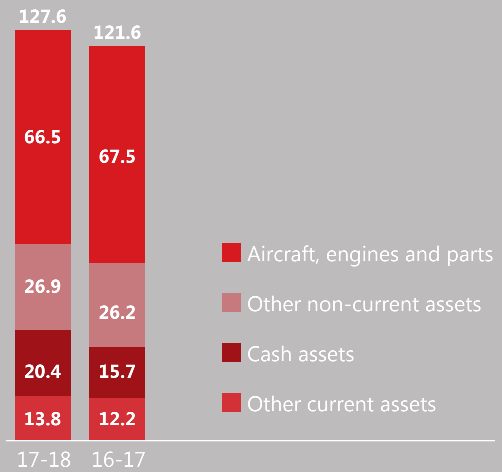
We opened our 41st dedicated airport lounge in Boston and refurbished lounges in Singapore and Bangkok airports.

The aircraft departures dropped by 1.3% to 201,858 (2016-17: 204,543) due to the ongoing political instability in the Middle East and reduced services to the US this year owing to restrictions on electronic devices in aircraft cabins which negatively impacted our customers' travel appetite. However, the overall passenger numbers showed a growth which was driven by:

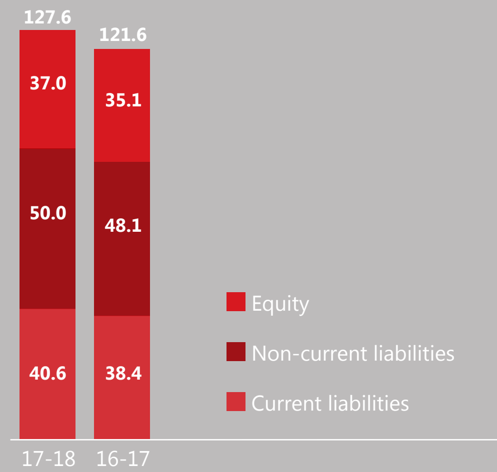
- Introduction of new passenger services to two destinations – Zagreb and Phnom Penh, along with the full year operations of destinations added in the prior year in the Far East and Americas.
- Higher frequencies to several existing destinations including Brussels, Brisbane, Bali, Lagos, Algiers, Cairo, Khartoum and Dammam.
- Increased capacity to existing destinations with larger aircraft mainly Madrid, Shanghai, Beijing, Birmingham, Moscow, Frankfurt and Haneda.
- New A380 services to Nice.

		2017-18	2016-17	% change
Capacity (ATKM)	million	61,425	60,461	1.6
Load carried (RTKM)	million	41,250	39,296	5.0
Load factor	%	67.2	65.0	2.2 pts
Break even load factor	%	65.2	64.5	0.7 pts

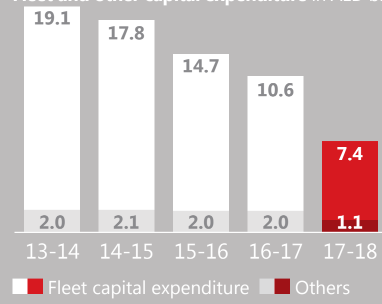
Assets in AED bn



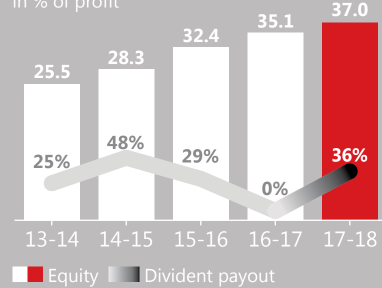
Equity and liabilities in AED bn



Fleet and other capital expenditure in AED bn



Equity in AED bn **and dividend payout** in % of profit



Statement of financial position

Assets

Emirates balance sheet continued to remain strong, with total assets increasing by 5% to AED 127.6bn (2016-17: AED 121.6bn).

We continued to enhance our service through investments in new aircraft and cabin interiors. During the year, we launched new cabin products for our 777 fleet and refreshed on-board lounges for A380s. Other non-current assets increased due to investments in employee accommodation facilities, our newly inaugurated flight training academy and major maintenance overhauls. Further, advance lease rentals increased as 10 aircraft (2016-17: 23) were obtained on operating lease. We also opened our 41st dedicated airport lounge in Boston.

Current assets soared by 22.8% due to increased cash assets of AED 20.4bn at 31 March 2018 (2016-17: AED 15.7bn).

Assets in AED bn	2017-18	2016-17	change	% change
Aircraft, engines and parts*	66.5	67.5	(1.0)	(1.5)
Other non-current assets	26.9	26.2	0.7	2.7
Cash assets	20.4	15.7	4.7	30.0
Other current assets	13.8	12.2	1.6	13.1
Total	**127.6**	**121.6**	**6.0**	**5.0**

*includes aircraft pre-delivery payments

Capital expenditure

Capital expenditure of AED 8.5bn (2016-17: 12.6bn) is 32.7% lower compared to the previous year driven by a reduction in on-balance sheet aircraft deliveries. We obtained six Boeing 777s and one A380 on finance lease (2016-17: 12 aircraft) during the year. Primary capital expenditure comprising of aircraft spend, aircraft and engine maintenance overhauls, spare engines and parts represented 87% of the total capital expenditure (2016-17: 84%).

Secondary capital expenditure amounted to AED 1.1bn (2016-17: AED 2.0bn), of which the majority was invested in airport lounges, training facilities and staff accommodation. We also started receiving trainer aircraft for our ab-initio pilot training.

The airline is also continuously investing in new technologies in its quest to enhance our customers' experience and bring efficiencies across business processes. Our capital projects in progress include various such initiatives.

Equity

Total equity rose by 5.6% to AED 37.0bn (2016-17: 35.1bn) due to higher profit for the year which was partially offset by dividend to the Owner amounting to AED 1bn. The equity ratio remained stable at 29% compared to the last financial year.

The dividend pay-out ratio stood at 36% (2016-17: Nil) and brings the average pay-out ratio over the past five years to 28%.

Liabilities

Total liabilities were up 4.7% at AED 90.6bn (2017: AED 86.5bn) due to the funds received from Sukuk financing, higher passenger and cargo sales in advance and addition of the dividend liability mitigated partly by repayments of borrowings and lease liabilities.

Equity and liabilities in AED bn	2017-18	2016-17	change	% change
Total equity	37.0	35.1	1.9	5.6
Non-current liabilities	50.0	48.1	1.9	3.9
Current liabilities	40.6	38.4	2.2	5.7
Total	**127.6**	**121.6**	**6.0**	**5.0**

Overview
Emirates
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Emirates Financial Commentary
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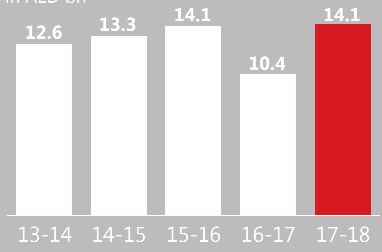
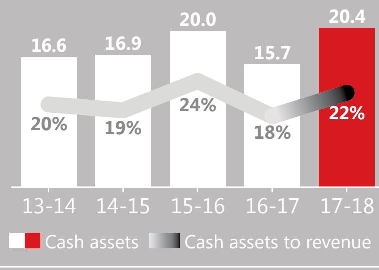
Emirates Consolidated Financial Statements
dnata Consolidated Financial Statements
Additional Information

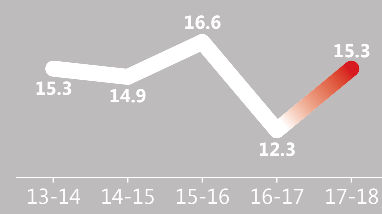
Cash generated from operating activities in AED bn



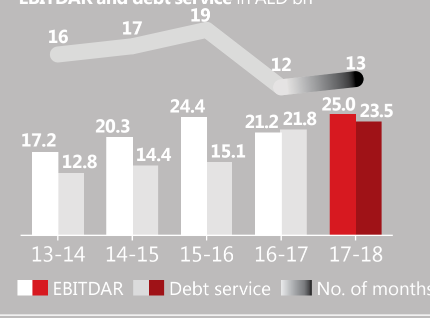
Cash assets in AED bn **and Cash assets to total revenue** in %



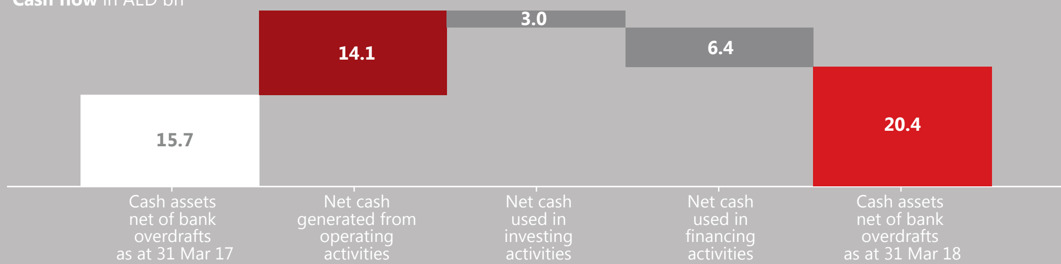
Operating cash margin in %



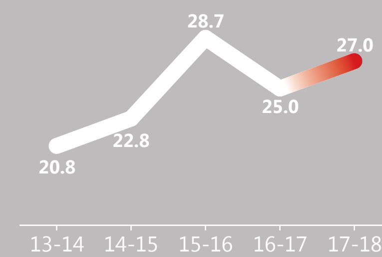
EBITDAR and debt service in AED bn



Cash flow in AED bn



EBITDAR margin in %



Cash position

Cash assets

After a reduction last year, our cash assets including short term bank deposits are at AED 20.4bn (2016-17: 15.7bn). This represents surplus funds left after meeting financial obligations and investment requirements. The proceeds from Sukuk financing of USD 600m (AED 2.2bn) issued in the last quarter of the financial year have been invested in short term bank deposits and will be used to finance aircraft deliveries in 2018-19.

The cash assets to revenue and other operating income ratio has significantly grown to 22.1% (2016-17: 18.4%) and is well within our target range of 25% +/- 5%.

Cash from operating activities

After a reduction last year, our cash generation from operating activities bounced back by showing a growth of 35.6% and reached a new record level at AED 14.1bn (2016-17: AED 10.4bn). This was due to higher profits and better working capital management.

We continued to generate sizable cash flows from operations which are not only sufficient to service financial obligations but also available to partly fund the investments needed for our growth strategy.

With a higher growth in cash generated from operating activities compared to growth in revenue, the operating cash margin stands high at 15.3% (2016-17: 12.3%).

EBITDAR

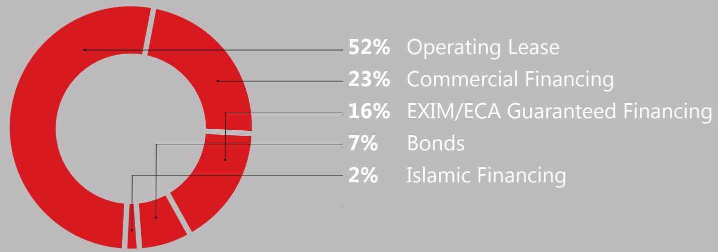
Cash profit from operations (EBITDAR) grew considerably due to higher revenues and operating profit and is at record level of AED 25.0bn, 17.5% better than last year.

EBITDAR after debt service payments stood strong at AED 1.5bn, and equated to 13 months of debt service payments including operating lease rentals, periodic principal and interest payments on finance leases, bonds and term loans.

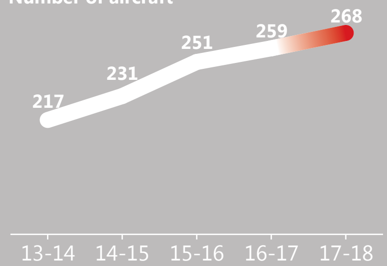
EBITDAR margin at 27% (2016-17: 25%) for the year is 2%pts up compared to last year.

	2017-18	2016-17	2015-16	2014-15	2013-14
EBITDAR in AED bn	**25.0**	**21.2**	**24.4**	**20.3**	**17.2**
Less: Debt service payments					
Repayment of bonds and loans	(4.0)	(5.6)	(1.7)	(0.6)	(2.5)
Repayment of lease liabilities	(6.5)	(4.4)	(4.1)	(5.6)	(2.7)
Operating lease rentals	(11.7)	(10.5)	(8.1)	(6.9)	(6.5)
Finance costs	(1.3)	(1.3)	(1.2)	(1.3)	(1.1)
Total	**(23.5)**	**(21.8)**	**(15.1)**	**(14.4)**	**(12.8)**
EBITDAR after debt service payments	**1.5**	**(0.6)**	**9.3**	**5.9**	**4.4**

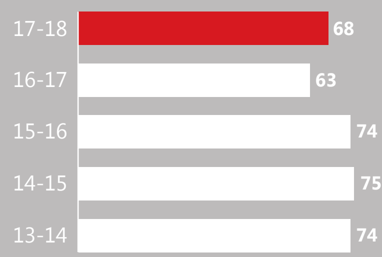
Sources of funding over last 10 years in %



Number of aircraft



Average fleet age in months



Fleet information				(as at 31 March 2018)			
Aircraft	Fleet	of which on operating lease	of which on finance lease/loan	Future deliveries		Additional options	
				Authorised & contracted	Authorised & not contracted	Authorised & contracted	Authorised & not contracted
A 380-800	102	58	44	40	20	-	16
B 777-300ER	138	78	60	12	-	-	-
B 777-200LR	10	4	6	-	-	-	-
B 777-300	5	5	-	-	-	-	-
B 777-8X	-	-	-	35	-	-	-
B 777-9X	-	-	-	115	-	50	-
B 787-10	-	-	-	-	40	-	-
Passenger	**255**	**145**	**110**	**202**	**60**	**50**	**16**
B777-200LRF	13	13	-	-	-	-	-
Freighters	**13**	**13**	**-**	**-**	**-**	**-**	**-**
Total aircraft	**268**	**158**	**110**	**202**	**60**	**50**	**16**

Note: One A319 aircraft is used for Executive jet charters

Aircraft fleet and financing

In alignment with our commitment to maintain a young, modern and efficient fleet, Emirates took delivery of 17 wide body aircraft, consisting of 9 B777-300ERs from Boeing and 8 A380s from Airbus and simultaneously retired eight of our older aircraft during the financial year. Emirates remains the world's largest B777 operator with 166 aircraft. The airline is also the largest A380 operator with 102 twin deck units in its fleet.

We take extreme pride in keeping our fleet age to 68 months (2016-17: 63 months), substantially lower than the industry average. We are the first and only airline in the world to operate an all Airbus A380 and Boeing B777 wide-body fleet.

During the year, Emirates raised a total of AED 17.9bn (2016-17: AED 29.1bn) in aircraft financing (funded through finance leases, operating leases and term loans) and has already received committed offers to finance all deliveries due in the forthcoming financial year.

The ability to secure diverse sources of funding from international markets for aircraft financing and other investments is a testament to our financial strength and track record of business performance.

Emirates, working closely with the financial community, has built on and further developed the Japanese structured financing market for the Japanese Operating Lease with a Call Option (JOLCO) on B777-300ER aircraft raising funding totalling up to AED 3.7bn (USD 1.0bn) during the year. Blending this important equity base with debt from wide-ranging markets including China, France, the United Kingdom, Singapore, Germany, Korea, Netherlands and Japan; Emirates has now raised over AED 23.9bn (USD 6.5bn) from the Japanese structured financing market since 2014.

We have successfully refinanced and are in the process of terming out a commercial bridge facility (initially put in place due to non-availability of ECA cover) of AED 3.8bn (USD 1.0bn) via an innovative finance lease structure for five A380 aircraft, accessing an institutional investor and bank market base from Korea, Germany, the United Kingdom and the Middle East.

In March 2018, Emirates successfully issued a ten-year, USD 600m (AED 2.2bn) amortising Sukuk, an Islamic bond. The funds will be utilised for two A380 deliveries in the upcoming financial year.

Emirates' strength of operations and cash flow generation underscore the consistent ability to meet obligations in a timely manner including the repayment of AED 2.8bn (USD 776m) or 44% of the AED 6.4bn (USD 1.75bn) amortising senior unsecured corporate bond and Sukuk issued in 2013. Since 2010, Emirates has repaid in total AED 14bn (USD 3.8bn) towards capital markets issuances including scheduled repayments of amortizing capital markets issuances as well as the UK Export Finance backed Sukuk.

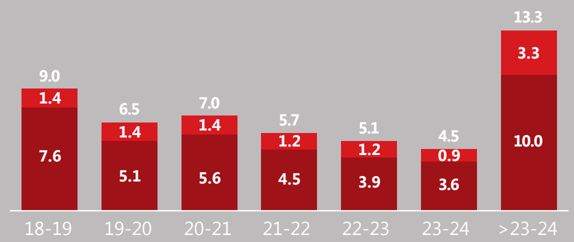
Further, we also have access to standby bilateral credit facilities to the tune of USD 500m which are available for short term financing requirements.

We continue to repay our financing liabilities as they become due from our cash resources.

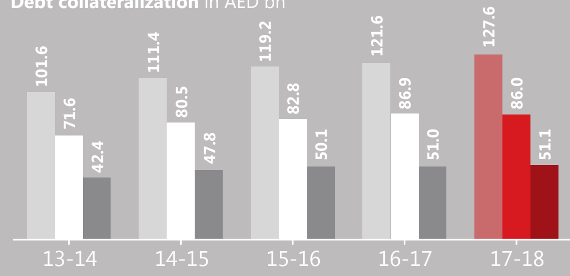
Having raised more than AED 183.8bn (USD 50.1bn) over the last 10 years, Emirates continues to maintain a well-diversified and evenly spread financing portfolio. Tapping into various sources of funding, both in terms of structure and geography, Emirates remains On Course with its long term financing strategy.

Augmenting our resolve to maintain one of the world's youngest fleet, we will receive 16 new aircraft deliveries and retire 11 older aircraft in the next financial year.

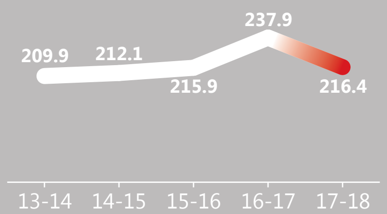
Debt repayment profile in AED bn



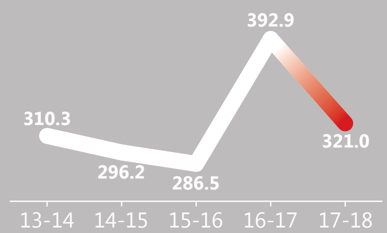
Debt collateralization in AED bn



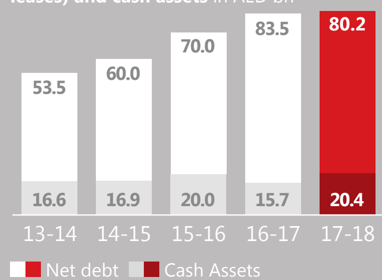
Net debt (including aircraft operating leases) to equity ratio in %



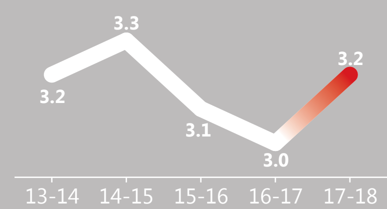
Net debt (including aircraft operating leases) to EBITDAR ratio in %



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



Effective interest rate on borrowings and lease liabilities in %



Debt

Emirates total borrowing and lease liabilities remained stable compared to the previous year at AED 51.1bn (2016-17: AED 51.0bn). The non-current portion of AED 42.1bn (2016-17: 40.2bn) represents 84% (2016-17: 84%) of the total non-current liabilities while the current portion of AED 9.0bn (2016-17: AED 10.8bn) represents 22% (2016-17: 28%) of the total current liabilities.

Total borrowing and lease liabilities moved as a result of financing seven new aircraft and the Sukuk issue of US Dollar 600m, offset by repayments of finance lease liabilities, bonds and term loans.

The ratio of total borrowings and lease liabilities to total equity improved to 137.9% (2016-17: 145.3%) due to an increase in equity.

The net debt including aircraft operating leases to equity ratio dropped to 216.4% (2016-17: 237.9%) due to increased cash assets and higher equity.

Net debt to EBITDAR ratio

The net debt including aircraft operating leases to EBITDAR ratio decreased to 321.0% (2016-17: 392.9%) as a result of increase in EBITDAR and cash assets.

Debt service

Debt service payments, excluding operating leases, represent loans, bonds, finance lease liabilities and the related finance costs payments. During the year, these payments amounted to AED 11.8bn (2016-17: AED 11.3bn) up by 4.8% or AED 0.5bn. This rise in debt service payments is primarily attributable to higher lease liability payments.

Debt maturity profile

We aim to achieve a stable repayment profile by obtaining debt with periodic instalments as opposed to bullet payments. This enables us to manage debt servicing through our operating cash flows and the use of the surplus cash for investment purposes. As at the balance sheet date, all of the debt is amortising in nature.

Debt collateralisation

Of the total debt of AED 51.1bn, 88% or AED 45.1bn (2016-17: AED 45.4bn) is secured against property, plant and equipment. The remaining debt of AED 6.0bn (2016-17: AED 5.6bn) is adequately covered against the carrying value of unencumbered assets (property, plant and equipment) amounting to AED 27.1bn (2016-17: AED 28.8bn).

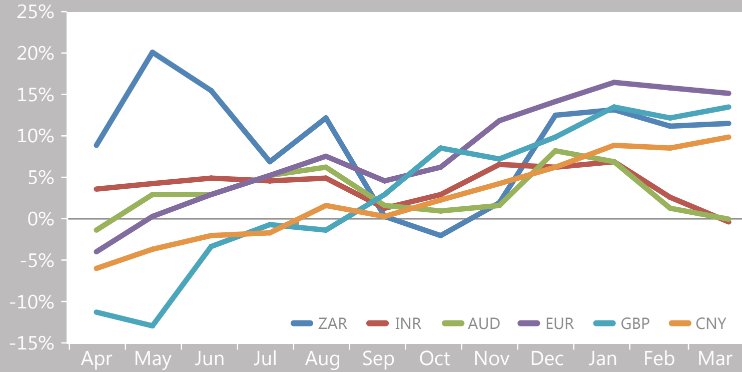
Interest rate and currency risk

Interest rates

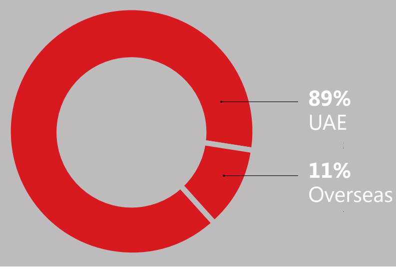
With our ongoing fleet acquisition, we continue to use natural hedges and other prudent hedging solutions such as swaps to manage our interest rate exposures. We target a risk-managed portfolio approach, whilst taking advantage of market movements, with a long-term view of hedging around half of our interest rate risk exposures. Borrowings and lease liabilities (net of cash) including the off balance sheet aircraft on operating lease at 31 March 2018, comprise 72% on a fixed interest rate basis with the balance 28% on floating interest rates.

At 31 March 2018, borrowings and lease liabilities carry an effective interest rate of 3.2% (2016-17: 3.0%).

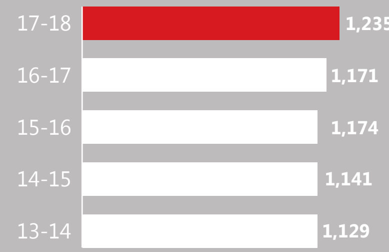
Currency development Graph represents the monthly % change of our six major currency rates compared with previous year (2016-17)



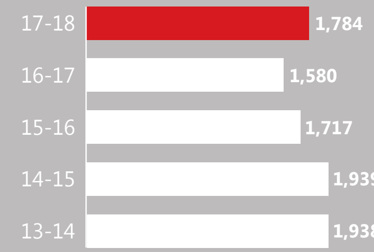
Geographical work force including subsidiaries in %



Capacity per airline employee in ATKM '000



Revenue per airline employee in AED '000



Employee strength (in numbers)	**2017-18**	**2016-17**	**% change**
UAE			
Cabin crew	23,135	24,440	(5.3)
Flight deck crew	4,157	4,169	(0.3)
Engineering	3,374	3,392	(0.5)
Others	13,189	13,771	(4.2)
Total UAE	**43,855**	**45,772**	**(4.2)**
Overseas stations	5,885	5,856	0.5
Total Airline	**49,740**	**51,628**	**(3.7)**
Subsidiary companies	**12,616**	**13,140**	**(4.0)**
Average employee strength	**62,356**	**64,768**	**(3.7)**

Currency

We generate a substantial net surplus in Euro, Pound sterling, Australian dollar, Indian rupee, Chinese yuan, Swiss franc, South African rand and Japanese yen. We proactively manage the currency exposure generally over a period up to 12 months depending on market conditions by using prudent hedging solutions including forward contracts, currency swaps and natural hedges.

The foreign currency graph depicts the percentage change in average monthly currency rates of our six major currencies compared with previous year. There is clear upward trend in exchange rate variations this year. South African rand (ZAR) and Euro substantially strengthened against the UAE dirham, whereas Pound sterling (GBP) showed maximum volatility during the year. Although the remaining three currencies showed a marginal improvement from last year, the revenue growth was sizable considering the underlying revenues generated in these currencies.

The movements in exchange rates compared to the previous financial year had an overall positive impact of AED 0.7bn on Emirates operating results (2016-17: adverse AED 2.1bn).

The six major currencies account for circa 44% (2016-17: 43%) of transport revenue while US Dollar, AED and other Gulf currencies pegged to the US Dollar account for another 35% (2016-17: 36%) of transport revenue.

Currency average rate (in AED)

	2017-18	**2016-17**	**% change**
ZAR	0.286	0.263	8.7
INR	0.057	0.055	3.6
AUD	2.846	2.763	3.0
EUR	4.325	4.017	7.7
GBP	4.907	4.784	2.6
CNY	0.557	0.545	2.2

Employee strength and productivity

The average workforce dropped by 3.7% to 62,356.

The average number of employees in the airline decreased by 1,888 or 3.7% to 49,740. Employee count has dropped across all segments, the largest part of the drop coming from our cabin crew. This is mainly through a recruitment slowdown, natural attrition arising from retirements and resignations and new ways of working driven by technology, better processes and people management.

Overseas stations remained almost flat and a drop was noted in the subsidiary companies employee count compared to the prior year due to shift in strategy towards outsourced blue collar positions.

The airline's employee productivity related key performance indicators improved as follows:

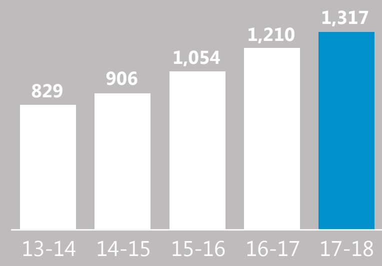
- Revenue per airline employee rose to AED 1,784 thousand (2016-17: AED 1,580 thousand), a 12.9% increase due to growing core revenues.
- Capacity per airline employee is up 5.5% at 1,235 thousand ATKM (2016-17: 1,171 thousand ATKM) due to a 1.6% increase in capacity and a 3.7% drop in airline employee count.
- The load carried per airline employee improved to 829 thousand RTKM (2016-17: 761 thousand RTKM) due to a 5% upside on overall load carried complemented by a drop in airline employee count.

dnata

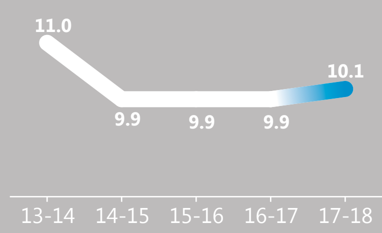
Financial

COMMENTARY

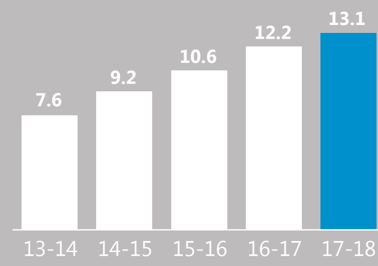
Profit attributable to the Owner in AED m



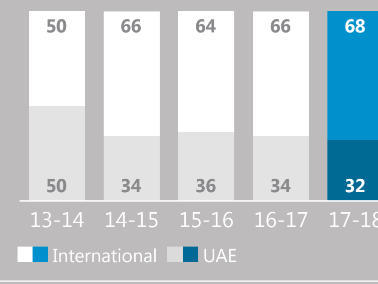
Profit margin in %



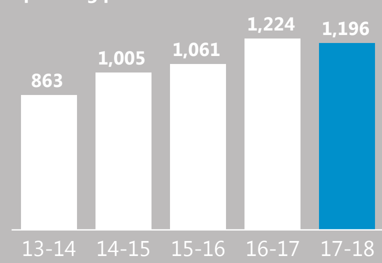
Total revenue trend in AED bn



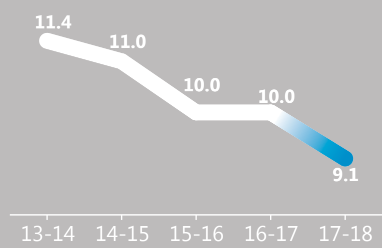
Geographical revenue in %



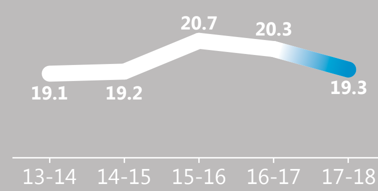
Operating profit in AED m



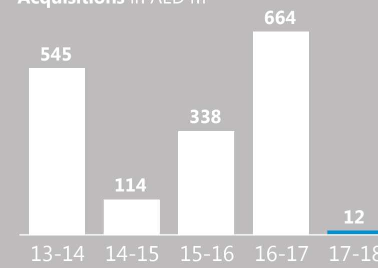
Operating margin in %



Return on shareholder's funds in %



Acquisitions in AED m



dnata has yet again delivered a robust performance, setting new benchmarks by hitting record levels of revenue, profits and cash reserves. Each of our four core business divisions – UAE airport operations, international airport operations, travel services and catering - showed solid growth in revenues. This strong performance keeps us 'On Course' with our mission to become the most admired air-services provider in the world. Our focus on quality, safety, people, customers and driving efficiencies across all our businesses in costs, processes, and resources is reaping good results.

Total revenues crossed the AED 13bn mark (nearly doubled in the last six years) and stood at AED 13.1bn (2016-17: AED 12.2bn), the profit attributable to the Owner surpassed AED 1.3bn (2016-17: AED 1.2bn) and cash assets surged to AED 4.9bn (2016-17: AED 3.4bn).

dnata continued with its two-pronged growth strategy of international acquisitions, which bring value to its core operations, and organic expansion. During the year, our global network saw significant contract wins mainly in the ground handling and catering lines of business. Further, we entered into new markets, launched new brands and renewed existing partnerships.

Acquisitions and investment held for sale

In May 2017, we expanded our reach in the US cargo market with a 100% acquisition of ALX Cargo Center IAH LLC ('AirLogistix') with a state-of-the-art cargo handling centre at George Bush Intercontinental Airport in Houston.

In September 2017, our Travel business acquired Destination Asia by gaining 100% ownership in its Singapore operations and a 25% beneficial interest in companies across seven other countries with an option to buy the remaining interest in future.

In February 2018, we announced the intent to divest our minority stake in Hogg Robinson Group Plc (HRG) as part of HRG's global acquisition by American Express GBT. We continue to partner with HRG in the Middle East and West Asia where strong synergies have been developed over the past decade for our corporate customers.

Profitability

Profit attributable to the Owner and profit margin

The profit attributable to the Owner for 2017-18 crossed AED 1.3bn (2016-17: AED 1.2bn), up 8.8% over the previous year. dnata's UAE and International airport operations contributed significantly to this year's profit growth. The profit margin improved by 0.2%pts compared to previous year and stood at 10.1% (2016-17: 9.9%).

Return on shareholder's funds

The return on shareholder's funds is 19.3% (2016-17: 20.3%) and represents a healthy return on equity.

Operating profit and margin

Operating profit remained stable at AED 1.2bn (2016-17: AED 1.2bn). The operating margin reduced by 0.9%pts to 9.1% (2016-17: 10.0%) due to volatile trading conditions in the travel and aviation industry.

Total revenue

dnata's total revenue grew by 7.3% or AED 0.9bn to AED 13.1bn (2016-17: AED 12.2bn).

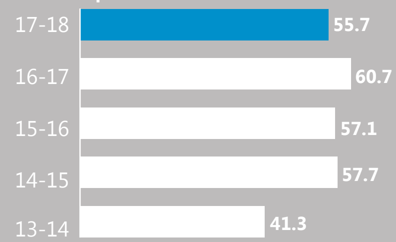
All major lines of business recorded an increase in revenue, the highest growth of 14.3% or AED 0.5bn was achieved by International airport operations resulting from expansion in new markets and contract wins at existing locations.

The share of geographic revenue from operations outside the UAE continues to grow and stands at 68% (2016-17: 66%). This is consistent with dnata's strategy to grow the international businesses in a sustainable manner and further diversify its customer base.

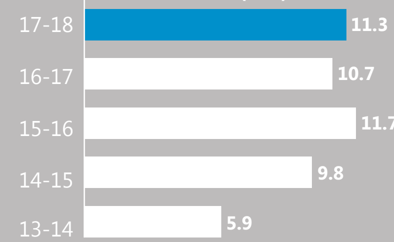
Revenue by Line of Business

Revenue in AED m	**2017-18**	**2016-17**	**% change**	**% of total**
International airport operations	3,803	3,328	14.3	29.4
Travel services	3,384	3,136	7.9	26.2
UAE airport operations	3,153	3,023	4.3	24.4
Catering services	2,146	2,010	6.8	16.6
Other services	445	485	(8.2)	3.4
Total	**12,931**	**11,982**	**7.9**	**100.0**

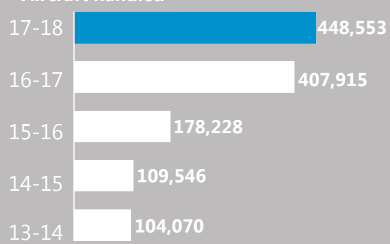
Catering
- Meals uplifted number in millions



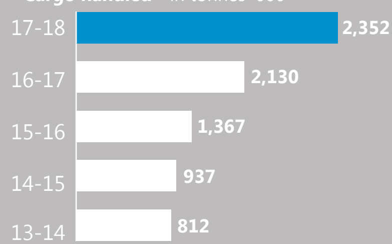
Travel services
- Total Transaction Value (TTV) in AED bn



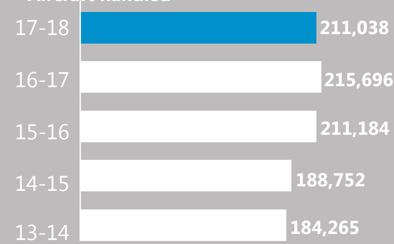
International airport operations
- Aircraft handled



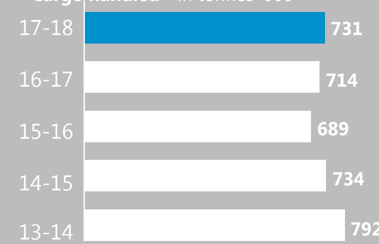
International airport operations
- Cargo handled - in tonnes '000



UAE airport operations
- Aircraft handled



UAE airport operations
- Cargo handled - in tonnes '000



International airport operations

International airport operations remains the largest business segment by revenue in dnata. It recorded revenues of AED 3.8bn (2016-17: AED 3.3bn). This growth is a result of integrating our sizeable new businesses acquired during the previous year, leveraging our global network and winning new contracts. The appreciation of Euro, Australian dollar and Brazilian real against the US dollar also contributed positively to the revenue growth.

During the year, new cargo facilities were opened in Dallas and Adelaide whilst cargo handling capacity was enlarged at London Gatwick. dnata's aircraft cabin cleaning services provider in Australia scaled up operations in Perth. Further, new ground handling operations were established at Singapore Changi Airport Terminal 4 and new marhaba lounges were also opened in Karachi and Melbourne.

Growth in terms of aircraft handled was 10% to 448,553 (2016-17: 407,915). The main drivers for this increase were new contract wins, primarily in the US, Brazil and Italy. During the year, dnata won or extended over 90 contracts with new and existing customers.

Cargo tonnage handled grew by 10.4% to 2,352 thousand tonnes (2016-17: 2,130 thousand tonnes) driven by new contracts and a global upturn in air cargo volumes.

Travel services

Travel services revenue increased by 7.9% to AED 3.4bn (2016-17: AED 3.1bn) primarily driven by growth in trading volumes in our UK businesses despite challenging market conditions.

The underlying travel services related turnover measured in Total Transaction Value (TTV) increased by 5.6% to AED 11.3bn (2016-17: AED 10.7bn).

Our travel business in the UK accounts for 83% (2016-17: 84%) of the revenue from travel services.

Our cruise business, Imagine Cruising, expanded in Australia where our product offering was well-received. We officially launched our Yalago bed-bank to third parties. New corporate wins in Dubai and the launch of the Emirates Holidays brand in the US, Ireland and China neutralized our challenges as international security threats continued to dampen demand, particularly for short-haul travel in Europe.

UAE airport operations

UAE airport operations recorded revenues of AED 3.2bn (2016-17: AED 3.0bn). The 4.3% growth primarily relates to ground handling operations at Dubai International Airport (DXB) with the introduction of several new services from the current year. Our marhaba service offering continued its growth trend with passenger numbers handled up by 13% compared to the previous year.

Cargo volumes handled increased by 2.3% to 731 thousand tonnes.

The number of aircraft handled at both the Dubai airports was 211,038 (2016-17: 215,696), a decrease of 2.2% compared to previous year, mainly due to the termination of flights between Dubai and Qatar.

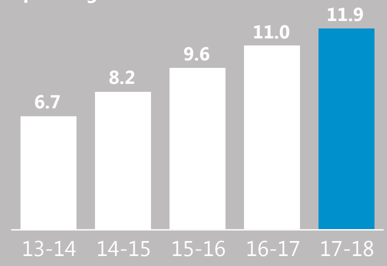
Catering

Revenue from catering activities increased by 6.8% to AED 2.1bn (2016-17: AED 2.0bn) due to strong business growth in Australia, Romania, Czech Republic and Sharjah. This increase was partly offset by reduced volumes in Italy and UK, mainly due to the loss of business from certain customers facing financial difficulties.

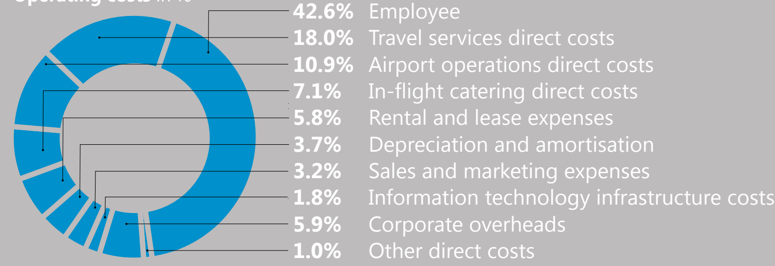
We enhanced our operations in Australia and Ireland with the opening of a new state-of-the-art catering hub at Melbourne airport and opening of a second catering facility at Dublin airport.

Meals uplifted during the financial year are down by 8.3% to 55.7m (2016:17 60.7m) primarily due to changes in the airline catering product mix. This was mitigated by higher yields per meal.

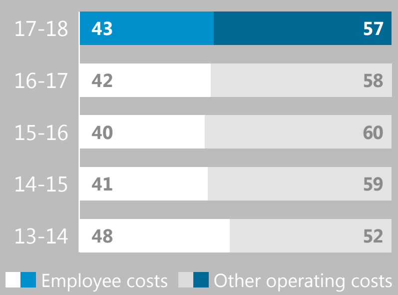
Operating costs in AED bn



Operating costs in %



Employee cost as % of operating costs



Operating costs in AED m	**2017-18**	**2016-17**	**% change**	**2017-18 % of operating costs**
Employee costs	5,055	4,654	8.6	42.6
Direct costs				
- Travel services	2,135	1,913	11.6	18.0
- Airport operations	1,293	1,138	13.6	10.9
- In-flight catering	843	794	6.2	7.1
- Other	130	141	(7.8)	1.0
Rental and lease expenses	688	627	9.7	5.8
Depreciation and amortisation	440	423	4.0	3.7
Sales and marketing expenses	381	370	3.0	3.2
Information technology infrastructure costs	210	204	2.9	1.8
Corporate overheads	703	694	1.3	5.9
Total operating costs	**11,878**	**10,958**	**8.4**	**100.0**

Expenditure

dnata's operating costs were up 8.4% at AED 11.9bn (2016-17: AED 11.0bn). The increase is commensurate with the organic revenue growth in all existing lines of business, investments in new and enhanced facilities and integrating the newly acquired companies in the previous and current year. The increase is further contributed by a depreciating US dollar against the major currencies.

Employee costs

Employee costs, being the largest element of dnata's cost base, stood at 43% of operating costs (2016-17: 42%). Employee costs increased by 8.6% to AED 5.1bn (2016-17: AED 4.7bn), as a result of opening new ground handling, cargo and catering facilities.

Direct costs

Direct costs at AED 4.4bn are 10.4% higher than the previous year (2016-17: AED 4.0bn).

The growth in our UK travel portfolio particularly Emirates Holidays and brands forming part of Stella have substantially contributed to the increase of 11.6% in direct costs for travel services. These costs include the cost for travel packages sold where dnata acts as the principal in a transaction and recognises revenue on a gross basis.

With the international expansion of Airport operations, direct costs increased by 13.6% to AED 1.3bn (2016-17: AED 1.1bn).

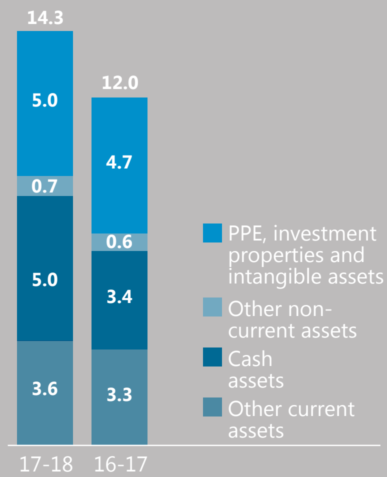
In-flight catering related direct costs at AED 843m (2016-17: AED 794m) increased by 6.2% over the previous year due to the increased operations in Australia, Romania, Czech Republic and Sharjah offset by a fall in business in the UK and Italy.

Other operating costs

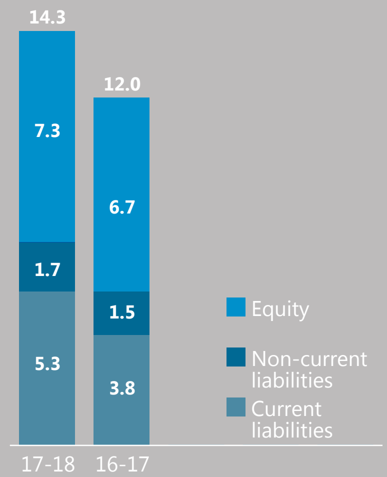
The increase in rentals and lease expenditure of 9.7% at AED 688m (2016-17: AED 627m) was driven by the new kitchen facilities in Melbourne and Dublin. Further, increases in revenue based concession fees in Sharjah and Romania and the expansion of US airport operations also contributed to the hike in costs.

Depreciation and amortisation cost stood at AED 440m (2016-17: AED 423m), up 4.0% resulting from investments made in ground handling and catering facilities. Corporate overheads at AED 703m (2016-17: AED 694m) are up 1.3% resulting primarily from provisions taken for receivables from customers facing financial difficulties.

Assets in AED bn



Equity and liabilities in AED bn



Assets in AED m	2017-18	2016-17	change	% change
PPE, investment properties and intangible assets	4,987	4,716	271	5.7
Other non-current assets	731	656	75	11.4
Cash assets	4,945	3,398	1,547	45.5
Other current assets*	3,629	3,277	352	10.7
Total	**14,292**	**12,047**	**2,245**	**18.6**

*including asset classified as held for sale

Equity and liabilities in AED m	2017-18	2016-17	change	% change
Equity	7,282	6,706	576	8.6
Non-current liabilities	1,734	1,542	192	12.5
Current liabilities	5,276	3,799	1,477	38.9
Total	**14,292**	**12,047**	**2,245**	**18.6**

Statement of financial position

Assets

Total assets grew by 18.6% or AED 2.3bn to AED 14.3bn.

Net investment in property, plant and equipment are marginally up by 0.8% to AED 1.9bn (2016-17: AED 1.8bn). dnata's International airport operations division opened a new maintenance base at Singapore airport in July 2017 and invested in new ground support equipment in Dubai and the Americas. New kitchens in Melbourne and Dublin were opened in the current year to enhance service offerings in catering.

Through Transecure, its fully-controlled subsidiary, dnata invested over AED 100m in new accommodation facilities leased to external parties.

Intangible assets increased by 5.9% to AED 2.8bn (2016-17: AED 2.6bn). Goodwill continues to form the largest portion of the intangible asset portfolio at 74% (2016-17: 73%) which is validated on an annual basis through impairment testing. A weak US Dollar has increased the intangible asset base by AED 169m. dnata continues to invest in the latest technology to stay ahead of its competition. During the year, significant investments were made in cyber security related applications. Our travel division implemented a global telephony project to seamlessly connect its global operations and to provide enhanced customer experience. The acquisition of AirLogistix also resulted in AED 14m higher goodwill and customer relationships.

Investments accounted for using the equity method (including those classified as held for sale) stand at AED 519m (2016-17: AED 407m) and increased due to better returns on these investments for the year.

Trade and other receivables, increased by AED 300m or 9.0% compared to 2016-17, resulting from the organic growth across all business lines and slower collections in Plafond, our fit-out business.

Equity

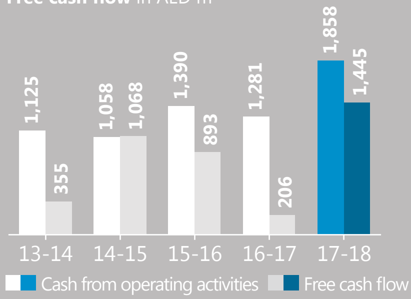
Total equity at AED 7.3bn (2016-17: AED 6.7bn) reflects a growth of 8.6% over last year, which increased due to record profits for the year offset by a record AED 1bn dividend declared to the Owner.

Liabilities

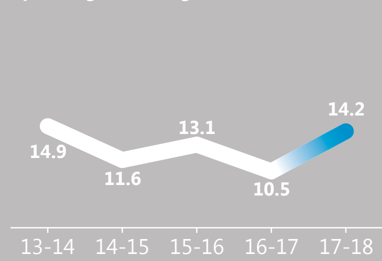
Borrowings and lease liabilities have increased by 16.7% to AED 1.2bn (2016-17: AED 1bn) due to loans taken for the new accommodation facilities in Dubai and to meet working capital requirements in the UK. A weak US dollar has also impacted the balance.

Trade and other payables stood at AED 5.0bn (2016-17: AED 3.5bn), an increase of 41.4% due to the dividend declared to the parent of AED 1bn, and increased ground handing, travel and catering operations.

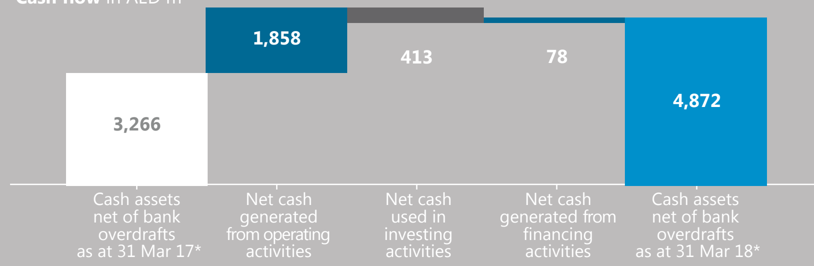
Free cash flow in AED m



Operating cash margin in %

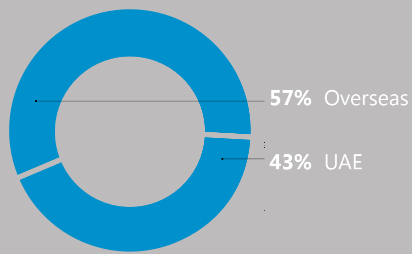


Cash flow in AED m

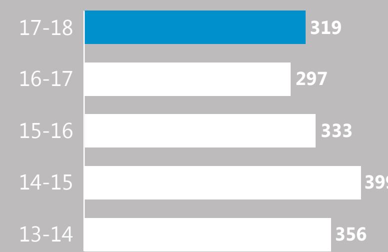


* Includes the effects of exchange rate changes

Geographical work force in %



Revenue per employee in AED '000



Employee strength (in numbers)

	2017-18	2016-17	% change
International airport operations	16,138	16,324	(1.1)
UAE airport operations	12,336	12,161	1.4
Catering	4,761	4,645	2.5
Travel services	4,257	4,017	6.0
Others	3,515	3,831	(8.2)
Average employee strength	**41,007**	**40,978**	**0.1**

Cash position

Cash from operating activities

Cash generated from operating activities increased significantly to AED 1.9bn from last year's figure of AED 1.3bn due to record profits and a positive contribution from working capital movements. Operating cash margin is at 14.2% (2016-17: 10.5%) and is the result of improved cash profit.

Cash assets

Cash assets continue to remain strong, growing by 45.5% to AED 4.9bn (2016-17: AED 3.4b). The increase is due to healthy cash profits, limited acquisition activity during the year and an improved focus on working capital management.

Employee strength and productivity

Employee strength

The average workforce remained stable compared to last year and stands at 41,007 (2016-17: 40,978).

With the growth in international operations, the workforce employed overseas is 57% (2016-17: 56%).

International airport operations continue to be the leading business unit in dnata in terms of workforce strength with 16,138 employees, 39% of total group workforce (2016-17: 40%). The 1.1% reduction compared to the prior year is due to a shift towards a time based workforce during the year at some of our locations partly offset by the acquisition of AirLogistix in the US.

dnata's UAE airport operations average employee count marginally increased by 1.4% to 12,336 (2016-17: 12,161), broadly in line with the increase in operations.

Workforce growth in the Catering business of 2.5% is consistent with the revenue growth.

Average employee count for Travel services increased by 6.0% to 4,257 (2016-17: 4,017) primarily due to the acquisition of Destination Asia and an increase in call centre operations at Clark, Philippines.

The 8.2% employee drop in Others to 3,515 (2016-17: 3,831) is due to a recruitment slowdown, natural attrition arising from retirements and resignations and new ways of working driven by technology, better processes and people management.

Productivity

Revenue per employee increased by 7.4% to AED 319 thousand (2016-17: AED 297 thousand) on account of a 7.3% increase in total revenues and consistent employee numbers.

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Independent Auditor's Report to the Owner of Emirates

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Emirates and its subsidiaries (together referred to as "Emirates") as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Emirates' consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 March 2018;
- the consolidated statement of comprehensive income for the year ended 31 March 2018;
- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of changes in equity for the year ended 31 March 2018;
- the consolidated statement of cash flows for the year ended 31 March 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of Emirates in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The areas, in our professional judgement, that are of most significance to the audit ("Key audit matters") and where we focused most audit effort during the year were:

Key audit matters	• Passenger and cargo revenue recognition • Accounting for the "Skywards" frequent flyer programme • Lease classification and the related lease accounting • Provision for aircraft return conditions

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of Emirates, the accounting processes and controls, and the industry in which Emirates operates.

Independent Auditor's Report to the Owner of Emirates (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Passenger and cargo revenue recognition When a flight booking is made, passenger and cargo revenue is initially deferred on the statement of financial position and is measured based on the sales price to the customer. Revenue is recognised in the consolidated income statement when a passenger or the cargo has flown (refer to notes 2, 3 and 5 to the consolidated financial statements). The determination of the amount of revenue to be recognised for each flight requires complex IT systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions. The accounting for passenger and cargo revenue is susceptible to management override of controls through the recording of manual journals in the accounting records, the override of IT systems to accelerate revenue recognition, or the manipulation of inputs used to calculate revenue recorded in respect of unused revenue documents. The timing of revenue recognition for unused tickets requires judgement due to the timeframe over which tickets can be utilised varying due to the large number of fare types sold by Emirates. Management has determined the value of unused revenue documents that will not be utilised based on ticket terms and conditions and historical expiry trends. We focused on this area as a result of the complexity of the related IT systems, the potential for management to override controls and the level of judgement required by management in determining the timing of recognition of unused revenue documents.	We performed detailed end-to-end walkthroughs of the finance and operational processes surrounding the revenue system, utilising our understanding of the industry and Emirates, to reassess the design effectiveness of the related key internal controls and identify changes, if any. We then conducted testing of the operating effectiveness of these controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended. We tested the key IT systems, including interfaces, that impact the recognition of revenue from passenger and cargo sales along with the change control procedures and related application controls. We performed computer assisted audit techniques over passenger and cargo revenue and appropriate substantive tests of manual journal entries posted into relevant revenue accounts in the sub-ledger and general ledger. We obtained data supporting Emirates' historical expiry trend in respect of unused revenue documents. In addition to performing controls based testing as described above, we tested the accuracy of historical expiry data and compared this data to that used by Emirates in their calculation of the amount of revenue to recognise from unused revenue documents.

Independent Auditor's Report to the Owner of Emirates (continued)

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Key audit matter	How our audit addressed the Key audit matter
Accounting for the "Skywards" frequent flyer programme Emirates operates a frequent flyer programme ("Skywards") in order to encourage and incentivise loyalty from its customers. Skywards members either earn Skywards miles after a flight has been paid for and flown, or from Skywards partners that purchase miles from Emirates to issue to their customers. Skywards miles can be redeemed for reductions in airfares as well as being used towards free flights, cabin class upgrades and other non-airline rewards. The fair value of unused miles issued to Skywards members when flights are flown, and consideration received for miles issued to Skywards members from sales to partners with a total value of AED 2,243 million (2017: AED 2,465 million), is recognised in the consolidated statement of financial position as deferred revenue (refer notes 2, 3 and 27 to the consolidated financial statements). The fair value per mile is calculated using a model incorporating a number of factors including historical sector average fares, fares for upgrades, ticket and upgrade availability and redemption patterns. An estimate is also made of the number of miles that will expire based on historical expiry patterns and known future changes to the Skywards programme. This was a Key audit matter because of the significant level of judgement exercised by management in determining the underlying assumptions within the model.	We tested management's model supporting the calculation of Skywards deferred revenue as follows: • we understood the process and related controls by which deferred revenue is calculated; • we tested automated controls and key interfaces around the systems used to initially record the Skywards miles for each member and ensured that data from the systems is accurately recorded in the model; • we re-performed calculations within the model; • we tested the key assumptions within the model, including agreeing historical expiry trends supporting the expiry percentage to underlying reports, discussing known future changes to the Skywards programme that may impact expiry trends with appropriate senior management and testing ticket and upgrade availability to internal supporting evidence; and • we performed sensitivity analysis on the key assumptions and variables used in the model.
Lease classification and the related lease accounting Emirates operates aircraft under both finance and operating lease arrangements and during the year has entered into sale and leaseback transactions on new aircraft deliveries (refer to notes 2, 3, 20 and 23 to the consolidated financial statements). In determining the appropriate lease classification, IAS 17 – "Leases" is applied by Emirates and the substance of the transaction rather than just the legal form is considered. Factors considered include but are not limited to the following: • whether the lease transfers ownership of the aircraft to Emirates by the end of the lease term; • whether Emirates has the option to purchase the aircraft at a price that is significantly lower than the fair value on exercise date; • whether the lease term is for the major part of the economic life of the aircraft; and • whether the present value of the minimum lease payments amounts to substantially all of the fair value of the leased aircraft. Profits or losses on sale and leaseback transactions are either recognised immediately or deferred in accordance with the finance and operating leases accounting policy set out in note 2 to the consolidated financial statements. We focused on this area because the accounting implications for leases including the presentation within the consolidated financial statements are substantially different depending on the classification determined, and because of the inherent level of management judgement within the assessment of lease classification and accounting for sale and leaseback transactions, together with the materiality of the related balances.	We evaluated management's assessment of lease classification under IFRS to determine whether a lease is considered to be finance or operating in nature. We examined the lease agreements for aircraft deliveries during the year to identify: • whether the lease transfers ownership of the aircraft to Emirates by the end of the lease term; • whether Emirates has the option to purchase the aircraft at a price that is significantly lower than the fair value on exercise date; and • whether the lease term is for the major part of the economic life of the aircraft. We undertook independent calculations to assess whether the present value of the minimum lease payments amounts to substantially all of the fair value of the leased aircraft and whether the rate of return implicit in the lease is calculated reasonably. In the case of sale and leaseback transactions on new aircraft resulting in an operating lease, we compared the fair values of aircraft to the purchase price and recalculated the profit or loss on these transactions. We tested whether management appropriately accounted for the profit or loss arising from these transactions. We tested that the related disclosures in the consolidated financial statements are consistent with the requirements of IFRS.

Independent Auditor's Report to the Owner of Emirates (continued)

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Key audit matter	How our audit addressed the Key audit matter
Provision for aircraft return conditions Emirates operated 158 aircraft under operating lease arrangements at 31 March 2018 (2017: 154). Under the terms of the operating lease arrangements with the lessors, Emirates is contractually committed to either return aircraft and/or engines in a certain condition or to compensate the lessor based on the actual condition of the aircraft and engines at the date of return. Accordingly, a provision of AED 3,336 million (2017: AED 3,125 million) for the cost associated with these aircraft return conditions is recorded during the lease term and is included within Provisions (refer to notes 2, 3, 24 and 26 of the consolidated financial statements). The provision is calculated using a model which incorporates a number of assumptions, requiring significant judgement, including the: • past and expected future utilisation and maintenance patterns of the aircraft and engines; • expected cost of the maintenance at the time it is estimated to occur; and • discount rate applied to the future liability. We focused on this area because of the significant level of judgement exercised by management in determining the underlying assumptions within the model.	We obtained the aircraft return provision model prepared by management, together with a summary of the underlying assumptions. We tested the completeness of the provision by ensuring that all significant return condition obligations included in aircraft operating lease contracts were included in the model. We tested the mathematical accuracy of the calculation. The following key assumptions were discussed with senior engineering personnel: • the past and expected future utilisation and maintenance patterns of the aircraft; • the expected cost of each maintenance event at the time it is expected to occur; and • the discount rate applied to the future liability. We compared historical utilisation to flying records and assessed if the future utilisation assumptions were considered in light of past experience. Assumed maintenance costs were assessed against historical actual costs incurred and existing long term maintenance agreements. Future maintenance patterns were assessed against internal maintenance plans. We ensured the discount rate applied by management to the future liability was within an acceptable range with reference to the time value of money applicable to Emirates and the risks specific to the liability. Along with performing sensitivity on reasonably possible changes in assumptions, we also compared provisions held for aircraft and engines returned during the year to the compensation paid out to the lessors or actual costs incurred to establish if past provisions were reasonable.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing Emirates' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Emirates or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Emirates' financial reporting process.

Independent Auditor's Report to the Owner of Emirates (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Emirates' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Emirates' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Emirates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Emirates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Emirates audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the Key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
3 May 2018

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

Consolidated Income Statement for the year ended 31 March 2018

	Note	2018 AED m	2017 AED m
Revenue	5	91,225	83,832
Other operating income	6	1,097	1,251
Operating costs	7	(88,236)	(82,648)
Operating profit		**4,086**	**2,435**
Finance income	8	375	281
Finance costs	8	(1,593)	(1,383)
Share of results of investments accounted for using the equity method	13	155	157
Profit before income tax		**3,023**	**1,490**
Income tax expense	9	(44)	(40)
Profit for the year		**2,979**	**1,450**
Profit attributable to non-controlling interests		183	200
Profit attributable to Emirates' Owner		**2,796**	**1,250**

Consolidated Statement of Comprehensive Income for the year ended 31 March 2018

Profit for the year		**2,979**	**1,450**
Items that will not be reclassified to the consolidated income statement			
Remeasurement of retirement benefit obligations	25	(6)	311
Items that are or may be reclassified subsequently to the consolidated income statement			
Currency translation differences	19	1	-
Cash flow hedges	19	155	1,038
Other comprehensive income for the year		**150**	**1,349**
Total comprehensive income for the year		**3,129**	**2,799**
Total comprehensive income attributable to non-controlling interests		183	200
Total comprehensive income attributable to Emirates' Owner		**2,946**	**2,599**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at 31 March 2018

	Note	2018 AED m	2017 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	85,951	86,898
Intangible assets	12	1,496	1,441
Investments accounted for using the equity method	13	662	676
Advance lease rentals	14	5,065	4,421
Loans and other receivables	15	172	238
Derivative financial instruments	35	60	38
Deferred income tax asset	29	11	10
		93,417	**93,722**
Current assets			
Inventories	16	2,387	2,238
Trade and other receivables	17	11,354	9,922
Derivative financial instruments	35	9	8
Short term bank deposits	33	14,745	6,706
Cash and cash equivalents	33	5,675	8,962
		34,170	**27,836**
Total assets		**127,587**	**121,558**

	Note	2018 AED m	2017 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	18	801	801
Other reserves	19	15	(141)
Retained earnings		35,638	33,848
Attributable to Emirates' Owner		**36,454**	**34,508**
Non-controlling interests		592	586
Total equity		**37,046**	**35,094**
Non-current liabilities			
Trade and other payables	30	123	683
Borrowings and lease liabilities	20	42,071	40,171
Deferred revenue	27	1,063	979
Deferred credits	28	2,621	2,227
Derivative financial instruments	35	26	192
Provisions	24	4,067	3,825
Deferred income tax liability	29	4	5
		49,975	**48,082**
Current liabilities			
Trade and other payables	30	29,303	25,193
Income tax liabilities		18	19
Borrowings and lease liabilities	20	9,030	10,831
Deferred revenue	27	1,180	1,486
Deferred credits	28	313	253
Derivative financial instruments	35	35	3
Provisions	24	687	597
		40,566	**38,382**
Total liabilities		**90,541**	**86,464**
Total equity and liabilities		**127,587**	**121,558**

The consolidated financial statements were approved on 3 May 2018 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 March 2018

	Attributable to Emirates' Owner					
	Capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	AED m	AED m	AED m	AED m	AED m	AED m
1 April 2016	801	(1,179)	32,287	31,909	496	32,405
Profit for the year	-	-	1,250	1,250	200	1,450
Other comprehensive income	-	1,038	311	1,349	-	1,349
Total comprehensive income	**-**	**1,038**	**1,561**	**2,599**	**200**	**2,799**
Dividends	-	-	-	-	(110)	(110)
Transactions with Owners	**-**	**-**	**-**	**-**	**(110)**	**(110)**
31 March 2017	**801**	**(141)**	**33,848**	**34,508**	**586**	**35,094**
Profit for the year	-	-	2,796	2,796	183	2,979
Other comprehensive income	-	156	(6)	150	-	150
Total comprehensive income	**-**	**156**	**2,790**	**2,946**	**183**	**3,129**
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	(4)	(4)
Dividends	-	-	(1,000)	(1,000)	(173)	(1,173)
Transactions with Owners	**-**	**-**	**(1,000)**	**(1,000)**	**(177)**	**(1,177)**
31 March 2018	**801**	**15**	**35,638**	**36,454**	**592**	**37,046**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 March 2018

	Note	2018 AED m	2017 AED m
Operating activities			
Profit before income tax		3,023	1,490
Adjustments for:			
Depreciation and amortisation	7	9,193	8,304
Finance costs - net		1,218	1,102
Net loss / (gain) on sale of property, plant and equipment		82	(23)
Share of results of investments accounted for using the equity method	13	(155)	(157)
Net provision for impairment of trade receivables	17	20	23
Provision for retirement benefit obligations	7	732	741
Net movement on derivative financial instruments		(3)	22
Payments for retirement benefit obligations		(617)	(597)
Income tax paid		(66)	(70)
Change in inventories		(145)	(132)
Change in receivables and advance lease rentals		(1,892)	(2,146)
Change in provisions, payables, deferred credits and deferred revenue		2,744	1,868
Net cash generated from operating activities		**14,134**	**10,425**

	Note	2018 AED m	2017 AED m
Investing activities			
Additions to property, plant and equipment	34	(3,279)	(4,382)
Additions to intangible assets	12	(209)	(269)
Proceeds from sale of property, plant and equipment		98	117
Acquisition of subsidiaries, net of cash acquired		(6)	-
Investments in associates and joint ventures	13	(5)	(137)
Movement in short term bank deposits		(8,039)	1,117
Finance income		288	285
Dividends from investments accounted for using the equity method	13	175	140
Net cash used in investing activities		**(10,977)**	**(3,129)**
Financing activities			
Proceeds from bonds and term loans	21,22	5,584	3,010
Repayment of bonds and term loans	21,22	(3,981)	(5,626)
Aircraft finance lease costs		(1,157)	(995)
Other finance costs		(207)	(257)
Repayment of lease liabilities	23	(6,508)	(4,424)
Dividend paid to Emirates' Owner		-	(2,100)
Dividend paid to non-controlling interests		(173)	(110)
Net cash used in financing activities		**(6,442)**	**(10,502)**
Net change in cash and cash equivalents		**(3,285)**	**(3,206)**
Cash and cash equivalents at beginning of year		8,958	12,165
Effect of exchange rate changes		2	(1)
Cash and cash equivalents at end of year	33	**5,675**	**8,958**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 March 2018

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 ("the parent company"), 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 and cargo services
- wholesale and retail of consumer goods
- catering operations
- hotel operations
- food and beverage sales

2. Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) pronouncements. 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.

All amounts are presented in millions of UAE Dirham ("AED").

New standards, amendments to published standards and interpretations that are relevant to Emirates

Effective and adopted in the current year

At the date of authorisation of these consolidated financial statements, certain amendments to the existing standards were effective for the current financial year and have been adopted by Emirates. These are as follows:

- Amendments to IAS 7, Statement of Cash Flows (effective from 1 January 2017)
- Amendments to IFRS 12, Disclosure of Interests in Other Entities (effective from 1 January 2017)
- Amendments to IAS 12, Income taxes (effective from 1 January 2017)

These amendments did not have a material impact on the consolidated financial statements. However, disclosure changes arising from amendments to IAS 7 have been addressed in Note 23 through presentation of changes in opening and closing balances of finance lease liabilities.

Not yet effective and have not been early adopted

At the date of authorisation of these consolidated financial statements, certain new accounting standards have been published that are not mandatory for the financial year ended 31 March 2018, and have not been early adopted.

Management has assessed the impact of these accounting standards:

IFRS 9, Financial Instruments (effective from 1 January 2018)

Emirates will adopt IFRS 9 which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets from 1 April 2018.

Emirates has reviewed the new requirements applicable to its financial assets and it does not expect the new guidance to affect the classification and measurement of its financial assets. There will be no impact on Emirates' financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Emirates does not have any such liabilities.

The new impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to trade receivables and other financial assets. Based on the assessments undertaken, Emirates does not expect any significant change in the loss allowance for these financial assets.

2. Summary of significant accounting policies (continued)

IFRS 9, Financial Instruments (effective from 1 January 2018) (continued)

The new guidance has substantially reformed the existing hedge accounting rules. It provides a more principles-based approach that aligns hedge accounting closely with risk management policies. Emirates does not expect any significant impact on its hedge accounting under IFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation, however, these are not expected to materially change the nature and extent of Emirates disclosures about its financial instruments.

IFRS 15, Revenue from Contracts with Customers (effective from 1 January 2018)

IFRS 15 replaces IAS 18 which covers contracts for sale of goods and rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a new five-step model that must be applied to all contracts with customers.

Emirates will apply the modified retrospective method on transition to the new standard from 1 April 2018 and the comparatives will not be restated. Emirates currently recognises revenue from certain ancillary services such as administration fees at the time of collection. IFRS 15 requires such income to be recognised when the related transportation is provided. Accordingly on 1 April 2018, contract liabilities (currently disclosed as passenger and cargo sales in advance) will increase by approximately AED 40m with a corresponding impact on retained earnings.

IFRS 16, Leases (effective from 1 January 2019)

IFRS 16 removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability (the obligation to pay rentals). An optional exemption exists for short-term and low-value leases.

The standard will have a significant impact on the Emirates consolidated financial statements considering the number of aircraft and other operating leases in its portfolio. For example, the consolidated income statement will be impacted because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating lease charges will be replaced with interest and depreciation expenses. These changes will affect key ratios like profit margin, operating margin, EBITDA margin etc. Further, operating cash flows will be higher as cash payments for the principal portion of the lease liability will be classified within financing activities.

Emirates is currently assessing the detailed financial impact of this standard on its consolidated financial statements.

There are no other standards, amendments or interpretations, that are either effective or not yet effective, and would be expected to have a material impact on Emirates.

Basis of consolidation

Subsidiaries are those entities (including structured entities) over which Emirates has control. Control is exercised when Emirates is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the date on which control is transferred to Emirates and are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains and losses arising on transactions between Emirates and its subsidiaries are eliminated.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of Emirates' previously held equity interest in the subsidiary is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

Emirates treats transactions with non-controlling interests that do not result in loss of control as transactions with the owners. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid is recorded in equity.

2. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Associates are those entities in which Emirates has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition, after initially being recorded at cost.

Joint ventures are contractual arrangements which establish joint control and where Emirates has rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition, after initially being recognised at cost.

When Emirates' share of losses in an equity-accounted investment equals or exceed its interest in the entity, including any other unsecured long term receivables, Emirates does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

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

When Emirates ceases to have control, any retained interest in the entity or business is remeasured to its fair value at the date when control is lost, with the change in the carrying amount recognised in the consolidated income statement. The fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity or business are accounted for as if the related assets or liabilities have been directly disposed off. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement. If the ownership in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

Revenue

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

Revenue from the sale of consumer goods, food and beverages and catering operations is recognised when risks and rewards of ownership are transferred to the customer and is stated net of discounts and returns.

All other revenues, including revenue from hotel operations are recognised net of discounts and taxes when services are provided.

Frequent flyer programme ('Skywards')

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 Skywards miles 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 Skywards miles based on their fair value, adjusted for expected expiry and is accounted for as a liability (deferred revenue) in the consolidated statement of financial position. The fair value is determined using estimation techniques that take into account the fair value of awards for which miles could be redeemed. Miles accrued through utilising the services of programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised.

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.

Finance income and costs

Interest income and costs are recognised on a time proportion basis using the effective interest method.

2. Summary of significant accounting policies (continued)

Liquidated damages

Income from claims for liquidated damages on aircraft and related assets is recognised in the consolidated income statement as other income or a reduction to operating costs when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to compensations for loss of income or are not 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 Dirham ("AED"), which is also the company's functional currency. Subsidiaries, associates and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

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

Where functional currencies of subsidiaries are different from AED, income and cash flow statements of subsidiaries are translated into AED at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates and their assets and liabilities are translated at the exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income.

Share of results of investments accounted for using the equity method are translated into AED at average exchange rates for the year whereas Emirates' share of net investments is translated at the exchange rate prevailing at the end of the reporting period. Translation differences relating to investments in associates, joint ventures and monetary assets and liabilities that form part of a net investment in a foreign operation are recognised in other comprehensive income. When investments in associates, joint ventures or net investment in a foreign operation are disposed of, the related translation differences previously recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income.

Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Emirates operates and generates taxable income.

Deferred income tax is provided in full 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 recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Also, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill in a business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Property, plant and equipment

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

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

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

The estimated useful lives and residual values are:

Aircraft – new	15 - 18 years (residual value nil - 10%)
Aircraft – used	5 years (residual value nil)
Aircraft engines and parts	5 - 15 years (residual value nil - 10%)
Buildings	15 - 40 years
Other property, plant and equipment	3 - 20 years or over the lease term, if shorter

2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 that 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.

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, credits received relating to aircraft are deferred on the statement of financial position as deferred credits and recognised on a straight-line basis over the period of the related lease.

Finance and operating leases

Where property, plant and equipment has 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.

Gains and losses arising on sale and leaseback transactions resulting in an operating lease and where the sale price is at fair value, are recognised immediately in the consolidated income statement. Where the sale price is below fair value, any losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is accounted for as a deferred credit and amortised over the period for which the asset is expected to be used.

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.

2. Summary of significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets at the date of acquisition.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units or a group of cash generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised when the carrying value of the cash generating units or a group of cash generating units 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.

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

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	3-7 years

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

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill are reviewed at the end of each reporting period for possible reversal of the impairment loss.

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 subsequrently measured 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.

2. Summary of significant accounting policies (continued)

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 as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). Fair values are obtained from quoted market prices or dealer quotes for similar instruments, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the 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.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income. When the forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are re-classified and included in the initial carrying amount of the asset or liability. These gains and losses are ultimately recognised in the consolidated income statement in the same period during which the asset or liability affects profit or loss. In all other cases, amounts previously recognised in other comprehensive income 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.

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 measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Provision for aircraft return conditions

Provision for aircraft return conditions represents the estimate of the cost to meet the contractual lease end obligations on certain aircraft and engines held under operating leases. The present value of the expected cost is recognised over the lease term considering the existing fleet plan and long-term maintenance schedules.

2. Summary of significant accounting policies (continued)

Retirement benefit obligations

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

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

A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that are denominated in currency in which the benefits will be paid and have terms approximating to the estimated term of the post-employment benefit obligations.

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

Trade payables

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

Derecognition of financial assets and financial liabilities

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

Cash and cash equivalents

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

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 is considered to be the Emirates' leadership team who make strategic decisions and are responsible for allocating resources and assessing performance of the operating segments.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Dividend distribution

Dividend distribution to Equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

3. Critical accounting estimates and judgements

In the preparation of these 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 narrative addresses the accounting policies that require subjective and complex judgements, often as a result of the need to make estimates.

3. Critical accounting estimates and judgements (continued)

Passenger and cargo revenue recognition

Passenger and cargo sales are recognised as revenue when transportation is provided. The value of unused revenue documents is held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Unused revenue documents are recognised in the consolidated income statement as revenue based on their terms and conditions and historical trends.

Frequent flyer programme ('Skywards')

Emirates accounts for Skywards miles 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 Skywards miles 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 Skywards miles and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards using historical trends. 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.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the fair value of miles. No reasonably possible change in any single assumption will result in a material change to the deferred revenue.

Useful lives and residual values of aircraft and related assets

Management assigns useful lives and residual values to aircraft and related assets based on the intended use 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.

Aircraft finance and operating lease classification

A lease is classified as a finance lease when substantially all the risks and rewards of ownership of an aircraft are transferred to Emirates. In determining the appropriate lease classification, the substance of the transaction rather than the legal form is considered. Factors considered include but are not limited to the following: whether the lease transfers ownership of the aircraft to Emirates by the end of the lease term; Emirates has the option to purchase the aircraft at a price that is sufficiently lower than the fair value on exercise date; the lease term is for the major part of the economic life of the aircraft and the present value of the minimum lease payments amount to at least substantially all of the fair value of the leased aircraft.

Where Emirates enters into sale and leaseback transactions for aircraft, the timing and amount of profit recognised on these transactions is subject to the fair value of the aircraft at the time of sale. Judgement is required to estimate the fair value due to diversity of inputs that goes into the determination of aircraft fair value which includes references to third party valuations.

Provision for aircraft return conditions

The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by Emirates. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. No reasonably possible change in any single assumption will result in a material change to the provision.

Valuation of defined benefit obligations

The present value of the defined benefit obligations is determined on an actuarial basis using various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate and expected salary increases which are reviewed at each reporting date. Due to the complexities involved in the valuation and its long-term nature, defined benefit obligations are sensitive to changes in these assumptions. A sensitivity analysis of changes in defined benefit obligations due to a reasonably possible change in these assumptions is set out in Note 25.

4. Fair value estimation

The levels of fair value hierarchy are defined as follows:

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

Derivatives are the only financial instruments which are carried at fair value and fall into level 2 of the fair value hierarchy (Note 35).

Derivatives comprise forward exchange contracts and interest rate swaps. The forward exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

5. Revenue

	2018	2017
	AED m	AED m
Passenger	73,963	68,491
Cargo	12,439	10,592
Consumer goods	1,625	1,638
Hotel operations	746	738
Food and beverage	680	616
Catering operations	677	678
Excess baggage	433	392
Others	662	687
	91,225	**83,832**

6. Other operating income

Other operating income comprises AED 145 m (2017: AED 312 m) from liquidated damages and other compensation received in connection with aircraft, AED 292 m (2017: AED 205 m) being the amortisation of gain on sale and leaseback of aircraft, aircraft engines and parts, a net foreign exchange gain of AED 33 m (2017: Nil) and income of AED 627 m (2017: AED 734 m) from ancillary services and activities incidental to Emirates' operations.

7. Operating costs

	2018	2017
	AED m	AED m
Jet fuel	24,715	20,968
Employee (see (a) below)	13,080	12,864
Aircraft operating leases	11,691	10,509
Depreciation and amortisation (Notes 11 & 12)	9,193	8,304
Sales and marketing	6,404	5,698
Handling	5,335	5,885
In-flight catering and other operating costs	3,323	3,343
Overflying	2,891	2,851
Facilities and IT related costs (see (b) below)	2,485	2,470
Aircraft maintenance	2,364	2,738
Landing and parking	2,153	2,057
Cost of goods sold	1,575	1,499
Crew layover	1,125	1,082
Foreign exchange loss - net	-	362
Corporate overheads	1,902	2,018
	88,236	**82,648**

(a) Employee costs include AED 732 m (2017: AED 741 m) in respect of retirement benefit obligations (Note 25).

(b) Facilities and IT related costs include non-aircraft operating lease charges amounting to AED 724 m (2017: AED 705 m).

8. Finance income and costs

	2018	2017
	AED m	AED m
Finance income		
Interest income from related parties (Note 37)	216	159
Interest income on short term bank deposits	159	122
	375	**281**
Finance costs		
Aircraft finance lease costs	(1,216)	(1,019)
Interest expense on bonds and term loans	(146)	(147)
Other finance costs - net	(231)	(217)
	(1,593)	**(1,383)**

9. Income tax expense

	2018	2017
	AED m	AED m
Current income tax expense	44	40
	44	**40**

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 of Emirates' operations and its subsidiaries where Emirates is subject to income tax. Providing information on effective tax rates is therefore not meaningful.

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10. Segment information

Emirates' leadership team 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 services and excess baggage, is the main reportable segment. Catering operations is another reportable segment which provides in-flight and institutional catering services. 'Other' comprises of various businesses not allocated to a reportable segment.

The performance of the airline and catering operations is evaluated based on segment 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 and costs in the airline segment arising from the usage of transportation services e.g. leave passage of staff and duty travel of staff and consultants that are eliminated when preparing the consolidated financial statements. This adjustment is presented as a reconciling item. The breakdown of revenue from external customers by nature of business activity is provided in Note 5.

Segment assets include inter-segment loans and receivables, which are eliminated on consolidation. This consolidation adjustment is presented as a reconciling item.

The segment information for the year ended 31 March 2018 is as follows:

	Airline AED m	**Catering operations** AED m	**Other** AED m	**Reconciliation** AED m	**Total** AED m
Total segment revenue	88,008	2,709	3,085	(321)	93,481
Inter-segment revenue	-	(2,032)	(224)	-	(2,256)
Revenue from external customers	88,008	677	2,861	(321)	91,225
Segment profit for the year	2,286	260	433	-	2,979
Finance income	373	6	2	(6)	375
Finance costs	(1,592)	-	(7)	6	(1,593)
Income tax (expense) / credit	(51)	-	7	-	(44)
Depreciation and amortisation	(8,874)	(126)	(193)	-	(9,193)
Share of results of investments accounted for using the equity method	-	-	155	-	155
Segment assets	119,670	3,101	5,563	(747)	127,587
Investments accounted for using the equity method	-	-	662	-	662
Additions to property, plant and equipment	8,083	136	68	-	8,287
Additions to intangible assets (including acquisitions)	193	5	23	-	221
Additions to advance lease rentals	1,286	-	-	-	1,286

10. Segment information (continued)

The segment information for the year ended 31 March 2017 is as follows:

	Airline AED m	**Catering operations** AED m	**Other** AED m	**Recon-ciliation** AED m	**Total** AED m
Total segment revenue	80,714	2,761	3,012	(354)	86,133
Inter-segment revenue	-	(2,083)	(218)	-	(2,301)
Revenue from external customers	80,714	678	2,794	(354)	83,832
Segment profit for the year	656	285	509	-	1,450
Finance income	279	7	1	(6)	281
Finance costs	(1,382)	-	(7)	6	(1,383)
Income tax (expense) / credit	(45)	-	5	-	(40)
Depreciation and amortisation	(7,971)	(140)	(193)	-	(8,304)
Share of results of investments accounted for using the equity method	-	-	157	-	157
Segment assets	113,388	3,274	5,569	(673)	121,558
Investments accounted for using the equity method	-	-	676	-	676
Additions to property, plant and equipment	11,788	465	110	-	12,363
Additions to intangible assets	269	-	-	-	269
Additions to advance lease rentals	2,438	-	-	-	2,438

Geographical information

	2018 AED m	**2017** AED m
Revenue from external customers:		
Europe	26,727	23,906
East Asia and Australasia	25,409	22,621
Americas	13,441	12,504
Africa	9,343	8,693
Gulf and Middle East	8,544	8,682
West Asia and Indian Ocean	7,761	7,426
	91,225	**83,832**

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

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

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

11. Property, plant and equipment

	Aircraft	Aircraft engines and parts	Land and buildings	Other property, plant and equipment	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2016	66,083	6,295	12,874	14,580	12,976	112,808
Additions	5	31	9	3,363	8,955	12,363
Transfer from capital projects	10,402	992	1,149	370	(12,913)	-
Disposals / write-offs	(315)	(419)	-	(3,156)	-	(3,890)
Currency translation differences	-	-	1	(3)	(1)	(3)
31 March 2017	**76,175**	**6,899**	**14,033**	**15,154**	**9,017**	**121,278**
Accumulated depreciation						
1 April 2016	15,567	1,848	3,377	9,180	-	29,972
Charge for the year	4,283	405	560	2,926	-	8,174
Disposals / write-offs	(281)	(409)	-	(3,074)	-	(3,764)
Currency translation differences	-	-	-	(2)	-	(2)
31 March 2017	**19,569**	**1,844**	**3,937**	**9,030**	**-**	**34,380**
Net book amount						
31 March 2017	**56,606**	**5,055**	**10,096**	**6,124**	**9,017**	**86,898**

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 2017	76,175	6,899	14,033	15,154	9,017	121,278
Additions	-	189	14	3,354	4,730	8,287
Transfer from capital projects	5,152	303	919	354	(6,728)	-
Disposals / write-offs	(339)	(300)	(5)	(1,968)	-	(2,612)
31 March 2018	**80,988**	**7,091**	**14,961**	**16,894**	**7,019**	**126,953**
Accumulated depreciation						
1 April 2017	19,569	1,844	3,937	9,030	-	34,380
Charge for the year	4,808	412	598	3,210	-	9,028
Disposals / write-offs	(310)	(156)	(5)	(1,935)	-	(2,406)
31 March 2018	**24,067**	**2,100**	**4,530**	**10,305**	**-**	**41,002**
Net book amount						
31 March 2018	**56,921**	**4,991**	**10,431**	**6,589**	**7,019**	**85,951**

The net book amount of property, plant and equipment includes AED 53,164 m (2017: AED 54,148 m) in respect of assets held under finance leases.

The net book amount of aircraft includes an amount of AED 5,671 m (2017: AED 3,953 m) in respect of assets provided as security against term loans.

Land of AED 922 m (2017: AED 861 m) is carried at cost and is not depreciated.

Property, plant and equipment includes interest capitalised during the year amounting to AED 163 m (2017: AED 226 m). The interest on general borrowings for qualifying assets was capitalised using an annual weighted average capitalisation rate of 4.1% (2017: 4.0%).

Capital projects include pre-delivery payments of AED 4,560 m (2017: AED 5,855 m) in respect of aircraft due for delivery between 2019 and 2028 (Note 32).

The net book amount of other property, plant and equipment includes AED 4,578 m (2017: AED 3,954 m) pertaining to aircraft and engine related overhauls.

12. Intangible assets

	Goodwill	Service rights	Trade names	Contractual rights	Computer software	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2016	597	232	19	56	1,226	2,130
Additions	-	50	-	-	219	269
Disposals / write-offs	-	-	-	-	(97)	(97)
Currency translation differences	-	-	-	-	3	3
31 March 2017	**597**	**282**	**19**	**56**	**1,351**	**2,305**
Accumulated amortisation and impairment						
1 April 2016	-	120	6	11	676	813
Amortisation for the year	-	17	2	5	106	130
Disposals / write-offs	-	-	-	-	(81)	(81)
Currency translation differences	-	-	-	-	2	2
31 March 2017	**-**	**137**	**8**	**16**	**703**	**864**
Net book value						
31 March 2017	**597**	**145**	**11**	**40**	**648**	**1,441**

12. Intangible assets (continued)

	Goodwill	Service rights	Trade names	Contractual rights	Computer software	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2017	597	282	19	56	1,351	2,305
Additions	-	-	-	-	209	209
Acquisitions	12	-	-	-	-	12
Disposals / write-offs	-	-	-	-	(3)	(3)
Currency translation differences	-	-	-	1	-	1
31 March 2018	**609**	**282**	**19**	**57**	**1,557**	**2,524**
Accumulated amortisation and impairment						
1 April 2017	-	137	8	16	703	864
Amortisation for the year	-	19	1	5	140	165
Disposals / write-offs	-	-	-	-	(1)	(1)
31 March 2018	**-**	**156**	**9**	**21**	**842**	**1,028**
Net book value						
31 March 2018	**609**	**126**	**10**	**36**	**715**	**1,496**

Computer software includes an amount of AED 212 m (2017: AED 215 m) in respect of projects under implementation.

For the purpose of testing goodwill impairment, the recoverable amounts for cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a three year period. Cash flows beyond the three year period have been extrapolated using the long term terminal growth rates. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate of 12% (2017: 12%), gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate. Any reasonably possible changes to the assumptions will not lead to an impairment charge. The goodwill allocated to the cash generating unit or groups of cash generating units is as follows:

Cash generating unit	Location	Reportable segment	Goodwill 2018	Goodwill 2017
			AED m	AED m
Catering operations	UAE	Catering operations	369	369
Consumer goods	UAE	Others	212	200
Food and beverage	UAE	Others	25	25
Food and beverage	Australia	Others	3	3
			609	**597**

13. Investments in subsidiaries, associates and joint ventures

	Percentage of beneficial interest	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries				
Maritime & Mercantile International L.L.C.	68.7	68.7	Wholesale and retail of consumer goods	UAE
Maritime & Mercantile International Holding L.L.C.	100	100	Holding company	UAE
Emirates Leisure Retail Holding L.L.C.	100	100	Holding company	UAE
Emirates Leisure Retail L.L.C.	68.7	68.7	Food and beverage operations	UAE
Emirates Leisure Retail (Singapore) Pte Ltd.	100	100	Food and beverage operations	Singapore
Emirates Leisure Retail (Australia) Pty Ltd.	100	100	Food and beverage operations	Australia
Emirates Hotel L.L.C.	100	100	Hotel operations	UAE
Emirates Hotels (Australia) Pty Ltd.	100	100	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90	90	In-flight and institutional catering	UAE

None of the subsidiaries have non-controlling interests that are material to Emirates.

Principal joint ventures				
Emirates-CAE Flight Training L.L.C.	50	51	Flight simulator training	UAE
Premier Inn Hotels L.L.C.	51	51	Hotel operations	UAE
CAE Flight Training (India) Private Ltd.	50	50	Flight simulator training	India
CAE Middle East Holdings Limited	50	50	Flight simulator training	UAE
Independent Wine and Spirit (Thailand) Company Limited	49	49	Wholesale and retail of consumer goods	Thailand
Arabian Harts International Limited	50	50	Wholesale and retail of consumer goods	UAE

Premier Inn Hotels L.L.C. and Independent Wine and Spirit (Thailand) Company Limited are subject to joint control and, therefore, these investments are accounted for as joint ventures.

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

Movement of investments accounted for using the equity method

	2018 AED m	2017 AED m
Balance brought forward	**676**	**522**
Investments during the year	5	137
Share of results	155	157
Dividends	(175)	(140)
Currency translation differences	1	-
Balance carried forward	**662**	**676**

No individual associate is material to Emirates. The aggregate financial information of associates is set out below:

	2018 AED m	2017 AED m
Share of results of associates	85	94
Share of total comprehensive income of associates	**85**	**94**
Aggregate carrying value of investments in associates	**50**	**55**

No individual joint venture is material to Emirates. The aggregate financial information of joint ventures is set out below:

	2018 AED m	2017 AED m
Share of results of joint ventures	70	63
Share of total comprehensive income of joint ventures	**70**	**63**
Aggregate carrying value of investments in joint ventures	**612**	**621**

14. Advance lease rentals

	2018 AED m	2017 AED m
Balance brought forward	**4,901**	**2,886**
Additions during the year	1,286	2,438
Charge for the year	(536)	(423)
Balance carried forward	**5,651**	**4,901**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 17)	**586**	**480**
Over one year	**5,065**	**4,421**

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

Advance lease rentals include AED 275 m (2017: AED 314 m) related to a company under common control.

15. Loans and other receivables

	2018	2017
	AED m	AED m
Related parties (Note 37)	8	11
Other receivables	64	93
	72	**104**
Prepayments	100	134
	172	**238**

The amounts (excluding prepayments) are receivable as follows:		
Between 2 and 5 years	72	104
	72	**104**

Loans and other receivables (excluding prepayments) are denominated in the following currencies:		
UAE Dirham	67	81
US Dollar	1	15
Others	4	8

The fair value of loans and other receivables (excluding prepayments) amounts to AED 71 m (2017: AED 103 m). Fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturity and currencies based on credit spreads applicable at the end of each reporting period. The fair value of loans and other receivables falls into level 2 of the fair value hierarchy.

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

16. Inventories

	2018	2017
	AED m	AED m
In-flight consumables	1,247	1,065
Engineering	495	572
Consumer goods	477	449
Others	168	152
	2,387	**2,238**

In-flight consumables include AED 836 m (2017: AED 648 m) relating to items which are not expected to be consumed within twelve months after the reporting period.

17. Trade and other receivables

	2018	2017
	AED m	AED m
Trade receivables - net of provision	5,743	4,644
Prepayments	3,081	2,748
Related parties (Note 37)	229	199
Advance lease rentals (Note 14)	586	480
Operating lease and other deposits	779	896
Other receivables	1,108	1,193
	11,526	**10,160**
Less: Receivables over one year (Note 15)	(172)	(238)
	11,354	**9,922**

Prepayments include an amount of AED 68 m (2017: AED 52 m) paid to companies under common control.

The carrying amount of trade and other receivables (excluding prepayments and advance lease rentals) approximates their fair value which falls into level 2 of the fair value hierarchy.

17. Trade and other receivables (continued)

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

	2018	2017
	AED m	AED m
Balance brought forward	**83**	**104**
Charge for the year	74	63
Unused amounts reversed	(54)	(40)
Amounts written off as uncollectible	(24)	(39)
Currency translation differences	2	(5)
Balance carried forward	**81**	**83**

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.

The other classes of trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk of trade and other receivables at the reporting date is the carrying value of each class of receivable (excluding prepayments and advance lease rentals).

The ageing of trade receivables that are past due but not impaired is as follows:

	2018	2017
	AED m	AED m
Below 3 months	677	398
3-6 months	51	63
Above 6 months	47	24
	775	**485**

For further details on credit risk management, refer to Note 38.

18. Capital

Capital represents the permanent capital of Emirates.

19. Other reserves

	Cash flow hedge reserve AED m	Translation reserve AED m	Total AED m
1 April 2016	**(1,181)**	**2**	**(1,179)**
Net gain on fair value of cash flow hedges	478	-	478
Transferred to the consolidated income statement	560	-	560
31 March 2017	**(143)**	**2**	**(141)**
Currency translation differences	-	1	1
Net gain on fair value of cash flow hedges	54	-	54
Transferred to the consolidated income statement	101	-	101
31 March 2018	**12**	**3**	**15**

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

	2018 AED m	2017 AED m
Revenue	-	(41)
Operating costs	2	(359)
Finance costs	(103)	(160)
	(101)	**(560)**

20. Borrowings and lease liabilities

	2018	2017
	AED m	AED m
Non-current		
Bonds (Note 21)	4,821	3,561
Term loans (Note 22)	4,448	3,443
Lease liabilities (Note 23)	32,802	33,167
	42,071	**40,171**
Current		
Bonds (Note 21)	930	606
Term loans (Note 22)	528	1,514
Lease liabilities (Note 23)	7,572	8,707
Bank overdraft (Note 33)	-	4
	9,030	**10,831**
	51,101	**51,002**
Borrowings and lease liabilities are denominated in the following currencies:		
US Dollar	47,599	47,283
UAE Dirham	3,502	3,719

The effective interest rate per annum on lease liabilities was 3.1% (2017: 2.8%), term loans was 3.2% (2017: 3.1%) and bonds was 4.3% (2017: 4.5%).

21. Bonds

	2018	2017
	AED m	AED m
Balance brought forward	**4,187**	**8,878**
Additions during the year	2,203	-
Repayments during the year	(610)	(4,682)
Currency translation differences	-	(9)
Balance carried forward	**5,780**	**4,187**
Less: Transaction costs	(29)	(20)
	5,751	**4,167**
Bonds are repayable as follows:		
Within one year (Note 20)	**930**	**606**
Between 2 and 5 years	3,261	2,429
After 5 years	1,560	1,132
Total over one year (Note 20)	**4,821**	**3,561**

Bonds are fixed interest rate bonds and are denominated in USD.

The fair value of the bonds is AED 5,740 m (2017: AED 4,244 m) based on listed prices and falls into level 1 of the fair value hierarchy.

22. Term loans

	2018 AED m	2017 AED m
Balance brought forward	**5,031**	**2,965**
Additions during the year	3,381	3,010
Repayments during the year	(3,371)	(944)
Balance carried forward	**5,041**	**5,031**
Less: Transaction costs	(65)	(74)
	4,976	**4,957**
Loans are repayable as follows:		
Within one year (Note 20)	**528**	**1,514**
Between 2 and 5 years	1,832	1,528
After 5 years	2,616	1,915
Total over one year (Note 20)	**4,448**	**3,443**
Loans are denominated in the following currencies:		
US Dollar	4,686	4,540
UAE Dirham	290	417

Contractual repricing dates are set at three to six month intervals. Term loans amounting to AED 4,751 m (2017: AED 3,512 m) are secured on aircraft.

The fair value of the term loans amounts to AED 5,016 m (2017: AED 4,947 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. The fair value of the term loans falls into level 2 of the fair value hierarchy.

23. Lease liabilities

Finance leases

	2018 AED m	2017 AED m
Balance brought forward	**41,874**	**38,317**
Additions	5,008	7,981
Repayments	(6,508)	(4,424)
Balance carried forward	**40,374**	**41,874**

Gross lease liabilities:		
Within one year	8,793	9,906
Between 2 and 5 years	22,415	22,503
After 5 years	15,236	15,642
	46,444	**48,051**
Future interest	(6,070)	(6,177)
Present value of finance lease liabilities	**40,374**	**41,874**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 20)	**7,572**	**8,707**
Between 2 and 5 years	19,168	19,122
After 5 years	13,634	14,045
Total over one year (Note 20)	**32,802**	**33,167**
The present value of finance lease liabilities is denominated in the following currencies:		
US Dollar	37,162	38,576
UAE Dirham	3,212	3,298

Lease liabilities amounting to AED 38,978 m (2017: AED 40,596 m) are secured on the related aircraft and aircraft engines.

23. Lease liabilities (continued)

The fair value of lease liabilities amounts to AED 39,738 m (2017: AED 41,302 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. The fair value of lease liabilities falls into level 2 of the fair value hierarchy.

Some lease agreements provide for variable lease payments to the extent that the interest portion is linked to market interest rates, normally the LIBOR.

Operating leases

	2018 AED m	2017 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	82,449	80,266
Others	2,995	2,504
	85,444	**82,770**
Within one year	11,845	10,913
Between 2 and 5 years	39,962	37,508
After 5 years	33,637	34,349
	85,444	**82,770**

The future minimum lease payments include AED 5,232 m (2017: AED 6,077 m) related to a company under common control. Such payments are on normal commercial terms.

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.

Some lease agreements provide for variable lease payments to the extent that the interest portion is linked to market interest rates, normally the LIBOR.

24. Provisions

	2018 AED m	2017 AED m
Non-current		
Retirement benefit obligations (Note 25)	1,418	1,297
Provision for aircraft return conditions (Note 26)	2,649	2,528
	4,067	**3,825**
Current		
Provision for aircraft return conditions (Note 26)	687	597
	687	**597**
	4,754	**4,422**

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25. 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 2018 in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 3.0% (2017: 3.0%) and a discount rate of 4.0% (2017: 4.25%) per annum. The present values of the defined benefit obligations at 31 March 2018 were computed using the actuarial assumptions set out above.

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

	2018 AED m	2017 AED m
Funded scheme		
Present value of defined benefit obligations	2,581	2,316
Less: Fair value of plan assets	(2,577)	(2,309)
	4	**7**
Unfunded scheme		
Present value of defined benefit obligations	**1,414**	**1,290**
Liability recognised in the consolidated statement of financial position	**1,418**	**1,297**

The above liability is presented as a non-current provision within the consolidated statement of financial position as Emirates expects to settle this liability over a long term period.

(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 either seventy five or one hundred percent of their fund balance depending on their length of service. Vested assets of the scheme are not available to Emirates or its creditors in any circumstances.

The liability of AED 4 m (2017: AED 7 m) represents the amount that will not be settled from plan assets and is calculated as the excess of the present value of the defined benefit obligation for an individual employee over the fair value of the employee's plan assets at the end of the reporting period.

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

	2018 AED m	2017 AED m
Balance brought forward	**2,309**	**2,037**
Contributions received	300	302
Benefits paid	(194)	(153)
Change in fair value	162	123
Balance carried forward	**2,577**	**2,309**

25. Retirement benefit obligations (continued)

Contributions received include the transfer of accumulated benefits from unfunded schemes. Emirates expects to contribute approximately AED 302 m for existing plan members during the year ending 31 March 2019.

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

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans follow relevant local regulations, which are mainly based on periods of cumulative service and levels of employees' final basic salaries. The liability recognised in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period.

The movement in the defined benefit obligation is as follows:

	2018 AED m	2017 AED m
Balance brought forward	**1,290**	**1,427**
Current service cost	172	206
Interest cost	55	59
Remeasurement		
- changes in experience / demographic assumptions	(23)	13
- changes in financial assumptions	29	(324)
Payments made during the year	(109)	(91)
Balance carried forward	**1,414**	**1,290**

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

(iii) Defined contribution plans

Emirates pays fixed contributions to certain defined contribution plans and has no legal or constructive obligation to pay further contributions to settle the benefits relating to employees' service in the current and prior periods.

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

	2018 AED m	2017 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	296	294
Net change in the present value of defined benefit obligations over plan assets	(3)	(30)
	293	**264**
Unfunded scheme		
Current service cost	172	206
Interest cost	55	59
	227	**265**
Defined contribution plan		
Contributions expensed	212	212
Recognised in the consolidated income statement	**732**	**741**

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25. Retirement benefit obligations (continued)

The sensitivity of the unfunded scheme to changes in the principal assumptions is set out below:

Assumption	Change	Effect on unfunded scheme AED m
Discount rate	+ 0.5%	(80)
	- 0.5%	89
Expected salary increases	+ 0.5%	92
	- 0.5%	(83)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In calculating the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period.

The weighted average duration of the unfunded scheme is 14 years (2017: 14 years).

Through its defined benefit plans Emirates is exposed to a number of risks, the most significant of which are detailed below:

a) Change in discount rate: Retirement benefit obligations will increase due to a decrease in market yields of high quality corporate bonds.

b) Expected salary increases: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligations.

26. Provision for aircraft return conditions

	2018 AED m	2017 AED m
Balance brought forward	**3,125**	**2,803**
Charge for the year	714	797
Unwinding of discount - net	159	156
Utilised on return of aircraft & aircraft engines	(459)	(475)
Unutilised amounts reversed	(203)	(156)
Balance carried forward	**3,336**	**3,125**
The provision is expected to be used as follows:		
Within one year (Note 24)	**687**	**597**
Over one year (Note 24)	**2,649**	**2,528**

27. Deferred revenue

	2018 AED m	2017 AED m
Balance brought forward	**2,465**	**2,912**
Additions during the year	1,558	1,446
Recognised during the year	(1,780)	(1,893)
Balance carried forward	**2,243**	**2,465**
Deferred revenue is expected to be recognised as follows:		
Within one year	**1,180**	**1,486**
Over one year	**1,063**	**979**

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

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

28. Deferred credits

	2018 AED m	2017 AED m
Balance brought forward	**2,480**	**1,229**
Additions during the year	746	1,456
Recognised during the year	(292)	(205)
Balance carried forward	**2,934**	**2,480**
Deferred credits will be recognised as follows:		
Within one year	**313**	**253**
Over one year	**2,621**	**2,227**

29. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same income tax authority. The offset amounts are as follows:

	2018 AED m	2017 AED m
Deferred income tax asset	11	10
Deferred income tax liability	(4)	(5)
	7	**5**
The movements in deferred taxes are as follows:		
Balance brought forward	**5**	**(1)**
Tax consolidation settlements	2	6
Balance carried forward	**7**	**5**

30. Trade and other payables

	2018 AED m	2017 AED m
Trade payables and accruals	15,095	13,910
Passenger and cargo sales in advance	12,349	10,878
Related parties (Note 37)	982	1,088
Dividend payable	1,000	-
	29,426	**25,876**
Less: Payables over one year	(123)	(683)
	29,303	**25,193**

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

31. Guarantees

	2018 AED m	2017 AED m
Performance bonds and letters of credit provided by banks in the normal course of business	464	383

Performance bonds and letters of credit include AED 136 m (2017: AED 94 m) provided by companies under common control on normal commercial terms.

32. Commitments

Capital commitments

	2018 AED m	2017 AED m
Authorised and contracted:		
Aircraft	194,020	210,064
Non-aircraft	1,076	1,663
Joint ventures	14	38
	195,110	**211,765**
Authorised but not contracted:		
Aircraft	48,693	-
Non-aircraft	2,228	2,827
Joint ventures	11	17
	50,932	**2,844**
	246,042	**214,609**

Commitments have been entered into for the purchase of aircraft for delivery as follows:

Financial year	**Aircraft**
2018-19	16
Beyond 2018-19:	
Authorised and contracted	186
Authorised but not contracted	60

In the event that delivery of certain aircraft are not taken, penalties are payable by Emirates to the extent of AED 1,416 m (2017: AED 1,858 m).

Operational commitments

	2018 AED m	2017 AED m
Sales and marketing	4,249	2,036

33. Short term bank deposits and cash and cash equivalents

	2018 AED m	2017 AED m
Bank deposits	18,138	12,034
Cash and bank	2,282	3,634
Cash and bank balances	**20,420**	**15,668**
Less: Short term bank deposits - over 3 months	(14,745)	(6,706)
Cash and cash equivalents as per the consolidated statement of financial position	**5,675**	**8,962**
Bank overdraft (Note 20)	-	(4)
Cash and cash equivalents as per the consolidated statement of cash flows	**5,675**	**8,958**

Cash and bank balances earned an effective interest rate of 3.0% (2017: 2.6%) per annum.

Cash and bank balances include AED 12,348 m (2017: AED 10,014 m) held with companies under common control.

34. 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:

	2018 AED m	2017 AED m
Additions to property, plant and equipment (Note 11)	8,287	12,363
Less: Assets acquired under finance leases (Note 23)	(5,008)	(7,981)
	3,279	**4,382**

35. Derivative financial instruments

Description	2018		2017	
	Term	AED m	Term	AED m
Cash flow hedge				
Non-current assets				
Interest rate swaps	2019-2028	60	2018-2028	**38**
		60		**38**
Current assets				
Currency forwards		9		8
		9		**8**
Cash flow hedge				
Non-current liabilities				
Interest rate swaps	2019-2023	(26)	2018-2023	(192)
		(26)		**(192)**
Current liabilities				
Interest rate swaps		(35)		(2)
Currency forwards		-		(1)
		(35)		**(3)**

The notional principal amounts outstanding are:

	2018	2017
	AED m	AED m
Interest rate contracts	5,432	6,626
Currency contracts	929	868

The notional principal amounts outstanding include AED 2,012 m (2017: AED 2,293 m) against derivatives entered with companies under common control.

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.

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

36. Classification of financial instruments

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

Description	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m
2018				
Assets				
Loans and other receivables (excluding prepayments)	72	-	-	72
Derivative financial instruments	-	69	-	69
Trade and other receivables (excluding prepayments and advance lease rentals)	7,787	-	-	7,787
Short term bank deposits	14,745	-	-	14,745
Cash and cash equivalents	5,675	-	-	5,675
Total	**28,279**	**69**	**-**	**28,348**
Liabilities				
Borrowings and lease liabilities	-	-	51,101	51,101
Provision for aircraft return conditions	-	-	3,336	3,336
Trade and other payables (excluding passenger and cargo sales in advance)	-	-	17,077	17,077
Derivative financial instruments	-	61	-	61
Total	**-**	**61**	**71,514**	**71,575**

36. Classification of financial instruments (continued)

Description	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m
2017				
Assets				
Loans and other receivables (excluding prepayments)	104	-	-	104
Derivative financial instruments	-	46	-	46
Trade and other receivables (excluding prepayments and advance lease rentals)	6,828	-	-	6,828
Short term bank deposits	6,706	-	-	6,706
Cash and cash equivalents	8,962	-	-	8,962
Total	**22,600**	**46**	**-**	**22,646**
Liabilities				
Borrowings and lease liabilities	-	-	51,002	51,002
Provision for aircraft return conditions	-	-	3,125	3,125
Trade and other payables (excluding passenger and cargo sales in advance)	-	-	14,998	14,998
Derivative financial instruments	-	195	-	195
Total	**-**	**195**	**69,125**	**69,320**

37. Related party transactions and balances

Emirates transacts with associates, joint ventures and companies controlled by Emirates and its parent within the scope of its ordinary business activities.

Emirates and dnata share central corporate functions such as information technology, facilities, human resources, finance, treasury, cash management, legal and other functions. Where such functions are shared, the costs are allocated between Emirates and dnata based on activity levels.

Other than these shared service arrangements, the following transactions have taken place on an arm's length basis.

	2018 AED m	2017 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Companies under common control	309	276
Sale of goods - Joint ventures	37	24
Sale of goods - Associates	64	44
Services rendered - Companies under common control	490	426
Services rendered - Joint ventures	14	15
Frequent flyer miles sales - Companies under common control	304	300
	1,218	**1,085**
(ii) Purchase of goods and services		
Purchase of goods - Companies under common control	5,595	4,768
Purchase of goods - Associates	243	241
Services received - Companies under common control	3,314	3,132
Services received - Joint ventures	6	15
Purchase of goods - Joint ventures	7	-
	9,165	**8,156**

	2018 AED m	2017 AED m
Other transactions:		
(i) Finance income		
Companies under common control	214	157
Joint ventures	2	2
	216	**159**
(ii) Compensation to key management personnel		
Salaries and short term employee benefits	156	104
Post-employment benefits	14	15
Termination benefits	1	1
	171	**120**

Emirates also uses a number of public utilities provided by Government controlled entities for its operations in Dubai, where these entities are the sole providers of the relevant services. This includes the supply of electricity, water and airport services. Transactions falling in these expense categories are individually insignificant and were carried out on an arm's length basis.

37. Related party transactions and balances (continued)

	2018 AED m	2017 AED m
Year end balances		
(i) Receivables - sale of goods and services		
Associates	10	8
Joint ventures	31	17
Companies under common control	99	80
Receivable within one year	**140**	**105**
(ii) Receivables - other transactions		
Companies under common control	74	75
Receivable within one year	**74**	**75**

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.

	2018 AED m	2017 AED m
(iii) Loans receivable		
Joint ventures	9	13
	9	**13**
Movement in the loans were as follows:		
Balance brought forward	**13**	**26**
Repayments during the year	(4)	(13)
Balance carried forward	**9**	**13**
Receivable within one year	**4**	**5**
Receivable over one year (Note 15)	**5**	**8**

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

	2018 AED m	2017 AED m
(iv) Loans and advances to key management personnel		
Balance brought forward	**6**	**8**
Additions during the year	7	5
Repayments during the year	(7)	(7)
Balance carried forward	**6**	**6**
Receivable within one year	**3**	**3**
Receivable over one year (Note 15)	**3**	**3**

	2018 AED m	2017 AED m
(v) Payables - purchase of goods and services (Note 30)		
Associates	6	3
Companies under common control	958	1,064
	964	**1,067**
(vi) Other payables (Note 30)		
Companies under common control	18	21
	18	**21**

38. Financial risk management

Financial risk factors

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

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

A risk management programme is carried out under guidelines that are approved by a steering group comprising senior management. Identification, evaluation and hedging financial risks is done in close cooperation with the operating units. Senior management is also responsible for the review of risk management and the control environment. The various financial risk elements are discussed below:

(i) Credit risk

Emirates is exposed to credit risk, which is the risk that a 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 the 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 92% (2017: 86%) 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 and online sales. 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 and the related balances within trade receivables is therefore low and further reduced by their diverse base.

Significant balances in other receivables are held with companies given a high credit rating by leading international rating agencies.

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

	2018 AED m	**2017** AED m
AA- to AA+	378	315
A- to A+	16,849	12,578
BBB+	2,584	1,696
Lower than BBB+	11	56
Unrated	517	694

38. 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 considers the use of commodity futures, options and swaps to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected.

Currency risk

Emirates is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Exposure arises due to exchange rate fluctuations between the UAE Dirham and other currencies generated from Emirates' revenue earning activities. Long term debt obligations are mainly denominated in UAE Dirham or in US Dollar to which the UAE Dirham is pegged. Additionally, some operating lease liabilities are denominated in Euro, Pound Sterling and Japanese Yen to provide a natural hedge against revenue inflows in these currencies. 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 Euro, Pound Sterling, Australian Dollar, Indian Rupee, Chinese Yuan, Swiss Franc, South African Rand 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.

Emirates is also subject to the risk that countries in which it may earn revenues may impose restrictions or prohibition on the export of those revenues. Emirates seeks to minimise this risk by repatriating surplus funds to the UAE on a monthly basis. Cash and cash equivalents for the current year include AED 182 m (2017: AED 230 m) held in countries where exchange controls and other restrictions apply.

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 for US dollar, EIBOR for UAE Dirham and EURIBOR for Euro. Summarised quantitative data is available in Note 20 for interest cost exposures.

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

Sensitivity analysis of market risk

The following sensitivity analysis, relating to existing financial instruments, 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.

	2018		2017	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest cost				
- 25 basis points				
UAE Dirham	5	5	6	6
US Dollar	71	40	70	26
	76	**45**	**76**	**32**
+ 25 basis points				
UAE Dirham	(5)	(5)	(6)	(6)
US Dollar	(71)	(40)	(70)	(26)
	(76)	**(45)**	**(76)**	**(32)**

38. Financial risk management (continued)

	2018		2017	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest income				
- 25 basis points	(13)	-	(5)	-
+ 25 basis points	13	-	5	-
Currency - Pound Sterling				
+ 1%	1	(1)	1	-
- 1%	(1)	1	(1)	-
Currency - Euro				
+ 1%	1	(1)	3	-
- 1%	(1)	1	(3)	-
Currency - Australian Dollar				
+ 1%	1	(1)	1	(1)
- 1%	(1)	1	(1)	1
Currency - Chinese Yuan				
+ 1%	2	2	-	-
- 1%	(2)	(2)	-	-

(iii) Liquidity risk

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

Emirates' liquidity management process as monitored by 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.
- Maintaining rolling forecasts of Emirates' liquidity position on the basis of expected cash flows.
- Monitoring liquidity ratios and net current assets against internal standards.
- Maintaining debt financing plans.
- Maintaining diversified credit lines including stand-by credit facility

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

38. Financial risk management (continued)

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
2018				
Borrowings and lease liabilities	10,635	28,514	19,943	59,092
Derivative financial instruments	35	26	-	61
Provision for aircraft return conditions	704	1,980	1,331	4,015
Trade and other payables (excluding passenger and cargo sales in advance)	16,954	123	-	17,077
	28,328	**30,643**	**21,274**	**80,245**
2017				
Borrowings and lease liabilities	12,319	27,257	19,143	58,719
Derivative financial instruments	105	69	-	174
Provision for aircraft return conditions	630	1,991	1,205	3,826
Trade and other payables (excluding passenger and cargo sales in advance)	14,315	683	-	14,998
	27,369	**30,000**	**20,348**	**77,717**

39. Acquisitions

In May 2017, Emirates acquired 63% of the business of Brand 2 Consumer Co (Pty) Ltd. (South Africa) for a purchase consideration of AED 5 m and 90% of Seyvine Limited (Seychelles) for a purchase consideration of AED 1 m through its wholly owned subsidiary Maritime and Mercantile International Holding LLC. The principal activities of these companies are wholesale and retail of consumer goods. Revenue and profit from the date of acquisition to 31 March 2018 is not material.

40. Capital management

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

Emirates monitors the return on Owner's equity, which is defined as the profit attributable to the Owner expressed as a percentage of average Owner's equity. Emirates seeks to provide a better return to the Owner by borrowing and taking aircraft on operating leases to meet its growth plans. In 2018, Emirates achieved a return on Owner's equity funds of 7.9% (2017: 3.8%).

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 assets to total equity. In 2018, this ratio is 82.8% (2017: 100.7%) and if aircraft operating leases are included, the ratio is 216.4% (2017: 237.9%).

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Independent Auditor's Report to the Owner of dnata

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of dnata and its subsidiaries (together referred to as "dnata") as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

dnata's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 March 2018;
- the consolidated statement of comprehensive income for the year ended 31 March 2018;
- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of changes in equity for the year ended 31 March 2018;
- the consolidated statement of cash flows for the year ended 31 March 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of dnata in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The area that in our professional judgement, is of most significance to the audit ("Key audit matter") and where we focused most audit effort during the year was:

Key audit matter	• Impairment of goodwill

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of dnata, the accounting processes and controls, and the industry in which dnata operates.

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Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Independent Auditor's Report to the Owner of dnata (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment of goodwill As at 31 March 2018, the carrying value of goodwill was AED 2,065 million (2017: AED 1,909 million). Refer to notes 2, 3 and 10 to the consolidated financial statements. Goodwill is not subject to amortisation and in accordance with IAS 36 "Impairment of assets" is required to be tested annually for impairment. dnata determines the recoverable amount of goodwill for each of its cash generating units or groups of cash generating units as the higher of fair value less costs of disposal and value in use. The value in use is determined by calculating the discounted cash flows of each cash generating unit or groups of cash generating units. We considered this as a Key audit matter because management's assessment of whether or not goodwill within a cash generating unit was impaired, involves complex and subjective judgements including assumptions about the future discounted cash flows of cash generating units or groups of cash generating units at dnata. The impairment models prepared by management in respect of the cash generating units containing goodwill determined that adequate headroom existed not to result in the need for an impairment charge in reasonably possible scenarios.	We understood and tested management's impairment models. In particular we tested the appropriateness of the key assumptions within the models as follows: • we used our internal valuation specialists to perform an independent calculation of the discount rates used with particular reference to comparable companies and compared this to the discount rates used by management. • we tested the mathematical accuracy of the model. • we agreed the cash flows used in management's impairment models to formally approved budgets. We compared future expected revenue growth rates and profit margins used in the formally approved budgets and beyond the period of the formally approved budgets to historical trends and reviewed whether management's estimates made in prior periods were reasonable compared to actual performance. • we also compared the long term growth rates to external sources of information including economic forecasts. • we performed sensitivity analysis over each of the significant assumptions and considered the appropriateness of the related disclosures in note 10 to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing dnata's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate dnata or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing dnata's financial reporting process.

Independent Auditor's Report to the Owner of dnata (continued)

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of dnata's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on dnata's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause dnata to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within dnata to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the dnata audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the Key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
3 May 2018

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

Consolidated Income Statement for the year ended 31 March 2018

	Note	2018	2017
		AED m	AED m
Revenue	5	12,931	11,982
Other operating income		143	200
Operating costs	6	(11,878)	(10,958)
Operating profit		**1,196**	**1,224**
Finance income		98	66
Finance costs		(31)	(35)
Share of results of investments accounted for using the equity method	11	126	78
Profit before income tax		**1,389**	**1,333**
Income tax expense	7	(37)	(82)
Profit for the year		**1,352**	**1,251**
Profit attributable to non-controlling interests		35	41
Profit attributable to dnata's Owner		**1,317**	**1,210**

Consolidated Statement of Comprehensive Income for the year ended 31 March 2018

Profit for the year		**1,352**	1,251
Items that will not be reclassified to the consolidated income statement			
Remeasurement of retirement benefit obligations net of deferred tax		2	124
Share of other comprehensive income of investments accounted for using the equity method net of deferred tax	11	42	(43)
Items that are or may be reclassified subsequently to the consolidated income statement			
Currency translation differences		218	(159)
Cash flow hedges		(7)	(8)
Net investment hedge	22	(9)	4
Share of other comprehensive income of investments accounted for using the equity method net of deferred tax	11	7	21
Other comprehensive income for the year		**253**	**(61)**
Total comprehensive income for the year		**1,605**	**1,190**
Total comprehensive income attributable to non-controlling interests		49	40
Total comprehensive income attributable to dnata's Owner		**1,556**	**1,150**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at 31 March 2018

	Note	2018	2017
		AED m	AED m
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,861	1,847
Investment property	9	338	237
Intangible assets	10	2,788	2,632
Investments accounted for using the equity method	11	473	407
Advance lease rentals	12	43	40
Deferred income tax assets	24	81	62
Trade and other receivables	14	134	147
		5,718	**5,372**
Current assets			
Inventories	13	87	87
Trade and other receivables	14	3,493	3,180
Derivative financial instruments	29	-	5
Income tax asset		3	5
Short term bank deposits	28	3,760	2,016
Cash and cash equivalents	28	1,185	1,382
		8,528	**6,675**
Asset classified as held for sale	11	46	-
		8,574	**6,675**
Total assets		**14,292**	**12,047**

	Note	2018	2017
		AED m	AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	15	63	63
Capital reserve		(60)	(66)
Other reserves	16	(157)	(355)
Retained earnings		7,257	6,897
Attributable to dnata's Owner		**7,103**	**6,539**
Non-controlling interests		179	167
Total equity		**7,282**	**6,706**
Non-current liabilities			
Trade and other payables	17	163	193
Borrowings and lease liabilities	21	867	654
Deferred income tax liabilities	24	142	148
Provisions	18	562	547
		1,734	**1,542**
Current liabilities			
Trade and other payables	17	4,848	3,351
Income tax liabilities		64	61
Borrowings and lease liabilities	21	292	339
Provisions	18	47	45
Derivative financial instruments	29	25	3
		5,276	**3,799**
Total liabilities		**7,010**	**5,341**
Total equity and liabilities		**14,292**	**12,047**

The consolidated financial statements were approved on 3 May 2018 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Gary Chapman
President

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 March 2018

		Attributable to dnata's Owner						
	Note	Capital AED m	Capital reserve AED m	Other reserves AED m	Retained earnings AED m	Total AED m	Non-controlling interests AED m	Total equity AED m
1 April 2016		**63**	**(67)**	**(216)**	**5,607**	**5,387**	**167**	**5,554**
Profit for the year		-	-	-	1,210	1,210	41	1,251
Other comprehensive income for the year		-	-	(141)	81	(60)	(1)	(61)
Total comprehensive income for the year		**-**	**-**	**(141)**	**1,291**	**1,150**	**40**	**1,190**
Non-controlling interest on acquisition of subsidiaries	33	-	-	-	-	-	11	11
Acquired from non-controlling interest		-	2	-	-	2	(2)	-
Dividends		-	-	-	-	-	(53)	(53)
Option to acquire non-controlling interest	33	-	(1)	-	-	(1)	-	(1)
Transfer from retained earnings		-	-	2	(2)	-	-	-
Capital contribution		-	-	-	-	-	4	4
Transactions with Owners		**-**	**1**	**2**	**(2)**	**1**	**(40)**	**(39)**
Share of other equity movements of investments accounted for using the equity method	11	-	-	-	1	1	-	1
31 March 2017		**63**	**(66)**	**(355)**	**6,897**	**6,539**	**167**	**6,706**
Profit for the year		-	-	-	1,317	1,317	35	1,352
Other comprehensive income for the year		-	-	195	44	239	14	253
Total comprehensive income for the year		**-**	**-**	**195**	**1,361**	**1,556**	**49**	**1,605**
Acquired from non-controlling interest		-	5	-	-	5	(4)	1
Dividends		-	-	-	(1,000)	(1,000)	(44)	(1,044)
Transfer from retained earnings		-	1	-	(1)	-	-	-
Dilution of interest in a subsidiary		-	-	-	-	-	11	11
Transactions with Owners		**-**	**6**	**-**	**(1,001)**	**(995)**	**(37)**	**(1,032)**
Share of other equity movements of investments accounted for using the equity method	11	-	-	3	-	3	-	3
31 March 2018		**63**	**(60)**	**(157)**	**7,257**	**7,103**	**179**	**7,282**

The capital reserve includes the difference between the carrying value of the non-controlling interest acquired and the fair value of the consideration paid. It also includes the fair value of the options issued by dnata to acquire the non-controlling interest in subsidiaries.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 March 2018

	Note	2018	2017
		AED m	AED m
Operating activities			
Profit before income tax		1,389	1,333
Adjustments for:			
Depreciation and amortisation	6	531	524
Finance income - net		(67)	(31)
Amortisation of advance lease rentals	12	3	3
Share of results of investments accounted for using the equity method	11	(126)	(78)
Loss / (gain) on sale of property, plant and equipment and intangibles		3	(1)
Net provision for impairment of trade receivables	14	86	28
Provision for retirement benefit obligations	6	259	253
Net movement on derivative financial instruments		17	32
Payments for retirement benefit obligations		(231)	(221)
Income tax paid		(86)	(69)
Change in inventories		4	(4)
Change in trade and other receivables		(213)	(578)
Change in provisions, trade and other payables		289	90
Net cash generated from operating activities		**1,858**	**1,281**

	Note	2018	2017
		AED m	AED m
Investing activities			
Additions to property, plant and equipment	8	(308)	(479)
Additions to investment property	9	(111)	(73)
Additions to intangible assets	10	(92)	(55)
Proceeds from sale of property, plant and equipment		8	58
Investments in associates and joint ventures	11	(5)	(28)
Dividends from investments accounted for using the equity method	11	31	28
Acquisition of subsidiaries, net of cash acquired	33	(12)	(582)
Loans to related parties - net	31	12	19
Movement in short term bank deposits		(1,744)	114
Finance income		75	39
Acquired from non-controlling interest		(11)	(2)
Net cash used in investing activities		**(2,157)**	**(961)**
Financing activities			
Proceeds from loans	22	475	515
Repayment of loans	22	(306)	(192)
Net movement in lease liabilities		(9)	4
Finance costs		(29)	(20)
Dividends paid to dnata's Owner		-	(400)
Dividends paid to non-controlling interests		(53)	(53)
Net cash generated from / (used in) financing activities		**78**	**(146)**
Net change in cash and cash equivalents		**(221)**	**174**
Cash and cash equivalents at beginning of year		1,250	1,190
Effects of exchange rate changes		83	(114)
Cash and cash equivalents at end of year	28	**1,112**	**1,250**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 March 2018

1. General information

dnata comprises dnata and its subsidiaries. dnata was incorporated in the Emirate of Dubai, UAE with limited liability, under an Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 4 April 1987. On that date, the total assets and liabilities of Dubai National Air Travel Agency were transferred to dnata, with effect from 1 April 1987, for nil consideration. dnata is wholly owned by the Investment Corporation of Dubai ("the parent company"), a Government of Dubai entity.

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

The main activities of dnata comprise:

- Ground and cargo handling services
- Travel services
- Inflight catering

2. Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) pronouncements. 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.

All amounts are presented in millions of UAE Dirham ("AED").

New standards, amendments to published standards and interpretations that are relevant to dnata

Effective and adopted in the current year

At the date of authorisation of these consolidated financial statements, certain amendments to the existing standards were effective for the current financial year and have been adopted by dnata. These are as follows:

- Amendments to IAS 7, Statement of Cash Flows (effective from 1 January 2017)
- Amendments to IFRS 12, Disclosure of Interests in Other Entities (effective from 1 January 2017)
- Amendments to IAS 12, Income taxes (effective from 1 January 2017)

These amendments did not have a material impact on the consolidated financial statements. However, disclosure changes arising from amendments to IAS 7 have been addressed in Note 23 through presentation of changes in opening and closing balances of lease liabilities.

Not yet effective and have not been early adopted

At the date of authorisation of these consolidated financial statements, certain new accounting standards have been published that are not mandatory for the financial reporting year ended 31 March 2018, and have not been early adopted.

Management has assessed the impact of these accounting standards:

IFRS 9, Financial Instruments (effective from 1 January 2018)

dnata will adopt IFRS 9 which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets from 1 April 2018.

dnata has reviewed the new requirements applicable to its financial assets and it does not expect the new guidance to affect the classification and measurement of its financial assets. There will be no impact on dnata's financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and dnata does not have such liabilities of a significant value.

2. Summary of significant accounting policies (continued)

IFRS 9, Financial Instruments (effective from 1 January 2018) (continued)

The new impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to trade receivables and other financial assets. Based on the assessments undertaken, dnata does not expect any significant change in the loss allowance for these financial assets.

The new guidance has substantially reformed the existing hedge accounting rules. It provides a more principles-based approach that aligns hedge accounting closely with risk management policies. dnata does not expect any significant impact on its hedge accounting under IFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation, however, these are not expected to materially change the nature and extent of dnata's disclosures about its financial instruments.

IFRS 15, Revenue from Contracts with Customers (effective from 1 January 2018)

IFRS 15 replaces IAS 18 which covers contracts for sale of goods and rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a new five-step model that must be applied to all contracts with customers.

dnata will adopt the modified retrospective method on transition to the new standard from 1 April 2018 and the comparatives will not be restated. The following change to revenue recognition has been identified on the adoption of IFRS 15:

- Revenue from travel services – Where dnata acts as principal on sale of holiday packages, IFRS 15 requires that the total consideration received must be allocated to the separate performance obligations based on relative stand-alone selling prices and revenue should be recognised on satisfaction of each performance obligation within a single contract with the customer. Currently, dnata recognises full revenue on such travel packages at the time of departure. dnata expects an immaterial impact on its revenue and profits due to this change in recognition on adoption of IFRS 15 on 1 April 2018.

IFRS 16, Leases (effective from 1 January 2019)

IFRS 16 removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability (the obligation to pay rentals). An optional exemption exists for short-term and low-value leases.

The standard will have significant impact on dnata's consolidated financial statements considering the size of operating leases in its portfolio. For example, the consolidated income statement will be impacted because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating lease charges will be replaced with interest and depreciation expenses. This will affect key ratios like profit margin, operating margin, EBITDA margin etc. Further, operating cash flows will be higher as cash payments for the principal portion of the lease liability will be classified within financing activities. dnata is currently assessing the detailed financial impact of this standard on its consolidated financial statements.

There are no other standards, amendments or interpretations that are either effective or not yet effective, and would be expected to have a material impact on dnata.

Basis of consolidation

Subsidiaries are those entities over which dnata has control. Control is exercised when dnata is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to dnata and are de-consolidated from the date on which control ceases. Inter-company transactions, balances and unrealised gains and losses arising on transactions between dnata and subsidiaries are eliminated.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement.

2. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the dnata's previously held equity interest in the subsidiary is remeasured at fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

dnata treats transactions with non-controlling interests that do not result in loss of control as transactions with the owners. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

Any difference between amount of the adjustment to non-controlling interests and any consideration paid is recorded in equity.

Associates are those entities in which dnata has significant influence but not control or joint control generally accompanying a shareholding between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition after initially being recognised at cost.

Joint ventures are contractual arrangements which establish joint control and where dnata has rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition after initially being recognised at cost.

When dnata's share of losses in an equity-accounted investment equals or exceed its interest in the entity, including any other unsecured long term receivables, dnata does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

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

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

Revenue

Revenue is measured at fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services provided, stated net of discounts, returns and value added tax.

Revenue from airport operations which includes ground handling and cargo services is recognised on the performance of services.

Revenue from travel services includes inclusive tours and agency commission earned from the sale of third-party travel products. Revenue relating to inclusive tours is recognised on departure, while agency commission is recognised on the completion of sale. Where dnata acts as principal, revenue is stated at the contractual value of services provided and where dnata acts as an agent between the service provider and the end customer, revenue is presented on a net basis.

Revenue from the sale of goods (including inflight catering) is recognised when the risks and rewards of ownership are transferred to the customer.

Finance income and costs

Interest income and costs are recognised on a time proportion basis using the effective interest method.

Foreign currency translation

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

2. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

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

Where functional currencies of subsidiaries are different from AED, income and cash flow statements of subsidiaries are translated into AED 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 prevailing at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income.

Share of results of investments accounted for using the equity method are translated into AED at average exchange rates for the year whereas dnata's share of net investments is translated at the exchange rate prevailing at the end of the reporting period. Translation differences relating to investments in associates, joint ventures and monetary assets and liabilities that form part of a net investment in a foreign operation are recognised in other comprehensive income. When investments in associates, joint ventures or net investment in a foreign operation are disposed of, the related translation differences previously recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to dnata 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 on other items of property, plant and equipment is calculated using the straight line method to allocate their cost, less estimated residual values, over the estimated useful lives of the assets or lease term, if shorter. The estimated useful lives are:

Buildings	15 - 33 years
Leasehold property	shorter of useful life or lease term
Plant and machinery	4 - 15 years
Office equipment and furniture	3 - 6 years
Motor vehicles	5 -7 years

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

Investment property

Property held for long term rental yields or for capital appreciation or both, and not occupied by dnata, is classified as investment property.

Investment property comprises land and buildings. Investment property is measured initially at its cost, including related transaction costs and borrowing costs. The carrying amount of an investment property includes the cost of replacing part of an existing investment property when incurred if the recognition criteria are met and excludes cost of day-to-day servicing.

Investment property is measured at cost less accumulated depreciation. Land is not depreciated. Depreciation on investment property is charged on a straight line basis over the estimated useful lives of such assets as follows:

Buildings	20 years

The assets' useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

2. Summary of significant accounting policies (continued)

Investment property (continued)

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets at the date of acquisition.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment and is carried at cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised when the carrying value of the cash generating unit or group of cash generating units exceeds its recoverable amount. Impairment losses on goodwill are not reversed.

Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets

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

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

Trade names, customer relationships and contractual rights are recognised on acquisition at fair values. Contractual rights also include licenses to operate in certain airports.

Intangible assets are amortised on a straight-line basis over their estimated useful life. The useful lives of intangible assets are:

Computer software	3 - 5 years
Trade names	10 years
Customer relationships	3 - 10 years
Contractual rights	over the expected term of the rights

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

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill are reviewed at the end of each reporting period for possible reversal of the impairment loss.

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 subsequently measured 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 as to whether there is any objective evidence of impairment. Where necessary the carrying amount is written down through the consolidated income statement to the present value of expected future cash flows discounted at the effective interest rate computed at initial recognition.

Finance and operating leases

Where property, plant and equipment has been financed by lease agreements under which substantially all of the risks and rewards incidental to ownership are transferred to dnata, they are classified as finance leases.

2. Summary of significant accounting policies (continued)

Finance and operating leases (continued)

Finance leases are capitalised at the commencement of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. The interest element is charged to the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Property, plant and equipment acquired under finance leases are depreciated in accordance with dnata's policies.

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Borrowings

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

Provisions

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

Retirement benefit obligations

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

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

A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields of high quality corporate bonds at the end of the reporting period that are denominated in currency in which the benefits will be paid and have terms approximating to the estimated term of the post-employment benefit obligations.

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

2. Summary of significant accounting policies (continued)

Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where dnata's subsidiaries operate and generate taxable income.

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

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

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

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

Trade payables

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

Dividend distribution

Dividend distribution to equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

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 as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). Fair values are obtained from quoted market prices or dealer quotes for similar instruments, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income. When the forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are re-classified and included in the initial carrying amount of the asset or liability. These gains and losses are ultimately recognised in the consolidated income statement in the same period during which the asset or liability affects profit or loss. In all other cases, amounts previously recognised in other comprehensive income 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.

2. Summary of significant accounting policies (continued)

Derivative financial instruments (continued)

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.

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 expenses. 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 narrative addresses the accounting policies that require subjective and complex judgements, often as a result of the need to make estimates.

Valuation of intangible assets on acquisition

For each acquisition management assesses the fair value of intangible assets acquired. Where an active market does not exist to value an intangible asset, fair values are established using valuation techniques e.g. discounting future cash flows expected from the asset. In the process, estimates are made of the future cash flows, the useful life and the discount rate based on management's experience and expectation at the time of acquisition.

Impairment of goodwill / cash generating units

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units or group of cash generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and use a suitable discount rate in order to calculate present value. The estimates made in arriving at the value-in-use calculation are set out in Note 10.

Valuation of defined benefit obligations

The present value of the defined benefit obligations is determined on an actuarial basis using various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate and expected salary increases which are reviewed at each reporting date. Due to the complexities involved in the valuation and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. A sensitivity analysis of changes in defined benefit obligations due to a reasonably possible change in these assumptions are set out in Note 19.

4. Fair value estimation

The levels of fair value hierarchy are defined as follows:

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

Derivatives, contingent consideration and option liabilities are carried at fair value. Derivatives fall into level 2 of the fair value hierarchy whereas contingent consideration and option liabilities fall into level 3 of the fair value hierarchy.

Derivatives comprise forward exchange contracts. The forward exchange contracts are fair valued using forward exchange rates that are quoted in an active market.

The fair values of contingent consideration and option liabilities are determined by using valuation techniques based on entity specific estimates. These estimates are not based on observable market data and hence classified under level 3 of the fair value hierarchy.

The changes in the fair value of level 3 instruments are set out in Note 17.

5. Revenue

	2018 AED m	2017 AED m
Services		
International Airport Operations	3,803	3,328
Travel Services	3,384	3,136
UAE Airport Operations	3,153	3,023
Others	445	485
	10,785	**9,972**
Sale of goods		
Inflight Catering	1,991	1,861
Others	155	149
	2,146	**2,010**
	12,931	**11,982**

6. Operating costs

	2018 AED m	2017 AED m
Employee costs (see (a) below)	5,055	4,654
Direct costs		
- Travel Services	2,135	1,913
- Airport Operations	1,293	1,138
- Inflight Catering	843	794
- Others	130	141
Rental and lease expenses	688	627
Depreciation and amortisation (see (b) below)	440	423
Sales and marketing expenses	381	370
Information technology infrastructure costs	210	204
Corporate overheads	703	694
	11,878	**10,958**

(a) Employee costs include AED 259 m (2017: AED 253 m) in respect of retirement benefit obligations (Note 19).

(b) Depreciation and amortisation of AED 91 m (2017: AED 101 m) is included under information technology infrastructure costs.

7. Income tax expense

	2018 AED m	2017 AED m
The components of income tax expense are:		
Current income tax expense	98	104
Deferred income tax credit (Note 24)	(61)	(22)
	37	**82**
The income tax expense for the year can be reconciled to the accounting profit before income tax as follows:		
Profit before income tax	1,389	1,333
Tax calculated at domestic tax rates applicable to profits in respective tax jurisdictions	**74**	**78**
Effect of non-deductible expenses	(5)	5
Re-measurement of deferred tax - effect of changes in tax rates	(25)	-
Tax losses for which no deferred tax asset is recognised	-	1
Effect of other items	(7)	(2)
Income tax expense	**37**	**82**

The tax rates used for the reconciliation above are the rates applicable to the profits in the respective tax jurisdictions.

8. Property, plant and equipment

	Land, buildings and leasehold property AED m	Plant and machinery AED m	Office equipment and furniture AED m	Motor vehicles AED m	Capital projects AED m	Total AED m
Cost						
1 April 2016	912	1,679	1,568	112	90	4,361
Acquisitions	1	148	5	32	-	186
Additions	30	206	105	31	107	479
Transfer from capital projects	36	20	29	-	(85)	-
Disposals / write-offs	(3)	(40)	(224)	(8)	(3)	(278)
Currency translation differences	(16)	(33)	(23)	(1)	(6)	(79)
31 March 2017	**960**	**1,980**	**1,460**	**166**	**103**	**4,669**
Accumulated depreciation						
1 April 2016	397	993	1,221	53	-	2,664
Acquisitions	-	56	3	13	-	72
Charge for the year	53	151	131	19	-	354
Disposals / write-offs	(3)	(42)	(176)	(6)	-	(227)
Currency translation differences	(5)	(16)	(18)	(2)	-	(41)
31 March 2017	**442**	**1,142**	**1,161**	**77**	**-**	**2,822**
Net book amount at 31 March 2017	**518**	**838**	**299**	**89**	**103**	**1,847**

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8. Property, plant and equipment (continued)

	Land, buildings and leasehold property AED m	Plant and machinery AED m	Office equipment and furniture AED m	Motor vehicles AED m	Capital projects AED m	Total AED m
Cost						
1 April 2017	960	1,980	1,460	166	103	4,669
Acquisitions (Note 33)	-	1	-	-	-	1
Additions	52	160	62	17	43	334
Transfer from capital projects	65	24	21	-	(110)	-
Disposals / write-offs	(6)	(48)	(147)	(10)	-	(211)
Currency translation differences	44	52	25	2	-	123
31 March 2018	**1,115**	**2,169**	**1,421**	**175**	**36**	**4,916**
Accumulated depreciation						
1 April 2017	442	1,142	1,161	77	-	2,822
Acquisitions (Note 33)	-	1	-	-	-	1
Charge for the year	59	165	123	21	-	368
Disposals / write-offs	(6)	(46)	(142)	(6)	-	(200)
Currency translation differences	16	26	22	-	-	64
31 March 2018	**511**	**1,288**	**1,164**	**92**	**-**	**3,055**
Net book amount at 31 March 2018	**604**	**881**	**257**	**83**	**36**	**1,861**

The net book amount of property, plant and equipment includes AED 55 m (2017: AED 35 m) in respect of plant and machinery held under finance leases, of which AED 26 m (2017: AED 11 m) was acquired during the year (Note 23).

The net book amount of plant and machinery includes an amount of AED 27 m (2017: Nil) in respect of assets provided as security against term loans.

Land of AED 7 m (2017: AED 6 m) is carried at cost and is not depreciated.

9. Investment property

	Land AED m	Buildings AED m	Total AED m
Cost			
Acquisition	62	123	185
Additions	-	73	73
31 March 2017	**62**	**196**	**258**
Accumulated depreciation			
Acquisition	-	14	14
Charge for the year	-	7	7
31 March 2017	**-**	**21**	**21**
Net book amount at 31 March 2017	**62**	**175**	**237**
Cost			
1 April 2017	62	196	258
Additions	37	74	111
31 March 2018	**99**	**270**	**369**
Accumulated depreciation			
1 April 2017	-	21	21
Charge for the year	-	10	10
31 March 2018	**-**	**31**	**31**
Net book amount at 31 March 2018	**99**	**239**	**338**

Investment property is pledged as security against term loans (Note 22).

Investment property comprise of rental property in Dubai. The fair value of investment property as at 31 March 2018 is AED 461 m (2017: AED 267 m), which was determined based on internal valuations as there is no active market for such properties. The fair value has been computed by discounting the contractual future lease rental income at a discount rate of 6% (2017: 6%) commensurate to the borrowing rate. These estimates are not based on observable market data and hence classified under level 3 of the fair value hierarchy.

Revenue from rental income earned during the year amounting to AED 23 m (2017: AED 15 m) is recognised in the consolidated income statement as revenue from 'Services-Others'.

10. Intangible assets

	Goodwill AED m	Computer software AED m	Trade names AED m	Customer relationships AED m	Contractual rights AED m	Total AED m
Cost						
1 April 2016	1,707	464	127	200	658	3,156
Acquisitions	306	-	-	293	-	599
Additions	-	55	-	-	-	55
Disposals / write-offs	-	(28)	-	-	-	(28)
Others	10	-	-	(1)	-	9
Currency translation differences	(114)	(11)	(17)	(5)	(45)	(192)
31 March 2017	**1,909**	**480**	**110**	**487**	**613**	**3,599**
Accumulated amortisation						
1 April 2016	-	310	28	63	467	868
Charge for the year	-	51	12	46	54	163
Disposals / write off	-	(22)	-	-	-	(22)
Currency translation differences	-	(7)	(5)	(3)	(27)	(42)
31 March 2017	**-**	**332**	**35**	**106**	**494**	**967**
Net book value at 31 March 2017	**1,909**	**148**	**75**	**381**	**119**	**2,632**
Cost						
1 April 2017	1,909	480	110	487	613	3,599
Acquisitions (Note 33)	9	-	-	5	-	14
Additions	-	92	-	16	-	108
Disposals / write-offs	-	(2)	-	-	-	(2)
Others	15	3	-	-	-	18
Currency translation differences	132	15	14	13	47	221
31 March 2018	**2,065**	**588**	**124**	**521**	**660**	**3,958**
Accumulated amortisation						
1 April 2017	-	332	35	106	494	967
Charge for the year	-	52	11	48	42	153
Disposals / write-offs	-	(2)	-	-	-	(2)
Currency translation differences	-	8	5	4	35	52
31 March 2018	**-**	**390**	**51**	**158**	**571**	**1,170**
Net book value at 31 March 2018	**2,065**	**198**	**73**	**363**	**89**	**2,788**

10. Intangible assets (continued)

Computer software includes an amount of AED 40 m (2017: AED 18 m) in respect of projects under implementation.

The addition of AED 16 m to 'Customer relationships' arises from non-monetary consideration received against a dilution of an interest in a subsidiary during the year.

For the purpose of carrying out the impairment test of goodwill, the recoverable amounts for cash generating units or groups of cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a period of three years. Cash flows beyond such period have been extrapolated using terminal growth rates stated below. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate, gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the cash generating units or groups of cash generating units operate. The goodwill allocated to cash generating units or groups of cash generating units and the key assumptions used in the value-in-use calculations are as follows:

Cash generating unit / Group of cash generating units	Location	Goodwill 2018	Goodwill 2017	Discount rate	Terminal growth rate
		AED m	AED m	%	%
Airport operations	USA	308	285	10.0	2.0
Airport operations	Switzerland	260	250	6.0	1.5
Airport operations	Singapore	95	89	7.0	3.0
Airport operations	Netherlands	65	57	8.5	1.5
Airport operations	Brazil	49	49	16.0	2.5
Airport operations	Australia	28	28	10.0	2.5
Airport operations	Czech Republic	22	19	8.5	1.5
Inflight catering group	UK	505	478	9.0	1.5
Online travel services	UK	481	423	9.0	1.5
Travel services	UK	183	162	9.0	1.5
Travel services	UAE	3	3	-	-
Others	UAE	66	66	12.0	1.0
		2,065	**1,909**		

Goodwill pertaining to Airport Operations, USA includes AED 300 m (2017: AED 285 m) for Ground Services International Inc / Metro Air Service Inc. and AED 8 m (2017: Nil) for ALX Cargo Centre IAH LLC. The key assumptions used in the value-in-use calculations for both these cash generating units are similar.

Goodwill pertaining to Travel services, UK includes AED 130 m (2017: AED 115 m) for the Gold Medal group (Gold Medal Travel Group plc and Airline Network plc) and AED 53 m (2017: AED 47 m) for the Stella Travel group (Stella Travel Services (UK) Ltd and Stella Global UK Ltd). The key assumptions used in the value-in-use calculations for both these groups of cash generating units are similar.

The recoverable value of cash generating units or group of cash generating units would not fall below their carrying amount with a 5% reduction in the gross margin, a 1% reduction in the terminal growth rate or a 1% increase in the discount rate.

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11. Investments in subsidiaries, associates and joint ventures

Principal subsidiaries

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
dnata Travel (UK) Limited	100	Travel agency	United Kingdom
dnata Inc.	100	Ground handling services	Philippines
Dnata International Airport Services Pte Ltd	100	Holding company	Singapore
dnata Singapore Pte Ltd	100	Ground, cargo handling and catering services	Singapore
Maritime and Mercantile International Travel LLC	100	Travel agency	United Arab Emirates
Dnata Switzerland AG	100	Ground and cargo handling services	Switzerland
dnata Travel & Tourism WLL	100	Travel agency	Bahrain
Cleopatra International Travel WLL	100	Travel agency	Bahrain
Dnata Aviation Services Ltd	100	Holding company	United Kingdom
dnata Limited	100	Ground and cargo handling services	United Kingdom
Dnata for Airport Services Ltd	80	Ground and cargo handling services	Iraq
Dnata Catering Services Limited	100	Holding company	United Kingdom
Alpha Flight Services Pty Ltd	100	Inflight catering services	Australia
dnata Catering Ireland Ltd	100	Inflight catering services	Ireland
Alpha Flight a.s	80	Inflight catering services	Czech Republic
Alpha In-Flight US LLC	100	Inflight catering services	United States of America
dnata srl	100	Inflight catering services	Italy
dnata Catering s.r.l.	64.2	Inflight catering services	Romania
Alpha Flight Services UAE LLC (see (a) below)	49	Inflight catering services	United Arab Emirates
Jordan Flight Catering Company Ltd (see (a) below)	35.9	Inflight catering services	Jordan
dnata International Pvt Ltd	100	Travel agency	India
dnata World Travel Limited	100	Holding company	United Kingdom
Travel Republic Limited	100	Online travel services	United Kingdom
Airline Cleaning Services Pty Ltd	100	Aircraft cleaning services	Australia
En Route International Limited	100	Bakery and food solutions	United Kingdom
Najm Travel LLC	100	Travel agency	United Arab Emirates
dnata Travel Holdings UK Limited	100	Holding company	United Kingdom
Gold Medal Travel Group plc	100	Travel agency	United Kingdom
Airline Network plc	100	Travel agency	United Kingdom
dnata Travel Inc	100	Travel services	Philippines
Travel Partners LLC	100	Travel services	United Arab Emirates
Stella Travel Services (UK) Limited	100	Holding company	United Kingdom
Stella Global UK Limited	100	Holding company	United Kingdom
Travel 2 Limited	100	Travel agency	United Kingdom

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

Principal subsidiaries (continued)

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Travelbag Limited	100	Travel agency	United Kingdom
The Global Travel Group Limited	100	Travel agency	United Kingdom
Sunmaster Limited	100	Travel agency	United Kingdom
dnata Airport Services Pty Ltd	100	Ground and cargo handling services	Australia
dnata BV	100	Ground and cargo handling services	The Netherlands
RM Services Auxilliares de Transporte Aero S/A	70	Ground handling services	Brazil
Plafond Fit Out LLC	100	MEP contracting	United Arab Emirates
Airport Handling SpA (see (a) below)	30	Ground handling services	Italy
dnata Aviation Services US Inc.	100	Holding company	United States of America
Incorporated during the year:			
Dnata Catering Canada Limited	100	Inflight catering services	Canada
Travel Partners Iberian, Sociedad Limitada	100	Travel services	Spain
dnata Aviation USA Inc.	100	Holding company	United States of America
Incorporated during the previous year:			
dnata Aviation Services Canada Ltd	100	Holding company	Canada
dnata Pty Ltd	100	Holding company	Australia
Airport Handling Services Australia Pty Ltd	100	Ground handling services	Australia
Travel Partners (London) Limited	100	Travel services	United Kingdom
Acquired during the year:			
Destination Asia (Singapore) Pte Ltd	100	Travel services	Singapore
ALX Cargo Centre IAH LLC	100	Cargo handling services	United States of America
Acquired during the previous year:			
Transecure LLC	100	Investment property	United Arab Emirates
Ground Services International Inc.	100	Ground handling services	United States of America
Metro Air Service Inc.	100	Mail handling services	United States of America
Air Dispatch (CLC) s.r.o	95	Load control services	Czech Republic
Air Dispatch (CLC) Spolka z.o.o	95	Load control services	Poland
Oman United Agencies Travel LLC	76.9	Travel agency	Oman
Sama Travel and Services International LLC	76.9	Travel agency	Oman
Moon Travel LLC (see (a) below)	38	Travel agency	Oman

(a) Alpha Flight Services UAE LLC, Jordan Flight Catering Company Ltd, Airport Handling SpA and Moon Travel LLC qualify as subsidiaries as overall control is exercised by dnata, therefore the results of these companies are consolidated.

None of the subsidiaries have non-controlling interests that are material to dnata.

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

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal associates			
Dubai Express LLC	50	Freight clearing and forwarding	United Arab Emirates
Gerry's Dnata (Private) Ltd	50	Ground and cargo handling services	Pakistan
Guangzhou Baiyun International Airport Ground Handling Services Co. Ltd	20	Aircraft handling services	P. R. China
Canary Topco Ltd	9.1	Information technology services	United Kingdom
Principal joint ventures			
Super Bus Tourism LLC (see (b) below)	75	Travel services	United Arab Emirates
dnata Travel Company Limited (see (b) below)	70	Travel agency	Saudi Arabia
Travel Counsellors LLC (see (c) below)	51	Travel agency	United Arab Emirates
Dnata-PWC Airport Logistics LLC	50	Freight clearing and forwarding	United Arab Emirates
Transguard Group LLC	50	Security services	United Arab Emirates
Dunya Travel LLC	50	Travel agency	United Arab Emirates
Najm Travels LLC	50	Travel agency	Afghanistan
Al Tawfeeq Travel (Dnata Travel) WLL	50	Travel agency	Qatar
dnata Newrest (Pty) Ltd	50	In-flight catering services	South Africa
Alpha LSG Ltd	50	In-flight catering services	United Kingdom
Bollore Logistics LLC (formerly SDV UAE LLC) (see (b) below)	25.5	Freight clearing and forwarding	United Arab Emirates
Imagine Enterprises Limited (see (b) below)	51	Travel agency	United Kingdom
Acquired during the year:			
Destination Asia Group (see (d) below)	51	Travel services	Asia Pacific
Acquired during the previous year:			
G.T.A. Dnata Ground Handling Limited	50	Aircraft handling services	Canada
G.T.A. Dnata World Cargo Limited	50	Cargo handling services	Canada
Incorporated during the previous year:			
G Travel International LLC (see (c) below)	51	Travel services	United Arab Emirates

(b) Although the percentage of equity owned in Super Bus Tourism LLC, dnata Travel Company Limited, Bollore Logistics LLC (formerly SDV UAE LLC) and Imagine Enterprises Limited is 75%, 70%, 25.5% and 51% respectively, they are subject to joint control.

(c) dnata's beneficial interest in Travel Counsellors LLC and G Travel International LLC is 50% and they are subject to joint control.

(d) During the year dnata acquired 25% beneficial interest in a number of entities forming part of Destination Asia Group operating in 9 countries in the Asia Pacific region.

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

Movement of investments accounted for using the equity method

	2018 AED m	**2017** AED m
Balance brought forward	**407**	**385**
Additions	8	28
Share of results	126	78
Share of other comprehensive income	49	(22)
Share of other equity movements	3	1
Dividends	(89)	(28)
De-recognition due to change in ownership interest (see below)	-	(16)
Currency translation differences	15	(19)
Reclassification to Asset held for sale (see below)	(46)	-
Balance carried forward	**473**	**407**

Reclassification to Asset held for sale

In February 2018, dnata received an offer from Global Business Travel Holdings Limited ("GBT") to buy all the shares of one of its associate, Hogg Robinson Group ("HRG") plc for cash as part of the GBT acquisition of HRG Plc ("the Scheme"). dnata has provided irrevocable undertaking to vote in favor of the scheme provided certain conditions are met. The transaction is expected to complete within the second quarter of financial year 2018-19 subject to regulatory and competition commission clearance. Accordingly, the investment in HRG is classified as an asset held for sale.

Change in the ownership interest of a joint venture during the previous year

During the previous year, dnata acquired the remaining 50% interest in a joint venture, Transecure LLC, to increase its shareholding to a 100% interest (Note 33). The step acquisition did not result in any significant fair value gain or loss.

During the previous year, dnata acquired an additional 26.9% interest in the associate Oman United Agencies Travel LLC, to increase its shareholding to a 76.9% interest (Note 33). The retained interest in the associate at the acquisition date was remeasured to fair value resulting in a net gain of AED 7 m.

The resultant gain is included under other operating income in the consolidated income statement.

No individual associate is material to dnata. The aggregate financial information of associates is set out below:

	2018 AED m	**2017** AED m
Share of results of associates	32	(1)
Share of other comprehensive income of associates	52	(21)
Share of total comprehensive income of associates	**84**	**(22)**
Aggregate carrying value of investments in associates	**57**	**21**

No individual joint venture is material to dnata. The aggregate financial information of joint ventures is set out below:

	2018 AED m	**2017** AED m
Share of results of joint ventures	94	79
Share of other comprehensive income of a joint venture	(3)	(1)
Share of total comprehensive income of joint ventures	**91**	**78**
Aggregate carrying value of investments in joint ventures	**416**	**386**

12. Advance lease rentals

	2018 AED m	2017 AED m
Balance brought forward	**42**	**22**
Acquisition	-	19
Additions during the year	6	6
Charge for the year	(3)	(3)
Currency translation differences	1	(2)
Balance carried forward	**46**	**42**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 14)	**3**	**2**
Over one year	**43**	**40**

13. Inventories

	2018 AED m	2017 AED m
Food and beverage	45	42
Spares and consumables	31	27
Other	11	18
	87	**87**

14. Trade and other receivables

	2018 AED m	2017 AED m
Trade receivables - net of provision	1,950	1,696
Deposits and other receivables	661	588
Prepayments	529	485
Related parties (Note 31)	484	556
Advance lease rentals (Note 12)	3	2
	3,627	**3,327**
Less: Receivables over one year	(134)	(147)
	3,493	**3,180**

The impairment charge on trade receivables recognised in the consolidated income statement during the year mainly relates to travel agency, airline and other customers who are in unexpected difficult economic situations and are unable to meet their obligations. This charge is included in operating costs. Amounts charged to the provision account are written off when there is no expectation of further recovery.

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

	2018 AED m	2017 AED m
Balance brought forward	**55**	**38**
Acquisition	-	1
Charge for the year	95	50
Unused amounts reversed	(9)	(22)
Amounts written off as uncollectible	(16)	(9)
Transfer	-	(1)
Currency translation differences	4	(2)
Balance carried forward	**129**	**55**

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 (excluding prepayments) at the reporting date is the carrying value of each class of receivable mentioned above.

The ageing of trade receivables that are past due but not impaired is as follows:

	2018 AED m	2017 AED m
Below 3 months	883	704
3-6 months	118	73
Above 6 months	230	234
	1,231	**1,011**

For further details on credit risk management, refer to Note 32.

15. Capital

Capital represents the permanent capital of dnata.

16. Other reserves

	Translation reserve AED m	Other AED m	Total AED m
1 April 2016	**(233)**	**17**	**(216)**
Currency translation differences	(158)	-	(158)
Net investment hedge (Note 22)	4	-	4
Cash flow hedges	-	(33)	(33)
Transferred to consolidated income statement	-	25	25
Share of other comprehensive income of investments accounted for using the equity method, net of deferred tax	21	-	21
Recognised in other comprehensive income	**(133)**	**(8)**	**(141)**
Transfer from retained earnings	-	2	2
31 March 2017	**(366)**	**11**	**(355)**
Currency translation differences	204	-	204
Net investment hedge (Note 22)	(9)	-	(9)
Cash flow hedges	-	1	1
Transferred to consolidated income statement	-	(8)	(8)
Share of other comprehensive income of investments accounted for using the equity method, net of deferred tax	7	-	7
Recognised in other comprehensive income	**202**	**(7)**	**195**
Share of other equity movement of investments accounted for using the equity method	-	3	3
31 March 2018	**(164)**	**7**	**(157)**

The translation reserve includes a loss of AED 39 m pertaining to an investment in an associate which has been reclassified as Asset held for sale as at 31 March 2018 (Note 11).

17. Trade and other payables

	2018 AED m	**2017** AED m
Trade payables and accruals	2,758	2,357
Deferred revenue	793	734
Employee leave pay	236	227
Related parties (Note 31)	102	77
Customer deposits	52	55
Dividend payable	1,000	9
Other payables	70	85
	5,011	**3,544**
Less: Payables over one year	(163)	(193)
	4,848	**3,351**

The payables over one year represent the non-current portion of the acquisition related deferred / contingent consideration and the fair value of options issued to acquire additional interests in subsidiaries. It also includes the non-current portion of the deferred revenue.

The movements in fair values of contingent consideration and options to acquire non-controlling interests are as follows:

	2018 AED m	**2017** AED m
Balance brought forward	**13**	**54**
Payments	(13)	(17)
Remeasurement gain	-	(18)
Currency translation differences	-	(6)
Balance carried forward	**-**	**13**

The remeasurement gain in the previous year represents a decrease in the contingent consideration payable. This gain is recognised in the consolidated income statement under other operating income.

18. Provisions

	2018 AED m	2017 AED m
Non-current		
Retirement benefit obligations (Note 19)	549	523
Other provisions (Note 20)	13	24
	562	**547**
Current		
Other provisions (Note 20)	47	45
	47	**45**
	609	**592**

19. 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 2018 in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements.

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

	2018 AED m	2017 AED m
Funded schemes		
Present value of defined benefit obligations	731	648
Less: Fair value of plan assets	(661)	(581)
	70	**67**
Unfunded schemes		
Present value of defined benefit obligations	**479**	**456**
Liability recognised in consolidated statement of financial position	**549**	**523**

The above liability is presented as a non-current provision within the consolidated statement of financial position as dnata expects to settle this liability over a long term period.

Funded schemes

a) Parent company

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

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

The present value of obligations and fair value of plan assets are as follows:

	2018 AED m	2017 AED m
Present value of funded defined benefit obligations	139	129
Less: Fair value of plan assets	(139)	(128)
	-	**1**

The assessment of the present value of defined benefit obligations assumed expected salary increases averaging 3.0% (2017: 3.0%) and a discount rate of 4.00% (2017: 4.25%) per annum. The present values of the defined benefit obligations at 31 March 2018 were computed using the actuarial assumptions set out above.

19. Retirement benefit obligations (continued)

The liability of AED 1 m in the previous year represents the amount that will not be settled from plan assets and is calculated as the excess of the present value of the defined benefit obligation for an individual employee over the fair value of the employee's plan assets at the end of the reporting period.

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

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

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

	2018 AED m	2017 AED m
Balance brought forward	**128**	**118**
Contributions received	18	18
Change in fair value	14	7
Benefits paid	(21)	(15)
Balance carried forward	**139**	**128**

b) Subsidiaries

(i) Swiss plan

Employees of a subsidiary in Switzerland participate in a defined benefit plan ("the Swiss plan"). The Swiss plan is funded by way of contribution to an insurance policy.

The present value of obligations and fair value of plan assets are as follows:

	2018 AED m	2017 AED m
Present value of funded defined benefit obligations	264	238
Less: Fair value of plan assets	(208)	(184)
	56	**54**

The actuarial valuation for the Swiss plan included assumptions relating to the discount rate of 0.7% (2017: 0.7%) and expected salary increases of 1.0% (2017: 1.0%) per annum.

The movement in the present value of defined benefit obligations of the Swiss plan is:

	2018 AED m	2017 AED m
Balance brought forward	**238**	**231**
Service cost	14	13
Interest cost	2	2
Remeasurement loss	1	1
Employee contributions	8	8
Benefits paid	(9)	(10)
Currency translation differences	10	(7)
Balance carried forward	**264**	**238**

The movement in the fair value of the plan assets of the Swiss plan is:

	2018 AED m	2017 AED m
Balance brought forward	**184**	**179**
Expected return on plan assets	1	1
Employer contributions	11	10
Employee contributions	8	8
Benefits paid	(9)	(10)
Currency translation differences	8	(4)
Remeasurement		
- Return on plan assets	5	-
Balance carried forward	**208**	**184**

19. Retirement benefit obligations (continued)

(ii) Netherlands plan

Employees of a subsidiary in Netherlands participate in a defined benefit plan ("the Netherlands plan"). The Netherlands plan is funded by way of contribution to an insurance policy.

The present value of obligations and fair value of plan assets are as follows:

	2018 AED m	2017 AED m
Present value of funded defined benefit obligations	328	281
Less: Fair value of plan assets	(314)	(269)
	14	**12**

The actuarial valuation for the Netherlands plan included assumptions relating to the discount rate of 1.9% (2017: 1.85%) and expected salary increases of 1% (2017: 1%) per annum.

The movement in the present value of defined benefit obligations of the Netherlands plan is:

	2018 AED m	2017 AED m
Balance brought forward	281	261
Service cost	5	5
Interest cost	6	7
Remeasurement (gain) / loss	(4)	23
Employee contributions	2	2
Benefits paid	(4)	(4)
Currency translation differences	42	(13)
Balance carried forward	**328**	**281**

The movement in the fair value of the plan assets of the Netherlands plan is:

	2018 AED m	2017 AED m
Balance brought forward	269	251
Expected return on plan assets	5	7
Remeasurement		
- Return on plan assets	(2)	22
Employer contributions	4	4
Employee contributions	2	2
Benefits paid	(4)	(4)
Currency translation differences	40	(13)
Balance carried forward	**314**	**269**

dnata expects to contribute, in respect of existing plan members of all its funded schemes, approximately AED 35 m during the year ending 31 March 2019.

Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme, defined benefit plans or other defined contribution plans follow relevant local regulations, which are mainly based on periods of cumulative service and levels of employees' final basic salary. The liability recognised in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period.

The movement in the present value of defined benefit obligation is:

	2018 AED m	2017 AED m
Balance brought forward	**456**	**558**
Acquisition (Note 33)	-	3
Service cost	53	66
Interest cost	20	23
Remeasurement		
- changes in experience / demographic assumptions	(11)	(10)
- changes in financial assumptions	14	(116)
Benefits paid	(53)	(57)
Transfers	-	(11)
Balance carried forward	**479**	**456**

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

19. Retirement benefit obligations (continued)

Defined contribution plans

dnata pays fixed contributions to certain defined contribution plans and has no legal or constructive obligation to pay further contributions to settle the benefits relating to the employees service in the current and prior periods.

The total amount recognised in the consolidated income statement in respect of all the plans is as follows:

	2018 AED m	2017 AED m
Defined benefit plans		
Funded schemes		
Service and interest cost - net	39	38
Net change in the present value of defined benefit obligations over plan assets	-	(5)
	39	**33**
Unfunded schemes		
Service cost	53	66
Interest cost	20	23
	73	**89**
Defined contribution plans		
Contributions expensed	**147**	**131**
Recognised in the consolidated income statement	**259**	**253**

The sensitivity of the defined benefit obligation to changes in the principal assumptions are set out below:

Assumption	**Change**	**Effect on defined benefit obligation** **Subsidiaries** AED m	**Unfunded schemes** AED m
Discount rate	+ 0.5%	(48)	(28)
	- 0.5%	54	31
Expected salary increases	+ 0.5%	7	32
	- 0.5%	(7)	(29)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In calculating the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period.

The weighted average durations of the defined benefit obligations are set out below:

	2018 **Years**	**2017** **Years**
Funded scheme - Swiss plan	17.0	17.1
Funded scheme - Netherlands plan	21.0	21.0
Unfunded scheme	12.9	12.5

Through its defined benefit plans dnata is exposed to a number of risks, the most significant of which are detailed below:

a) Change in discount rate: Retirement benefit obligations will increase due to a decrease in market yields of high quality corporate bonds.

b) Expected salary increases: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase of the salary of the plan participants will increase the retirement benefit obligations.

20. Other provisions

	2018 AED m	2017 AED m
Balance brought forward	**69**	**33**
Additions	14	42
Acquisition (Note 33)	-	4
Utilised during the year	(30)	(4)
Unutilised amounts reversed	(9)	(3)
Currency translation differences	16	(3)
Balance carried forward	**60**	**69**

Provisions are expected to be used as follows:

	2018 AED m	2017 AED m
Within one year (Note 18)	47	45
Over one year (Note 18)	13	24
31 March 2018	**60**	**69**

The provisions include AED 8 m (2017: AED 6 m) related to dilapidations which represents an estimate of the costs of restoring certain leasehold properties to their original condition at the end of the lease term.

21. Borrowings and lease liabilities

	2018 AED m	2017 AED m
Non-current		
Term loans (Note 22)	828	630
Lease liabilities (Note 23)	39	24
	867	**654**
Current		
Term loans (Note 22)	207	198
Lease liabilities (Note 23)	12	9
Bank overdrafts (Note 28)	73	132
	292	**339**
	1,159	**993**

Borrowings and lease liabilities are denominated in the following currencies:

	2018 AED m	2017 AED m
Pound Sterling	312	224
US Dollar	271	278
UAE Dirham	213	151
Swiss Franc	121	126
Australian Dollar	117	79
Singapore Dollar	55	57
Euro	33	33
Others	37	45

22. Term loans

	2018 AED m	2017 AED m
Balance brought forward	**829**	**491**
Acquisitions (Note 33)	-	52
Additions	475	515
Repayments	(306)	(192)
Currency translation differences	38	(37)
	1,036	**829**
Less: Transaction costs	(1)	(1)
Balance carried forward	**1,035**	**828**
Term loans are repayable as follows:		
Within one year	**207**	**198**
Between 2 and 5 years	680	591
After 5 years	148	39
Total over one year	**828**	**630**

Term loans are denominated in the following currencies:

	2018 AED m	2017 AED m
Pound Sterling	292	224
US Dollar	271	278
UAE Dirham	183	116
Swiss Franc	100	99
Australian Dollar	95	78
Singapore Dollar	55	-
Euro	33	33
Others	6	-

Contractual repricing dates are set at three to six month intervals. The effective interest rate on the term loans was 2.4% (2017: 2.5%) per annum. The carrying amounts of the term loans approximate their fair value. The fair value is determined by discounting projected cash flows using the interest rate yield curve applicable to different maturities and currencies adjusted for credit spread and falls within level 2 of the fair value hierarchy.

The term loan in Swiss Francs is designated as a hedge of the net investment in dnata Switzerland AG. The foreign exchange gain or loss on translation of the loan at the end of the reporting period is recognised in the translation reserve through other comprehensive income.

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23. Lease liabilities

Finance Lease	**2018** AED m	**2017** AED m
Balance brought forward	**33**	**24**
Acquisitions	-	6
Additions	26	11
Repayments	(9)	(7)
Currency translation differences	1	(1)
Balance carried forward	**51**	**33**
Gross lease liabilities:		
Within one year	13	10
Between 2 and 5 years	28	25
After 5 years	12	1
	53	**36**
Future interest	(2)	(3)
Present value of lease liabilities	**51**	**33**
The present value of lease liabilities is repayable as follows:		
Within one year	**12**	**9**
Between 2 and 5 years	27	23
After 5 years	12	1
Total over one year	**39**	**24**

The present value of lease liabilities is denominated in the following currencies:

	2018 AED m	**2017** AED m
Swiss Franc	21	23
Australian Dollar	22	1
Others	8	9

Lease liabilities are secured on the related plant and machinery.

The carrying amount of lease liabilities approximate to their fair values. 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 and falls within level 2 of the fair value hierarchy.

24. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same income tax authority. The offset amounts are as follows:

	2018 AED m	2017 AED m
Deferred income tax assets	81	62
Deferred income tax liabilities	(142)	(148)
	(61)	**(86)**
The movement in the deferred tax account is as follows:		
Balance brought forward	**(86)**	**(34)**
Acquisition (Note 33)	(2)	(91)
Credited to the consolidated income statement (Note 7)	61	22
Others	(31)	12
Currency translation differences	(3)	5
Balance carried forward	**(61)**	**(86)**

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Property, plant and equipment AED m	Intangible assets AED m	Other AED m	Total AED m
1 April 2016	**(39)**	**(86)**	**(1)**	**(126)**
Acquisition	(1)	(90)	-	(91)
Credited to the consolidated income statement	-	28	-	28
Currency translation differences	2	4	-	6
31 March 2017	**(38)**	**(144)**	**(1)**	**(183)**
Acquisition (Note 33)	-	(2)	-	(2)
Credited to the consolidated income statement	5	47	-	52
Currency translation differences	(2)	(6)	-	(8)
Others	(18)	(4)	(1)	(23)
31 March 2018	**(53)**	**(109)**	**(2)**	**(164)**

Deferred income tax assets

	Tax losses AED m	Provisions AED m	Other AED m	Total AED m
1 April 2016	**48**	**21**	**23**	**92**
(Charge) / credited to the consolidated income statement	(6)	(3)	3	(6)
Currency translation differences	(3)	-	2	(1)
Others	(23)	23	12	12
31 March 2017	**16**	**41**	**40**	**97**
(Charge) / credited to the consolidated income statement	(4)	6	7	9
Currency translation differences	2	2	1	5
Others	-	(11)	3	(8)
31 March 2018	**14**	**38**	**51**	**103**

25. Operating leases

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

	2018 AED m	2017 AED m
Less than 1 year	396	322
Between 2 and 5 years	1,232	866
After 5 years	1,003	802
	2,631	**1,990**

26. Capital commitments

	2018 AED m	2017 AED m
Authorised and contracted:		
dnata	373	142
Joint ventures	12	14
	385	**156**
Authorised but not contracted:		
dnata	594	429
	979	**585**

27. Guarantees

	2018 AED m	2017 AED m
Guarantees and letters of credit provided by banks in the normal course of business	**396**	**333**

Guarantees and letters of credit include AED 45 m (2017: AED 51 m) provided by companies under common control on normal commercial terms.

28. Short term bank deposits, cash and cash equivalents

	2018 AED m	2017 AED m
Bank deposits	4,054	2,479
Cash and bank	891	919
Cash and bank balances	**4,945**	**3,398**
Less: Short term bank deposits over 3 months	(3,760)	(2,016)
Cash and cash equivalents as per the consolidated statement of financial position	**1,185**	**1,382**
Bank overdrafts (Note 21)	(73)	(132)
Cash and cash equivalents as per the consolidated statement of cash flows	**1,112**	**1,250**

Short term bank deposits, cash and cash equivalents yield an effective interest rate of 2.8% (2017: 2.5%) per annum.

29. Derivative financial instruments

	2018 AED m	2017 AED m
Current assets		
Currency swaps and forwards	-	5
	-	**5**
Current liabilities		
Currency swaps and forwards	25	3
	25	**3**

The notional principal amounts outstanding are:

	2018 AED m	2017 AED m
Currency contracts	1,000	834

30. Classification of financial instruments

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

	Loans and receivables AED m	Derivative financial instruments AED m	Assets and liabilities at fair value through profit and loss AED m	Financial liabilities at amortised cost AED m	Total AED m
2018					
Assets					
Trade and other receivables (excluding prepayments and advance lease rentals)	3,095	-	-	-	3,095
Short term bank deposits	3,760	-	-	-	3,760
Cash and cash equivalents	1,185	-	-	-	1,185
Total	**8,040**	**-**	**-**	**-**	**8,040**
Liabilities					
Borrowings and lease liabilities	-	-	-	1,159	1,159
Trade and other payables (excluding deferred revenue and customer deposits)	-	-	-	4,166	4,166
Derivative financial instruments	-	25	-	-	25
Total	**-**	**25**	**-**	**5,325**	**5,350**
2017					
Assets					
Derivative financial instruments	-	5	-	-	5
Trade and other receivables (excluding prepayments and advance lease rentals)	2,840	-	-	-	2,840
Short term bank deposits	2,016	-	-	-	2,016
Cash and cash equivalents	1,382	-	-	-	1,382
Total	**6,238**	**5**	**-**	**-**	**6,243**
Liabilities					
Borrowings and lease liabilities	-	-	-	993	993
Trade and other payables (excluding deferred revenue and customer deposits)	-	-	13	2,742	2,755
Derivative financial instruments	-	3	-	-	3
Total	**-**	**3**	**13**	**3,735**	**3,751**

Except as otherwise stated, the carrying amounts of financial assets and financial liabilities approximate their fair values.

31. Related party transactions and balances

dnata transacts with associates, joint ventures and companies controlled by dnata and its parent within the scope of its ordinary business activities.

dnata and Emirates share central corporate functions such as information technology, facilities, human resources, finance, treasury, cash management, legal and other functions. Where such functions are shared the costs are allocated between dnata and Emirates based on activity levels.

Other than these shared services arrangements the following transactions have taken place on an arm's length basis.

	2018 AED m	2017 AED m
Trading transactions		
(i) Sale of goods and services		
Sale of goods - Companies under common control	434	339
Services rendered - Companies under common control	2,262	2,004
Services rendered - Joint ventures	53	40
Services rendered - Associates	13	17
	2,762	**2,400**
(ii) Purchase of goods and services		
Purchase of goods - Companies under common control	114	98
Purchase of goods - Associates	-	2
Services received - Companies under common control	499	446
Services received - Joint ventures	220	236
	833	**782**
Other transactions		
(i) Finance income		
Companies under common control	74	42
Joint ventures	4	3
	78	**45**
(ii) Finance cost		
Companies under common control	**5**	**4**
(iii) Compensation to key management personnel		
Salaries and short-term employee benefits	49	32
Post-employment benefits	5	5
	54	**37**

dnata uses a number of public utilities provided by Government controlled entities for its operations in Dubai, where these entities are the sole providers of the relevant services. This includes the supply of electricity, water and airport services. Transactions falling in these expense categories are individually insignificant and were carried out on an arm's length basis.

	2018 AED m	2017 AED m
Year end balances		
(i) Receivables-sale of goods and services (Note 14)		
Companies under common control	287	360
Associates	38	43
Joint ventures	46	42
	371	**445**
(ii) Payables-purchase of goods and services (Note 17)		
Joint ventures	44	58
Companies under common control	55	19
Associates	3	-
	102	**77**
(iii) Borrowings		
Companies under common control	**184**	**147**
(iv) Loans - receivable (Note 14)		
Joint ventures	**113**	**111**
Movement in the loans were as follows:		
Balance brought forward	**111**	**147**
Additions	12	1
Repayments	(24)	(20)
Currency translation differences	14	(17)
Balance carried forward	**113**	**111**

The loans earned effective interest of 2.9% (2017: 2.8%) per annum.

32. Financial risk management

dnata has limited exposure to financial risks by virtue of the nature of its operations. In the areas where financial risks exist, the aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on dnata's consolidated financial position.

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

Risk management procedures are approved by a steering group comprising of senior management. Their identification, evaluation and hedging of financial risks are performed in close cooperation with the operating units. Senior management is also responsible for the review of risk management and the control environment. The various financial risk elements are discussed below.

(i) Market risk

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

Interest rate risk

dnata is exposed to the effects of fluctuations in 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 and interest income on its bank deposits.

Borrowings obtained at variable rates expose dnata to cash flow interest rate risk. No hedging cover is obtained due to the stable interest rate environment that exists in the countries where the loans are contracted.

The key reference rates based on which interest costs are determined are USD LIBOR for United States Dollar, CHF LIBOR for Swiss Franc, GBP LIBOR for Pound Sterling, BBSY for Australian Dollar, EURIBOR for Euro and SIBOR for Singapore Dollar. A 25 basis point change in these interest rates would not have a significant impact on profit or equity.

Currency risk

Certain subsidiaries of dnata are exposed to currency risk on purchase of services outside the source market. These subsidiaries manage such risks through currency forwards.

dnata is exposed to the effects of fluctuations in prevailing foreign currency exchange rates on its long term debt obligations denominated in Swiss Franc, Euro, Pound Sterling, Singapore Dollar and Australian Dollar. Cash flows from the Switzerland, Italy, United Kingdom and Australian operations are adequate to meet the repayment schedules. A 1% change in exchange rate for these currencies would not have a significant impact on profit or equity. At dnata parent level these liabilities provide a natural hedge to its foreign currency investments in these countries.

(ii) Credit risk

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

dnata manages limits and controls concentration of risk wherever they are identified. dnata places significant deposits with high credit quality banks. 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 AED 3,418 m (2017: 1,753 m) of short term bank deposits and cash and bank balances are held with financial institutions under common control.

Policies are in place to ensure that sales are made to customers with an appropriate credit history failing which an appropriate level of security is obtained, where necessary sales are made on cash terms. Credit limits are also imposed to cap exposure to a customer.

32. Financial risk management (continued)

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

	2018 AED m	**2017** AED m
AA- to AA+	156	153
A- to A+	3,891	2,276
BBB+	377	568
Lower than BBB+	509	396
Unrated	2	1

(iii) Liquidity risk

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

dnata's liquidity management process is monitored by senior management and 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.
- Maintaining rolling forecasts of dnata's liquidity position on the basis of expected cash flows.
- Monitoring liquidity ratios against internal and external regulatory requirements.
- Maintaining debt financing plans.
- Maintaining diversified credit lines, including stand-by credit facility

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

Summarised below in the table is the maturity profile of financial liabilities based on the remaining period at the end of the 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
2018				
Borrowings and lease liabilities	324	763	169	1,256
Derivative financial instruments	25	-	-	25
Trade and other payables (excluding deferred revenue and customer deposits)	4,096	70	-	4,166
	4,445	**833**	**169**	**5,447**
2017				
Borrowings and lease liabilities	361	660	42	1,063
Derivative financial instruments	3	-	-	3
Trade and other payables (excluding deferred revenue and customer deposits)	2,670	85	-	2,755
	3,034	**745**	**42**	**3,821**

33. Acquisitions

2018

On 9th May 2017, dnata acquired a 100% shareholding in ALX Cargo Center IAH LLC ("ALX"), through its wholy owned subsidiary dnata Aviation Services US Inc. at a purchase consideration of AED 12 m, paid in cash. ALX primarily operates a perishable cargo facility based at Houston Airport ("IAH"). The purchase consideration is attributable to customer relationships and goodwill.

During the year, dnata also acquired 100% ownership of Destination Asia (Singapore) Pte Limited, the purchase consideration and the assets and liabilities arising from and recognised on this acquisition are not significant.

2017

In the previous year, dnata through its wholly owned subsidiary Dnata Aviation Services Limited, acquired 100% ownership of Ground Services International Inc. (GSI) and Metro Air Service Inc and 95% ownership of Air Dispatch (CLC) s.r.o. Through a step acquisition dnata also obtained 100% control of a joint venture, Transecure LLC and 76.9% control of its associate Oman United Agencies Travel LLC.

The assets and the liabilities arising from and recognised on the acquisition of the subsidiaries were as follows:

	Transecure LLC	dnata Aviation Services US Inc.	Others	Total
	AED m	AED m	AED m	AED m
Fair value of net assets acquired	**62**	**229**	**50**	**341**
Less: Non-controlling interest	-	-	(11)	(11)
dnata's share of net assets acquired	**62**	**229**	**39**	**330**
Goodwill (Note 10)	-	285	21	306
Total purchase consideration	**62**	**514**	**60**	**636**
Less: Cash and cash equivalents acquired	(3)	(5)	(5)	(13)
Less: Fair value of retained interest (Note 11)	(7)	-	(16)	(23)
Less: Contingent consideration	-	(18)	-	(18)
Cash outflow on acquisition	**52**	**491**	**39**	**582**

34. Capital management

dnata monitors the return on equity which is defined as profit for the year expressed as a percentage of average equity. dnata seeks to provide a higher return to the Owner by resorting to borrowings to finance its acquisitions. In 2018, dnata achieved a return on equity of 19.3% (2017: 20.3%).

Additional

INFORMATION

Emirates ten-year overview

Consolidated income statement		2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Revenue and other operating income	AED m	92,322	85,083	85,044	88,819	82,636	73,113	62,287	54,231	43,455	43,266
Operating costs	AED m	88,236	82,648	76,714	82,926	78,376	70,274	60,474	48,788	39,890	40,988
- of which jet fuel	AED m	24,715	20,968	19,731	28,690	30,685	27,855	24,292	16,820	11,908	14,443
- of which employee costs	AED m	13,080	12,864	12,452	11,851	10,230	9,029	7,936	7,615	6,345	5,861
Operating profit	AED m	4,086	2,435	8,330	5,893	4,260	2,839	1,813	5,443	3,565	2,278
Profit attributable to the Owner	AED m	2,796	1,250	7,125	4,555	3,254	2,283	1,502	5,375	3,538	686
Consolidated statement of financial position											
Non-current assets	AED m	93,417	93,722	87,752	83,627	74,250	59,856	51,896	43,223	36,870	31,919
Current assets	AED m	34,170	27,836	31,427	27,735	27,354	34,947	25,190	21,867	18,677	15,530
- of which cash assets	AED m	20,420	15,668	19,988	16,885	16,561	24,572	15,587	13,973	10,511	7,168
Total assets	AED m	127,587	121,558	119,179	111,362	101,604	94,803	77,086	65,090	55,547	47,449
Total equity	AED m	37,046	35,094	32,405	28,286	25,471	23,032	21,466	20,813	17,475	15,571
- of which equity attributable to the Owner	AED m	36,454	34,508	31,909	27,886	25,176	22,762	21,224	20,606	17,274	15,412
Non-current liabilities	AED m	49,975	48,082	48,250	48,595	43,705	40,452	30,574	22,987	19,552	17,753
Current liabilities	AED m	40,566	38,382	38,524	34,481	32,428	31,319	25,046	21,290	18,520	14,125
Consolidated statement of cash flows											
Cash flow from operating activities	AED m	14,134	10,425	14,105	13,265	12,649	12,814	8,107	11,004	8,328	5,016
Cash flow from investing activities	AED m	(10,977)	(3,129)	(2,361)	(6,411)	(4,257)	(15,061)	(10,566)	(5,092)	(577)	1,896
Cash flow from financing activities	AED m	(6,442)	(10,502)	(7,975)	(6,264)	(7,107)	1,240	(201)	(5,046)	(2,982)	(5,085)
Net change in cash and cash equivalents	AED m	(3,285)	(3,206)	3,769	590	1,285	(1,007)	(2,660)	866	4,769	1,827
Other financial data											
Net change in cash assets	AED m	4,752	(4,320)	3,103	324	(8,011)	8,985	1,614	3,462	3,343	(3,192)
EBITDAR	AED m	24,970	21,248	24,415	20,259	17,229	13,891	10,735	13,437	10,638	8,286
Borrowings and lease liabilities	AED m	51,101	51,002	50,105	47,808	42,431	40,525	30,880	23,230	19,605	16,512
Less: Cash assets	AED m	20,420	15,668	19,988	16,885	16,561	24,572	15,587	13,973	10,511	7,368
Net debt	AED m	30,681	35,334	30,117	30,923	25,870	15,953	15,293	9,257	9,094	9,144
Capital expenditure	AED m	8,496	12,632	16,723	19,873	21,142	13,378	13,644	12,238	8,053	10,178

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

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Key ratios		**2017-18**	**2016-17**	**2015-16**	**2014-15**	**2013-14**	**2012-13**	**2011-12**	**2010-11**	**2009-10**	**2008-09**
Operating margin	%	4.4	2.9	9.8	6.6	5.2	3.9	2.9	10.0	8.2	5.3
Profit margin	%	3.0	1.5	8.4	5.1	3.9	3.1	2.4	9.9	8.1	1.6
Return on shareholder's funds	%	7.9	3.8	23.8	17.2	13.6	10.4	7.2	28.4	21.6	4.4
EBITDAR margin	%	27.0	25.0	28.7	22.8	20.8	19.0	17.2	24.8	24.5	19.2
Cash assets to revenue and other operating income	%	22.1	18.4	23.5	19.0	20.0	33.6	25.0	25.8	24.2	17.0
Net debt to equity ratio	%	82.8	100.7	92.9	109.3	101.6	69.3	71.2	44.5	52.0	58.7
Net debt (incl. aircraft operating leases) to equity ratio	%	216.4	237.9	215.9	212.1	209.9	186.4	162.1	127.6	158.5	167.0
Net debt (incl. aircraft operating leases) to EBITDAR	%	321.0	392.9	286.5	296.2	310.3	309.1	324.1	197.6	260.3	313.9
Effective interest rate on borrowings and lease liabilities	%	3.2	3.0	3.1	3.3	3.2	3.1	3.0	2.7	2.5	3.5
Fixed to floating debt mix		72:28	75:25	92:8	85:15	94:6	90:10	89:11	89:11	83:17	61:39
Airline Operating Statistics											
Performance Indicators											
Yield	Fils per RTKM	213	204	218	245	250	249	251	232	211	254
Unit cost	Fils per ATKM	139	132	132	158	162	167	166	147	136	163
Unit cost excluding jet fuel	Fils per ATKM	98	97	97	102	97	99	97	95	94	104
Breakeven load factor	%	65.2	64.5	60.4	64.7	64.9	66.9	65.9	63.6	64.4	64.1
Fleet											
Aircraft	number	268	259	251	231	217	197	169	148	142	127
Average fleet age	months	68	63	74	75	74	72	77	77	69	64
Production											
Destination cities	number	157	156	153	144	142	133	123	112	102	99
Overall capacity	ATKM million	61,425	60,461	56,383	50,844	46,820	40,934	35,467	32,057	28,526	24,397
Available seat kilometres	ASKM million	377,060	368,102	333,726	295,740	271,133	236,645	200,687	182,757	161,756	134,180
Aircraft departures	number	201,858	204,543	199,754	181,843	176,039	159,892	142,129	133,772	123,055	109,477
Traffic											
Passengers carried	number '000	58,485	56,076	51,853	48,139	44,537	39,391	33,981	31,422	27,454	22,731
Passenger seat kilometres	RPKM million	292,221	276,608	255,176	235,498	215,353	188,618	160,446	146,134	126,273	101,762
Passenger seat factor	%	77.5	75.1	76.5	79.6	79.4	79.7	80.0	80.0	78.1	75.8
Cargo carried	tonnes '000	2,623	2,577	2,509	2,377	2,250	2,086	1,796	1,767	1,580	1,408
Overall load carried	RTKM million	41,250	39,296	36,931	34,207	31,137	27,621	23,672	22,078	19,063	15,879
Overall load factor	%	67.2	65.0	65.5	67.3	66.5	67.5	66.7	68.9	66.8	65.1
Employee											
Average employee strength-EK	number	62,356	64,768	61,205	56,725	52,516	47,678	42,422	38,797	36,652	35,812
Average employee strength-airline	number	49,740	51,628	48,023	44,571	41,471	38,067	33,634	30,258	28,686	28,037
Revenue per airline employee	AED '000	1,784	1,580	1,717	1,939	1,938	1,868	1,796	1,738	1,459	1,492

Notes :

Notes :
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dnata ten-year overview

Consolidated income statement		2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Revenue and other operating income	AED m	13,074	12,182	10,630	9,160	7,565	6,622	5,755	4,406	3,160	3,181
Operating costs	AED m	11,878	10,958	9,569	8,155	6,702	5,807	4,971	3,906	2,601	2,714
- of which employee costs	AED m	5,055	4,654	3,847	3,351	3,251	2,771	2,488	2,032	1,387	1,347
- of which travel services direct costs	AED m	2,135	1,913	1,951	1,458	84	n/a	n/a	n/a	n/a	n/a
- of which airport operations direct costs	AED m	1,293	1,138	949	824	883	798	699	582	442	391
- of which in-flight catering direct cost	AED m	843	794	715	735	663	601	451	241	35	40
Operating profit	AED m	1,196	1,224	1,061	1,005	863	815	784	500	559	467
Profit attributable to the Owner	AED m	1,317	1,210	1,054	906	829	819	808	576	613	507
Consolidated statement of financial position											
Non-current assets	AED m	5,718	5,372	4,590	4,219	4,364	3,594	3,759	3,072	1,934	1,984
Current assets	AED m	8,574	6,675	6,388	5,427	4,303	3,977	3,360	3,328	2,704	1,963
- of which cash assets	AED m	4,945	3,398	3,465	3,148	2,434	2,396	1,999	2,083	1,982	1,350
Total assets	AED m	14,292	12,047	10,978	9,646	8,667	7,571	7,119	6,400	4,638	3,947
Total equity	AED m	7,282	6,706	5,554	4,853	4,756	4,097	3,683	3,282	3,194	2,553
- of which equity attributable to the Owner	AED m	7,103	6,539	5,387	4,788	4,674	4,028	3,614	3,209	3,194	2,553
Non-current liabilities	AED m	1,734	1,542	1,362	1,213	1,386	1,351	1,275	1,115	672	697
Current liabilities	AED m	5,276	3,799	4,062	3,580	2,525	2,123	2,161	2,003	772	697
Consolidated statement of cash flows											
Cash flow from operating activities	AED m	1,858	1,281	1,390	1,058	1,125	1,162	1,167	901	764	481
Cash flow from investing activities	AED m	(2,157)	(961)	(1,076)	(697)	316	(1,910)	(431)	(1,333)	391	(71)
Cash flow from financing activities	AED m	78	(146)	(496)	(344)	(443)	(343)	(718)	(96)	(73)	(68)
Net change in cash and cash equivalents	AED m	(221)	174	(182)	17	998	(1,091)	18	(528)	1,082	342
Other financial data											
Cash assets	AED m	4,945	3,398	3,465	3,148	2,434	2,396	1,999	2,083	1,982	1,350

Notes :
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2. Comparative figures are restated, where applicable, according to IFRS rules i.e. only the immediately preceding year's figures are restated and figures beyond that year have not been amended.
3. Travel services direct costs are arising from the acquisitions of Stella Travel in 2014-15 and Gold Medal Travel Group in 2013-14.

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Operating margin	%	9.1	10.0	10.0	11.0	11.4	12.3	13.6	11.3	17.7	14.7
Profit margin	%	10.1	9.9	9.9	9.9	11.0	12.4	14.0	13.1	19.4	15.9
Return on shareholder's funds	%	19.3	20.3	20.7	19.2	19.1	21.4	23.7	18.0	21.3	21.4
Employee											
Average employee strength	number	41,007	40,978	34,117	27,428	22,980	20,229	18,356	17,971	13,298	12,434
Revenue per employee	AED '000	319	297	333	399	356	327	322	323	266	256
Performance Indicators											
Airport											
Aircraft handled	number	659,591	623,611	389,412	298,298	288,335	264,950	253,434	232,585	192,120	177,495
Cargo handled	tonnes '000	3,083	2,844	2,056	1,671	1,604	1,570	1,543	1,494	1,121	1,003
Catering											
Meals uplifted	number '000	55,718	60,747	57,062	57,687	41,275	28,584	26,708	11,743		
Travel services											
Total transaction value (TTV)	AED m	11,281	10,687	11,747	9,782	5,892	5,357	2,630	1,610	1,559	

Notes :
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Group ten-year overview

Financial highlights		2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Revenue and other operating income*	AED m	102,409	94,706	92,896	96,053	87,766	77,536	66,149	57,224	45,405	45,231
Operating costs*	AED m	97,127	91,047	83,505	89,155	82,643	73,882	63,552	51,281	41,281	42,486
Operating profit	AED m	5,282	3,659	9,391	6,898	5,123	3,654	2,597	5,943	4,124	2,745
Operating margin	%	5.2	3.9	10.1	7.2	5.8	4.7	3.9	10.4	9.1	6.1
Profit attributable to the Owner	AED m	4,113	2,460	8,179	5,461	4,083	3,102	2,310	5,951	4,151	1,193
Profit margin	%	4.0	2.6	8.8	5.7	4.7	4.0	3.5	10.4	9.1	2.6
Dividend	AED m	2,000	-	2,500	2,569	1,026	1,000	850	2,208	1,556	2,001
Financial position											
Total assets**	AED m	141,625	133,281	129,989	120,886	110,100	102,188	84,127	71,402	60,147	51,358
Cash assets	AED m	25,365	19,066	23,453	20,033	18,995	26,968	17,586	16,056	12,493	8,718
Employee data											
Average employee strength	number	103,363	105,746	95,322	84,153	75,496	67,907	60,778	56,768	49,950	48,246

* After eliminating inter company income/expense of the year

** After eliminating inter company receivables/payables as at year end

Notes :

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Group companies of Emirates

Air transportation and related services

Emirates

- 100% The High Street LLC (UAE)
- 100% Transguard Aviation Security LLC (UAE)
- 50% CAE Flight Training (India) Pvt Ltd
- 50% CAE Middle East Holdings Ltd (UAE)
  - 50% CAE Simulation Training Pvt Ltd (India)
- 50% Emirates - CAE Flight Training LLC (UAE)

Catering services

Emirates

- 90% Emirates Flight Catering Co. (LLC) (UAE)

Consumer goods

Emirates

- 100% Maritime and Mercantile International Holding LLC (UAE)
  - 100% Maritime and Mercantile International Maldives Pvt Ltd
  - 63% Prembev International FZE (UAE)
    - 100% Brand 2 Consumer (Pty) Ltd (South Africa)
  - 100% Queen OS Trading FZE (UAE)
  - 90% Seyvine Ltd (Seychelles)
  - 68.7% Maritime and Mercantile International LLC (UAE)
    - 100% Duty Free Dubai Ports FZE (UAE)
    - 100% Harts International LLC (UAE)
      - 100% Golden Globe (BVI) Ltd
        - 50% Arabian Harts International Ltd (BVI)*
    - 100% Harts International Retailers (Middle East) FZE (UAE)
    - 100% Maritime and Mercantile International FZE (UAE)
    - 70% Oman United Agencies LLC
      - 92.5% Sohar Catering & Supplies LLC (Oman)
      - 67.1% Onas Trading LLC (Oman)
    - 50% Sirocco FZCO (UAE)
    - 49% Fujairah Maritime and Mercantile International LLC (UAE)
  - 50% Focus Brands Ltd (BVI)
  - 50% MMI Tanzania Ltd
  - 49% Independent Wine & Spirit (Thailand) Co. Ltd
  - 40% Zanzibar Maritime and Mercantile International Co. Ltd (Tanzania)

Hotel operations, food and beverage operations and others

Emirates

- 100% Emirates Hotels (Australia) Pty Ltd
- 100% Emirates Hotel LLC (UAE)
- 100% Emirates Land Development Services LLC (UAE)
- 100% Emirates Leisure Retail (Holding) LLC (UAE)
  - 100% Emirates Leisure Retail (Australia) Pty Ltd
    - 100% ELRA Properties Pty Ltd (Australia)
    - 100% Hudcom Pty Ltd (Australia)
    - 100% Hudsons Adelaide Airport Pty Ltd (Australia)
    - 100% Hudsons Airport Launceston Pty Ltd (Australia)
    - 100% Hudsons Albury Pty Ltd (Australia)
    - 100% Hudsons Bendigo Pty Ltd (Australia)
    - 100% Hudsons Bourke Spring Pty Ltd (Australia)
    - 100% Hudsons Elizabeth (Melb) Pty Ltd (Australia)
    - 100% Hudsons Epworth Richmond Pty Ltd (Australia)
    - 100% Hudsons Gawler Pty Ltd (Australia)
    - 100% Hudsons George (Bris) Pty Ltd (Australia)
    - 100% Hudsons Grenfell Currie Pty Ltd (Australia)
    - 100% Hudsons Hospital Australia Pty Ltd (Australia)
    - 100% Hudsons Hospitals Nth Adelaide Pty Ltd (Australia)
    - 100% Hudsons Hospitals S.A. Pty Ltd (Australia)
    - 100% Hudsons Hospitals Victoria Pty Ltd (Australia)
    - 100% Hudsons King William Pty Ltd (Australia)
    - 100% Hudsons Launceston Pty Ltd (Australia)
    - 100% Hudsons Little Collins Flinders Pty Ltd (Australia)
    - 100% Hudsons Liverpool Pty Ltd (Australia)
    - 100% Hudsons Murray Pty Ltd (Australia)
    - 100% Hudsons Myer Stores Pty Ltd (Australia)
    - 100% Hudsons Shepparton Pty Ltd (Australia)
    - 100% Hudsons WA Airports Pty Ltd (Australia)
    - 100% Hudsons William Pty Ltd (Australia)
  - 100% Emirates Leisure Retail (Singapore) Pte Ltd
  - 100% Emirates Leisure Retail (New Zealand) Pte Ltd
  - 68.7% Emirates Leisure Retail LLC (UAE)
    - 100% Community Club Management FZE (UAE)
- 51% Premier Inn Hotels LLC (UAE)
  - 49% Premier Inn Hotels Qatar WLL

Note: Percentages indicate beneficial interest in the company, legal shareholdings may be different.
The country of incorporation is same as country of principal operations.
*Country of principal operations is UAE.

Group companies of dnata

Airport Operations

dnata

- 100% Dnata Aviation Services Limited (UK)
  - 100% Airline Cleaning Services Pty Ltd (Australia)
  - 100% dnata Aviation Services US Inc. (USA)
    - 100% ALX Cargo Centre IAH LLC (USA)
    - 100% dnata Aviation USA Inc.
    - 100% Ground Services International Inc. (USA)
    - 100% Metro Air Service Inc. (USA)
  - 100% dnata BV (The Netherlands)
  - 100% dnata Limited (UK)
    - 100% dnata Cargo Limited (UK)
    - 100% dnata Ground Limited (UK)
    - 22.6% Airports Bureau Systems Ltd (UK)
  - 100% dnata Pty Ltd (Australia)
    - 100% dnata Airport Services Pty Ltd. (Australia)
    - 100% Airport Handling Services Australia Pty Ltd
  - 100% dnata Aviation Services Canada Limited
    - 50% G.T.A. Dnata Ground Handling Limited (Canada)
    - 50% G.T.A. Dnata World Cargo Limited (Canada)
  - 100% Dnata Switzerland AG
    - 30% GVAssistance SA (Switzerland)
  - 70% RM Servicos Auxilliares de Transporte Aereo S/A (Brazil)
  - 30% Airport Handling SpA (Italy)
- 100% dnata, Inc. (Philippines)
  - 100% dnata Clark Inc. (Philippines)
- 100% Dnata International Airport Services Pte Ltd (Singapore)
  - 100% CIAS International Pte Ltd (Singapore)
    - 100% dnata Singapore Pte Ltd (Singapore)*
      - 20% Guangzhou Baiyun International Airport Ground Handling Services Co. Ltd (P. R. China)
        - 75% Guangzhou Baiyun International Airport Facilities Management & Operation Corp Ltd (P. R. China)
        - 70% Guangzhou Baiyun International Airport Cleaning Services Corp Ltd (P. R. China)
- 95% Air Dispatch (CLC) s.r.o. (Czech Republic)
  - 100% Air Dispatch (CLC) Spolka z.o.o. (Poland)
- 80% Dnata Airport Services Kurdistan (Cayman Islands)
  - 100% Dnata for Airport Services Ltd (Kurdistan, Iraq)
- 50% Gerry's Dnata (Private) Ltd (Pakistan)

Catering

dnata

- 100% Dnata Catering Services Limited (UK)
  - 100% Alpha Flight Group Ltd (UK)
    - 100% Alpha Flight Services Pty Ltd (Australia)
      - 100% Alpha ATS Pty Ltd (Australia)
    - 100% Alpha Flight US Inc.
      - 100% Alpha In-flight US LLC
    - 100% Dnata Catering Canada Limited (Canada)
    - 100% dnata Catering Ireland Ltd (Ireland)
    - 100% dnata srl (Italy)
    - 80% Alpha Flight a.s. (Czech Republic)
    - 64.2% dnata Catering srl (Romania)
    - 50% Alpha LSG Ltd (UK)
      - 100% Alpha Flight UK Ltd
    - 49% Alpha Flight Services UAE LLC
    - 35.9% Jordan Flight Catering Company Ltd
    - 28.7% Silver Wings OOD (Bulgaria)
      - 99.2% Consortium Alpha DZZD (Bulgaria)
  - 100% En Route International Ltd (UK)
    - 100% En Route International Australia Pty Ltd
    - 100% En Route International General Trading LLC (UAE)
    - 100% En Route International Japan Ltd
    - 100% En Route International Limited (Hong Kong)
    - 100% En Route International South Africa (Pty) Ltd
    - 100% En Route International USA, Inc.
  - 50% Mountainfield Investments (Pty) Ltd (South Africa)
    - 100% dnata Newrest (Pty) Ltd (South Africa)

Note: Percentages indicate beneficial interest in the company, legal shareholdings may be different.
The country of incorporation is same as country of principal operations.
* Also provides catering services

Group companies of dnata

Travel services

dnata / dnata World Travel

- 100% Cleopatra International Travel WLL (Bahrain)
- 100% dnata International Private Ltd (India)
  - 100% dnata Marketing Services Pvt Ltd (India)
- 100% dnata Travel and Tourism WLL (Bahrain)
- 100% dnata Travel Holdings UK Limited
  - 100% Gold Medal International Limited (UK)
    - 100% Airline Network plc (UK)
    - 100% Gold Medal Travel Group plc (UK)
      - 100% Gold Medal Transport Ltd (UK)
  - 100% Stella Global UK Limited
    - 100% The Global Travel Group Limited (UK)
      - 100% Personalised Travel Services Limited (UK)
      - 100% Sunmaster Limited (UK)
    - 100% Stella Travel Services (UK) Limited
      - 100% Travel 2 Limited (UK)
      - 100% Travelbag Limited (UK)
- 100% dnata Travel Inc. (Philippines)
- 100% Dnata Travel (UK) Limited
- 100% dnata World Travel Limited (UK)
  - 100% Travel Technology Investments Limited (UK)
    - 100% Travel Republic Holdings Limited (UK)
      - 100% Travel Republic Limited (UK)
- 100% Maritime and Mercantile International Travel LLC (UAE)
  - 76.9% Oman United Agencies Travel LLC
    - 100% Sama Travel & Services International LLC (Oman)
    - 50% Moon Travel LLC (Oman)
- 100% Najm Travel LLC (UAE)*
- 100% Travel Partners LLC (UAE)
  - 100% Travel Partners Iberian, Sociedad Limitada (Spain)
  - 100% Travel Partners (London) Limited (UK)
- 75% Super Bus Tourism LLC (UAE)
- 70% dnata Travel Company Limited (Saudi Arabia)
- 50% G Travel International LLC (UAE)
- 51% Imagine Enterprises Limited (UK)
  - 100% Holiday Planet PTY Ltd (Australia)
  - 100% Imagine Cruising Limited (UK)
    - 100% Imagine Transport Limited (UK)
  - 100% Imagine Cruising Pty Ltd (Australia)
  - 100% Imagine Cruising (Pty) Ltd (South Africa)
- 50% Al Tawfeeq Travel (Dnata Travel) WLL (Qatar)
- 50% Dunya Travel LLC (UAE)
  - 100% Dunya Air Services LLC (UAE)
- 50% Najm Travels LLC (Afghanistan)
- 50% Travel Counsellors LLC (UAE)
- 22% Hogg Robinson Group Plc (UK)
- 100% dnata Aviation Services Holdings Limited
  - 100% Destination Asia (Singapore) Pte Limited
  - 45% PT Destinasi Asia Indonesia
  - 29% Destination Asia Destination Management Sdn Bhd (Malaysia)
  - 25% Destination Asia Ltd (Hong Kong)
  - 25% Destination Group Asia (Hong Kong) Limited
  - 25% PT Destination Asia (Indonesia)
  - 25% DMC Management Asia Services Limited (Hong Kong)
  - 25% Destination Asia (Thailand) Limited
  - 25% Destination Asia (Vietnam) Limited
  - 25% Huan Ya Feng Jing International Company Limited (China)
  - 25% DMC Asia Management Services Limited (Hong Kong)
  - 25% Destination Asia Japan Limited

Freight forwarding services

dnata

- 50% Dnata-PWC Airport Logistics LLC (UAE)
- 50% Dubai Express LLC (UAE)
- 50% Freightworks Logistics LLC (UAE)
- 25.5% Bolloré Logistics LLC (UAE)

Others

dnata

- 100% Plafond Fit Out LLC (UAE)
- 100% Transecure LLC (UAE)
- 50% Transguard Group LLC (UAE)
  - 100% CASS International General Trading LLC (UAE)
  - 50% Transguard Cash LLC (UAE)
  - 100% Transguard Group International LLC (UAE)
    - 100% Transguard Group Cash KSA LLC (UAE)
    - 51% Transguard Group International LLC (Oman)
- 9.1% Canary Topco Ltd (UK)

Note: Percentages indicate beneficial interest in the company, legal shareholdings may be different.
The country of incorporation is same as country of principal operations.
*Country of principal operations is Iraq.

Glossary

A

Acquisitions – The sum of purchase consideration for acquisition of subsidiaries and investments made in associates and joint ventures.

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

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

B

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

C

Capacity – see ATKM

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

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

Cash assets – The sum of short term bank deposits and cash and cash equivalents.

D

Dividend payout ratio – Dividend accruing to the Owner divided by profit attributable to the Owner.

E

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

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

Equity ratio – Total equity divided by total assets.

F

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

Free cash flow – Cash generated from operating activities less cash used in investing actvities adjusted for the movement in short term bank deposits.

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

FTKM - Cargo tonnage uplifted multiplied by the distance carried.

N

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

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

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

O

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

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

Overall load factor – RTKM divided by ATKM.

P

Passenger seat factor – RPKM divided by ASKM.

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

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

R

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

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

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

S

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

T

Total revenue – Sum of revenue and other operating income.

Total transaction value – The sum of gross revenue from agency and package sales, net of government taxes.

Traffic – see RTKM

Transport revenue – The sum of passenger, cargo and excess baggage revenue.

U

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

Y

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

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