Roadmap to the Financial Statements of Qatar Airways and Etihad Airways

The primary source of the information on the subsidies that Qatar and Etihad have received from their government owners in the White Paper issued by the Partnership for Open & Fair Skies is the airlines' own financial statements, which neither airline releases to the public. A study by the international trade and economics consulting firm Capital Trade Incorporated evaluated the financial statements and other relevant information using standard World Trade Organization (WTO) and U.S. Commerce Department subsidy definitions and methodologies. Their subsidy analyses are set out in a report that is attached to the White Paper (as Exhibit 2).

Under WTO and Commerce Department rules, a subsidy is defined as a "financial contribution" that confers a "benefit" on the recipient (*i.e.*, that the financial contribution is on better than commercial terms). Some examples of the types of financial contributions that constitute subsidies if provided on better than commercial terms include:

- Direct transfers of funds (*e.g.*, grants, loans, equity infusions)
- Potential direct transfers of funds (*e.g.*, loan guarantees)
- The foregoing or non-collection of government revenue that is otherwise due (*e.g.*, tax credits)
- The provision of goods or services (*e.g.*, land)

The subsidies that Qatar and Etihad have received fall into several of these categories.

Qatar Airways

- $8.4 billion in subsidies from government "loans" and "shareholder advances" with no repayment obligation.
    - The "loans" from the Government of Qatar were direct transfers of funds. In the case of a government-provided loan, a "benefit" exists to the extent that the amount a firm pays on the loan is less than the amount it would pay on a comparable commercial loan that the firm could have actually obtained on the market at the time the loan was made. In determining the comparable "commercial" interest rate, the Commerce Department takes into account whether the firm is "creditworthy." As the Capital Trade Report explains, Qatar was not. If a loan is forgiven, the subsidy is equal to the face value of the forgiven loan, plus the interest that would have accrued if the loan had been on commercial terms. *See* Capital Trade Report at 46-55.
    - The shareholder advances are also direct transfers of funds. They confer a "benefit" because they are on better than commercial terms (*e.g.*, interest-free, no specific repayment terms, repayment at the option of the company). *See* Capital Trade Report at 52-55.

- The principal amounts of these "loans" and "shareholder advances," as well as their terms, were taken directly from the financial statements (converted to dollars).

- $6.8 billion in subsidies from government loan guarantees.

  - The loan guarantees from the Government of Qatar are financial contributions because they are potential direct transfers of funds. The benefit from a loan guarantee is the difference between the amount the firm pays for the guaranteed loan and the amount it would pay for a comparable commercial loan it could actually obtain on the market at that time, absent the government-provided guarantee. In determining the comparable "commercial" interest rate, the Commerce Department takes into account whether the firm is "creditworthy." Qatar was not. *See* Capital Trade Report at 56-61.

  - The total principal amounts of the loans, and the annual interest payments, were taken directly from the annual financial statements (converted to dollars). Government of Qatar bond offering documents and the financial statements make clear the loans were guaranteed.

- $452 million in subsidies from free land.

  - Free land is a financial contribution because it is the government provision of a good. The "benefit" is the difference between the amount charged for the land (zero) and its commercial value. *See* Capital Trade Report at 61-63.

  - The total value of the land was taken directly from the financial statements (converted to dollars).

- $616 million in subsidies from airport fee exemptions and rebates.

  - Fee exemptions are financial contributions because they are government revenue otherwise due that is foregone or not collected. The "benefit" is the amount of foregone revenue. Rebates are financial contributions because they are direct transfers of funds; the "benefit" is the amount of the money rebated. *See* Capital Trade Report at 63-65.

  - The source of the information for the fee exemptions is IATA. The total value of the rebates is taken directly from the financial statements (converted to dollars).

- $215 million in subsidies from the assignment of airport revenues.

  - The airport revenues are financial contributions because they are direct transfers of funds. The "benefit" is the face value of the revenues. *See* Capital Trade Report at 65-68.

  - The total value of the assigned airport revenues is taken directly from the financial statements (converted to dollars).

- $22 million in subsidies from government grants.

- Grants are financial contributions because they are direct transfers of funds. The "benefit" is the face value of the grant. *See* Capital Trade Report at 55-56.

- The value of the grants was taken directly from the financial statements (converted to dollars).

Etihad Airways

- $6.6 billion in government "loans" with no repayment obligation.

  - See above regarding the treatment of Qatar's interest-free loans. See also Capital Trade Report at 25-33.

  - The principal amounts of the shareholder "loans", as well as their terms, were taken directly from the financial statements.

- $6.3 billion in government capital injections.

  - Capital injections or "equity infusions" are direct transfers of funds. They are subsidies if the government's decision to make the investment is inconsistent with the usual investment practice of private investors in the country at the time the equity infusion is made. In cases where the government is the sole shareholder, the Commerce Department considers whether the firm is "equityworthy" (*i.e.*, whether, from the perspective of a reasonable private investor examining the firm at the time the infusion was made, the firm showed an ability to generate a reasonable rate of return within a reasonable period of time). If the firm is not equityworthy – as was the case with Etihad – the subsidy is the face value of the equity infusion. *See* Capital Trade Report at 13-25.

  - The amounts of the equity injections were taken directly from the financial statements.

- $751 million in government grants.

  - Grants are direct transfers of funds. The "benefit" is the face value of the grant. *See* Capital Trade Report at 34-37.

  - $111 million in grants is taken directly from the financial statements. The remaining $640 million is a reported figure for costs assumed by the government, according to an internal study commissioned by Etihad. *See id.*

- $501 million in airport fee exemptions.

  - Fee exemptions are financial contributions because they are government revenue otherwise due that is foregone or not collected. The "benefit" is the amount of foregone revenue. *See* Capital Trade Report at 37-38.

- The source of the information for the fee exemptions is IATA.

- $3.5 billion in additional undisclosed government funding in 2014.

  - The $3.5 billion is a direct transfer of funds, and the benefit, and thus the amount of the subsidy, is the face amount of the funding. *See* Capital Trade Report at 13-25.

  - The amount of this additional shareholder funding was taken directly from the financial statements.

Emirates Airline

The sources of the information used to quantify the subsidies to Emirates in the White Paper are publicly available documents. *See* White Paper at 27-36. In addition, the White Paper cites Emirates' financial statements for fiscal years 1995-96 and 1996-97, which were not publicly available prior to March 17, 2015. *See* White Paper at 35-36. However, the White Paper did not quantify the subsidies that Emirates receives through purchases of goods and services from related parties at below-market prices (Emirates purchased over $2 billion in goods and services from such parties in FY 2013-2014, and over $11 billion over the past ten years), because Emirates and its related parties do not disclose the necessary information.

Qatar Airways Documents

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Deloitte & Touche

QATAR AIRWAYS COMPANY W.L.L.
DOHA -- QATAR

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1995
AND THE PERIOD FROM NOVEMBER 23, 1993
TO DECEMBER 31, 1994
TOGETHER WITH AUDITORS' REPORT

PRESENTED BY:-

ERNST & YOUNG
ROLLS HOUSE
7 ROLLS BUILDINGS
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LONDON EC4A 1NH

REFERENCE: ES/CFC.

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Deloitte & Touche

QATAR AIRWAYS COMPANY W.L.L.
DOHA -- QATAR
DECEMBER 31, 1995 AND 1994

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Deloitte & Touche

Public Accountants
Gemco Building
Sheikh Sahim Street
P.O.Box 431
Doha-Qatar

Telephone 422188
Facsimile 422131

QR 9279.

AUDITORS' REPORT

To The Partners
Qatar Airways Company W.L.L.
Doha - Qatar.

We have audited the accompanying balance sheet of Qatar Airways Company W.L.L., Doha - Qatar, as of December 31, 1995 and 1994 and the related statements of income and cash flows for year ended December 31, 1995 and for the period from November 23, 1993 to December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have obtained all the information and explanations which we considered necessary for the purpose of our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Notes (2f) to the Financial Statements, the Company's policy is to defer all costs and expenses including general and administrative expenses relating to the introduction of new routes and new aircrafts. Out of the total amount deferred for the year 1995, as shown in Note (4) to the financial statements, the portion relating to the introduction of new aircraft was estimated by management.

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In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the deferred portion relating to the introduction of the new aircraft, the financial statements referred to above present fairly, in all material respects, the financial position of Qatar Airways Company W.L.L., as of December 31, 1995 and 1994 and the results of its operations and its cash flows for the year ended December 31, 1995 and for the period from November 23, 1993 to December 31, 1994, in accordance with International Accounting Standards.

The financial statements provide the information required by law and the Company's By Laws. We are also of the opinion that proper books of accounts were maintained by the Company and that the stock count performed was in accordance with the recognised procedures.

To the best of our knowledge and belief and according to the information given to us, no contraventions of the law or the Company's By Laws were committed during year ended December 31, 1995 and for the period from November 23, 1993 to December 31, 1994 which materially affect the company's activities or its financial position.

Deloitte & Touche

By Samer Jaghoub
Auditors' Registration No.88

Doha -- Qatar
June 16, 1996

QATAR AIRWAYS COMPANY W.L.L.
DOHA -- QATAR

BALANCE SHEET

ASSETS	December 31, 1995	December 31, 1994
	QR.	QR.
Current Assets:		
Cash on hand and at banks	3,764,737	3,666,640
Post dated cheques receivable	245,000	7,845,000
Accounts receivable	27,464,152	18,008,327
Spare parts, materials and supplies (Note 3)	24,559,496	1,444,754
Prepayments and other debit balances	8,972,579	3,982,789
Due from related party	--	3,321,005
Total Current Assets	65,005,964	38,268,515
Investment	2,500,000	--
Fixed assets, Net (Note 6)	87,494,291	5,547,219
Development expenses, Net (Note 4)	36,138,424	16,367,020
Deferred and pre-operating expenses, Net (Note 5)	5,916,734	7,648,460
TOTAL ASSETS	197,055,413	67,831,214

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS

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QATAR AIRWAYS COMPANY W.L.L.
DOHA -- QATAR

BALANCE SHEET

LIABILITIES AND PARTNERS' EQUITY	December 31, 1995	1994
	QR.	QR.
Current Liabilities:		
Due to banks	16,973,229	9,851,301
Current portion of post dated cheques payable (Note 8)	2,085,478	2,146,102
Current portion of long-term loans (Note 9)	3,133,810	--
Current portion of finance lease (Note 10)	2,576,670	434,961
Accounts payable	36,337,457	17,470,470
Accrued expenses, provisions and other credit balances (Note 7)	7,356,741	4,269,770
Unearned revenue	5,211,576	7,971,892
Total Current Liabilities	**73,674,961**	**42,144,496**
Long - Term Liabilities:		
Post dated cheques payable (Note 8)	880,962	481,247
Long-term loans (Note 9)	58,545,683	--
Long-term obligations under finance lease (Note 10)	11,601,218	145,848
Total Long-Term Liabilities	**71,027,863**	**627,095**
Total Liabilities	**144,702,824**	**42,771,591**
Partners' Equity:		
Share capital (Note 11)	35,950,000	25,000,000
Retained (losses)/earnings	(1,608,540)	53,661
Legal reserve (Note 12)	5,962	5,962
Partners current account	18,005,167	--
Total Partners' Equity	**52,352,589**	**25,059,623**
TOTAL LIABILITIES AND PARTNERS' EQUITY	**197,055,413**	**67,831,214**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS

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QATAR AIRWAYS COMPANY W.L.L.
DOHA - QATAR

STATEMENT OF INCOME AND RETAINED EARNINGS

	For the Year Ended December 31, 1995	For the Period from November 23, 1993 to December 31, 1994
	QR.	QR.
Operating Revenue:		
Scheduled Services:		
Passengers	122,972,575	62,234,243
Cargo	7,171,458	3,125,415
Excess baggage	5,235,756	2,664,552
Total scheduled services	135,379,789	68,024,210
Chartered flights	392,110	980,000
Other income (Note 13)	1,425,033	4,935,071
Total Revenue	137,196,932	73,939,281
Operating, General and Administrative Expenses		
Flying operations	30,309,374	15,097,266
Insurance and maintenance	10,540,462	10,492,720
Aircraft rental expenses	7,973,697	13,420,312
Station and ground services	12,198,794	5,851,479
Passenger services	9,342,258	6,410,848
Sales commissions, advertisement and promotion	17,705,801	6,809,509
Salaries, allowances and other benefits and management fees	25,572,575	10,762,229
Depreciation and amortization	11,022,546	2,394,387
General and administrative expenses (Note 14)	9,746,926	2,418,134
Total Operating, General and Administrative Expenses	134,412,433	73,656,884
Net Operating Income:	2,784,499	282,397
Loss on exchange	(1,079,766)	(222,774)
Interest and bank charges	(3,366,934)	--
Net (Loss)/Income	(1,662,201)	59,623
Transfer to legal reserve (Note 12)	--	(5,962)
Retained Earnings - Beginning of the Year	53,661	--
Retained (Losses)/Earnings - End of the Year/Period	(1,608,540)	53,661

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS

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QATAR AIRWAYS COMPANY W.L.L.
DOHA -- QATAR

STATEMENT OF CASH FLOWS

	For the Year Ended December 31, 1995	For the Period from November 23, 1993 to December 31, 1994
	QR.	QR.
Cash Flows from Operating Activities:		
Net (Loss)/Income	(1,662,201)	59,623
Adjustments for:		
Depreciation and amortization	11,988,844	2,394,387
Cash flows from Operating Activities before Changes in Working Capital	10,326,643	2,454,010
Post dated cheques receivable	7,600,000	(7,845,000)
Accounts receivable	(9,455,825)	(18,008,327)
Spare parts, materials and supplies	(23,114,742)	(1,444,754)
Prepayments and other debit balances	(4,989,790)	(3,982,789)
Due from related party	3,321,005	(3,321,005)
Post dated cheques payable	(60,624)	2,146,102
Accounts payable	18,866,987	17,470,470
Accrued expenses, provisions and other credit balances	3,086,971	4,269,770
Unearned revenue	(2,760,316)	7,971,892
Net Cash from (Used in) Operating Activities	2,820,309	(289,631)
Cash Flows from Investing Activities:		
Acquisition of fixed assets	(86,589,273)	(6,057,907)
Proceeds from disposal of fixed assets	393,776	--
Development expenses	(25,780,097)	(17,240,544)
Deferred and pre-operating expenses	--	(8,658,635)
Acquisition of investment	(2,500,000)	--
Net Cash Used in Investing Activities	(114,475,594)	(31,957,086)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS

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QATAR AIRWAYS COMPANY W.L.L.
DOHA -- QATAR

STATEMENT OF CASH FLOWS

	For the Year Ended December 31, 1995	For the Period from November 23, 1993 to December 31, 1994
	QR.	QR.
Cash Flows from Financing Activities:		
Share capital	10,950,000	25,000,000
Due to banks	7,121,928	9,851,301
Post dated cheques payable	399,715	481,247
Proceeds from long-term loans	61,679,493	--
Finance lease	13,597,079	580,809
Partners' current account	18,005,167	--
Net Cash from Financing Activities	111,753,382	35,913,357
Net increase in cash	98,097	3,666,640
Cash on Hand and at Banks- Beginning of the Year/Period	3,666,640	--
Cash on Hand and at Banks- End of the Year/Period	3,764,737	3,666,640

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE STATEMENTS

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QATAR AIRWAYS COMPANY W.L.L.
DOHA - QATAR

NOTES TO FINANCIAL STATEMENTS

1. Status and Activities:

Qatar Airways Company W.L.L., was established on November 23, 1993 under Commercial Registration No.160700 with paid up capital of QR.25,000,000 and commenced operations during January 1994. Following the Board of Directors resolution dated December 31, 1995, the company increased its capital by QR.10,950,000 to QR.35,950,000.

The main activities of the company is to provide air transportation services.

2. Summary of significant accounting policies:

The Company follows International Accounting Standards and below are the significant accounting policies used in the preparation of the accompanying financial statements.

(a) **Fixed Assets:**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed following the straight line method over the estimated economic useful lives of the related fixed assets, after making allowance for residual values.

Aircrafts held under finance lease are included under fixed assets, and the corresponding liabilities to the lessor, net of interest charges, are included as obligations under finance leases.

Fleet:

Expenses incurred on certain aircrafts prior to the first commercial flight are capitalised.

The current estimates of residual value and economic lives of the fleet are as follows:

Aircraft Type	Estimated Residual Value	Estimated Economic Life
Boeing 747	40%	7 years
Boeing 727	20%	7 years

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(b) **Foreign Currencies:**

Transactions in foreign currencies are recorded in Qatari Riyals at the rates of exchange ruling at the date of each transaction, except for revenue related transactions which are recorded as per the IATA published average exchange rates for the previous month. Upon settlement of the foreign currency obligations, the resulting difference on exchange are charged or credited to the statement of income. Assets and liabilities denominated in foreign currencies at year end are translated to Qatari Riyals at the rates of exchange prevailing at the end of the year and the resultant gains or losses are included in the statement of income.

(c) **Spare Parts, Materials and Supplies:**

Spare parts, materials and supplies are stated at cost.

(d) **Revenue Recognition:**

Passenger and cargo sales are recognized as revenue when services are provided. Management periodically reviews the unearned revenue account to determine the value of the sold tickets that were not used and have expired, to allocate the value of such tickets to earned revenue.

(e) **Commissions:**

Commission is expensed at the time transportation is provided. Commissions paid to agents for unprovided services are shown under prepayments.

(f) **Development Expenses:**

Development expenses represent operating expenses incurred during the first two months of operations on any new routes and new aircrafts. These expenses are amortized over a period of five years, during which the benefit of such costs is expected to accrue.

(h) **Deferred and Pre-operating Expenses:**

The company has adopted a policy of deferring certain expenses incurred during the initial period of operation. These expenses are amortized over a period of five years effective June 1, 1994.

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[i] Maintenance and Overhauls:

Maintenance and repairs are charged to operating expenses as incurred. Major maintenance and overhaul costs are capitalised and amortised over the estimated number of years until the next overhaul of each aircraft is due.

[j] Management Fees:

Management fees for the year is computed at 1% of local sales and 2% of foreign sales, pursuant to an agreement approved by the Board of Directors on January 15, 1994.

3. Spare Parts, Materials and Supplies:

	December 31, 1995	December 31, 1994
	QR.	QR.
Spare parts - Rotables	11,906,086	--
Spare parts - Others	10,943,966	--
Catering materials	1,335,056	801,302
Other supplies	374,388	643,452
Total	24,559,496	1,444,754

4. Development Expenses, Net:

	December 31, 1995	December 31, 1994
	QR.	QR.
Balance - Beginning of the year/period	16,367,020	--
Additions	25,780,097	17,240,544
Less - amortization	(6,008,693)	(873,524)
Balance - December 31,	36,138,424	16,367,020

5. Deferred and Pre-Operating Expenses, Net:

	December 31, 1995	December 31, 1994
	QR.	QR.
Deferred and pre-operating expenses	8,658,635	8,658,635
Less - amortization	(2,741,901)	(1,010,175)
Net	5,916,734	7,648,460

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6. Fixed Assets, Net:

	Aircraft and Related Equipment	Other Equipment	Furniture Fixture and Fittings	Vehicles	Total
	QR.	QR.	QR.	QR.	QR.
Cost:					
January 1, 1995	--	3,192,139	2,131,305	734,463	6,057,907
Acquisitions during the year	83,427,403	2,209,530	711,340	241,000	86,589,273
Disposals	--	(365,636)	(35,955)	--	(401,591)
December 31, 1995	83,427,403	5,036,033	2,806,690	975,463	92,245,589
Accumulated Depreciation:					
January 1, 1995	--	249,278	191,453	69,957	510,688
Charge for the year	3,049,862	664,808	364,146	169,609	4,248,425
Disposals	--	(7,299)	(516)	--	(7,815)
December 31, 1995	3,049,862	906,787	555,083	239,566	4,751,298
Net Book Value:					
December 31, 1995	80,377,541	4,129,246	2,251,607	735,897	87,494,291
December 31, 1994	--	2,942,861	1,939,852	664,506	5,547,219
Rates of Depreciation	15%	15%	15%	20%	

[a] As explained in note 2 (a) to the accompanying financial statements, capital expenditures incurred on certain aircrafts prior to the first commercial flight, in the amount of QR.8,805,007 have been capitalised and included in aircrafts costs.

[b] All vehicles were acquired under finance lease and are registered in the name of the lessor.

7. Accrued Expenses, Provisions and Other Credit Balances:

	December 31, 1995	1994
	QR.	QR.
Accrued expenses	3,065,804	1,119,436
Accrued aircraft rent and maintenance	--	1,641,281
Provision for leave pay	1,452,291	712,357
Provision for gratuity	1,555,749	556,220
Accrued commission	943,799	73,512
Others	339,098	166,964
Total	7,356,741	4,269,770

8. Post Dated Cheques Payable:

	December 31, 1995	1994
	QR.	QR.
Total post dated cheques payable	2,966,440	2,627,349
less - cheques due within one year	(2,085,478)	(2,146,102)
Cheques due over one year	880,962	481,247

9. Long-Term Loans:

Lender	Interest Rate	Last Instalment	December 31, 1995	1994
			QR.	QR.
Commercial Bank of Qatar	12%	1998	4,123,925	--
ANZ Grindlays Bank	QCB discount rate + 4%	1998	3,480,552	--
Qatar National Bank (Note a)	--	--	54,075,016	--
			61,679,493	--
Current portion of long-term loans			3,133,810	--
Long-term portion			58,545,683	--

(a) The company is in the process of finalising the loan agreement with Qatar National Bank. As such, the current portion of the long-term loans does not include any repayment to Qatar National Bank.

The loans from Commercial Bank of Qatar and ANZ Grindlays Bank are guaranteed by one of the partners. Loans from Qatar National Bank are secured by a first degree mortgage over the two Boeing 727 and two Boeing 747 aircrafts, for which the finance has been provided.

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10. Finance Lease:

Obligations Under Finance Lease	December 31, 1995	1994
	QR.	QR.
Present value of minimum lease payments	14,177,888	580,809
Current portion of finance lease	2,576,670	434 961
Long-term obligations	11,601,218	145,848

The company acquired one of the Boeing 727 aircrafts in 1995 under a finance lease agreement.

11. Share Capital:

The share capital is made up of 35,950 fully paid shares at par value of QR.1,000 each.

	Shares	Total Value QR.
December 31, 1994	25,000	25,000,000
Additional shares issued during the year	10,950	10,950,000
December 31, 1995	35,950	35,950,000

12. Legal Reserve:

The Trading Companies Law No.11 of 1981 stipulates that 10% of the net income should be transferred annually to the legal reserve until the said reserve equals to 50% of capital.

13. Other Income:

Other income includes the following:

	For the Year Ended December 31, 1995	For the Period from November 23, 1993 to December 31, 1994
	QR.	QR.
Agency fees	--	4,197,500
Commissions earned	836,508	204,650
Others	588,525	532,921
Total	1,425,033	4,935,071

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14. General and Administrative Expenses:

General and administrative expenses include the following:

	For the Year Ended December 31, 1995	For the Period from November 23, 1993 to December 31, 1994
	QR.	QR.
Travel and transport expenses	1,871,024	313,463
Communication and stationery expenses	1,930,009	482,233
Rent	4,027,474	1,007,559
Others	1,918,419	614,879
Total	9,746,926	2,418,134

15. Commitment and Contingent Liabilities:

	December 31, 1995	1994
	QR.	QR.
Letters of credit	967,023	3,439,920
Letters of guarantee	4,306,298	6,426,418
Post-dated cheques discounted	3,600,000	--
Total	8,873,321	9,866,338

In addition, the company is contingently liable for certain disputed invoices from third parties which amounted to approximately QR.5.3 million for which no provision was made.

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QATAR AIRWAYS COMPANY W.L.L.

SUMMARISED FINANCIAL STATEMENTS

31 DECEMBER 1996



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Qatar Airways Company W.L.L. for the year ended 31 December 1996, from which the summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated 1 June 1997 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the company's financial position and the results of its operations for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report therein.

A. Mekhael F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59
Doha, 27 April 1999

QATAR AIRWAYS COMPANY W.L.L.

SUMMARISED BALANCE SHEET

31 December 1996

	Note	1996 QR	1995 QR
ASSETS EMPLOYED			
FIXED ASSETS	4	127,669,257	87,494,291
INVESTMENT		2,500,000	2,500,000
DEFERRED CHARGES		400,000	42,055,158
CURRENT ASSETS			
Inventories		17,801,056	24,559,496
Accounts receivable and prepayments		39,821,744	36,681,731
Bank balances and cash		11,319,539	3,701,952
		68,942,339	64,943,179
CURRENT LIABILITIES			
Accounts payable and accruals		106,251,564	50,353,579
Bank overdrafts		14,097,661	16,910,444
Term loans and borrowings		16,324,289	61,555,101
Partner's current account		-	15,053,150
		136,673,514	143,872,274
NET CURRENT LIABILITIES		(67,731,175)	(78,929,095)
		62,838,082	53,120,354
FUNDS EMPLOYED			
DEFICIENCY OF FUNDS			
Share capital		35,950,000	35,950,000
Accumulated losses		(103,080,658)	(1,602,578)
		(67,130,658)	34,347,422
NON CURRENT LIABILITIES			
Term loans and borrowings		77,958,327	17,217,183
Maintenance reserve		48,512,506	-
Staff end of service benefits		3,497,907	1,555,749
		129,968,740	18,772,932
		62,838,082	53,120,354

Akbar Al Baker (Chief Executive Officer)

Surinder Sarna (General Manager Finance & Administration)

The attached notes 1 to 4 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENTS OF SUMMARISED INCOME AND ACCUMULATED LOSSES

Year Ended 31 December 1996

	1996 QR	1995 QR
SUMMARISED STATEMENT OF INCOME		
REVENUE		
Services	247,140,129	118,512,494
Other income	5,442,946	1,425,033
TOTAL REVENUE	252,583,075	119,937,527
EXPENSES		
Operating expenses	289,448,825	117,103,501
Operating (loss) profit	(36,865,750)	2,834,026
Loss on exchange	(1,001,152)	(1,079,767)
Interest and financing charges	(9,616,764)	(3,416,460)
	(10,617,916)	(4,496,227)
NET LOSS FOR THE YEAR BEFORE EXCEPTIONAL ITEM	(47,483,666)	(1,662,201)
Exceptional items (being correction of prior year under provisions for loss in value of capital spares)	(5,179,947)	-
NET LOSS FOR THE YEAR	(52,663,613)	(1,662,201)
STATEMENT OF ACCUMULATED LOSSES		
(Accumulated losses) Retained earnings at 1 January	(1,608,540)	53,661
Change in accounting policy	(48,814,467)	-
(Accumulated losses) Retained earnings at 1 January	(50,423,007)	53,661
Net loss for the year	(52,663,613)	(1,662,201)
ACCUMULATED LOSSES AT 31 DECEMBER	(103,086,620)	(1,608,540)

The attached notes 1 to 4 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENT OF SUMMARISED CASH FLOWS

Year Ended 31 December 1996

	1996 QR	1995 QR
OPERATING ACTIVITIES		
Net loss for the year before exceptional items	(47,483,666)	(1,662,201)
Exceptional item - prior year operating expenses	(785,453)	-
Adjustments for:		
Depreciation and amortisation	14,719,314	11,988,844
Provisions	35,423,325	4,126,464
Interest and other financing charges	9,616,764	3,416,460
Operating profit before working capital changes	11,490,284	17,869,567
Decrease (increase) in inventories	11,350,226	(23,114,742)
(Increase) in accounts receivables	(3,140,013)	(3,524,610)
(Increase) in other current assets	(8,379,972)	-
Increase in accounts payables	44,357,049	18,133,489
Cash from operations	55,677,574	9,363,704
Interest and financing charges paid	(9,616,764)	(3,416,460)
Staff end of service benefits paid	(339,756)	(174,918)
Net cash from operating activities	45,721,054	5,772,326
INVESTING ACTIVITIES		
Additions and adjustments to property, plant and equipment	(35,247,866)	(86,195,497)
Purchase of an investment	-	(2,500,000)
Deferred charges paid	(500,000)	(25,780,097)
Net cash used in investing activities	(35,747,866)	(114,475,594)
FINANCING ACTIVITIES		
Capital introduced	-	10,950,000
New loans and borrowings	25,598,936	75,676,287
Loans and borrowings repaid	(10,086,604)	-
Funds from a partner	-	15,053,150
Repayment of funds to a partner	(15,053,150)	-
Net cash from financing activities	457,182	101,679,437
INCREASE (DECREASE) IN BANK BALANCES AND CASH	10,430,370	(7,023,831)
Bank balances and cash at 1 January	(13,208,492)	(6,184,661)
BANK BALANCES AND CASH AT 31 DECEMBER	(2,778,122)	(13,208,492)

The attached notes 1 to 4 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

31 December 1996

1 ACTIVITIES

Qatar Airways Company W.L.L. is a limited liability company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activity of the Company is to provide air transportation services.

2 GOING CONCERN

The Company incurred losses in 1996 which created a deficiency of shareholders funds as at 31 December 1996 which exceeds 50% of its share capital.

The provisions of the Qatar Commercial Companies' Law No. 11 of 1981 and the Company's Articles of Association require that in such an event the directors propose to the general assembly, the matter of winding up the company.

The financial statements have been prepared under the going concern concept as:

(a) The general meeting held on 1 June 1997 resolved to continue operations on the basis of continued shareholder support.

(b) On 31 January 1997, the board of directors resolved to increase the share capital by QR 35,950,000.

(c) The State of Qatar has agreed to provide a 10 year interest free loan.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards. The significant accounting policies adopted are as follows:

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Fixed assets

Fixed assets are recorded at cost. Major expenses incurred on the improvement of aircraft prior to the first commercial flight and outstanding maintenance overhauls (refer to Note 3 (d) below) are capitalised.

Aircraft acquired under finance lease are initially stated at the present value of the minimum lease payments and the corresponding liability to the lessor, net of interest charges, is included as an obligation under finance lease.

Interest on loans obtained for the financing of aircraft and related equipment additions is capitalised until the first commercial flight.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

c) Depreciation

Depreciation is provided on all fixed assets, at rates calculated to write off the cost less their estimated residual value on a straight line basis over the estimated economic life of each asset. Expected future cash flows are not discounted to their present values in determining the recoverable amounts of the fixed assets.

d) Aircraft and engine major overhaul costs

The aircraft and engine major overhaul costs are provided on an accruals basis by reference to the estimated future cost of major overhauls and the estimated period to the next major overhaul.

On acquisition of used aircraft, an estimate of the outstanding major overhauls is established in accordance with the Company's accounting policy. The provision is reflected in the capital cost of the aircraft and a corresponding reserve amount is established.

e) Investments

Unquoted investments are carried at cost. Income from such investments is accounted for as and when receivable.

Investments are written down to their estimated net realisable value when this amount is less than the carrying amount, unless the Company has reason to believe it will be able to recover the carrying amount. The loss is recognised as an expense.

f) Deferred charges

Deferred charges are amortised over the expected period of benefit.

g) Inventories

Inventories are valued on a first-in first-out basis and are stated at the lower of cost and net realisable value. Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

h) Accounts receivable

Accounts receivable are generally settled within 90 days of recognition and represent sales on trade credit outstanding at the balance sheet date net of a provision for amounts estimated to be uncollectible.

i) Accounts payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The Company's terms of purchase generally require the amounts to be paid within 90 days from the date of the invoice.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

j) Term loans

The Company's term loans are carried on the balance sheet at the principal amount. Interest is charged as an expense as it accrues. Securities and covenants attached to the loan together with effective interest rates are disclosed in Note 12.

k) Staff end of service benefits

Provision is made for amounts payable under the Qatar Labour Law applicable to employees' accumulated periods of service at the balance sheet date.

l) Revenue recognition

All passenger and cargo billings are recorded as current liabilities in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

m) Commission

Commission expense is deducted from revenue at the time transportation is provided. Commissions paid to agents for unprovided services are shown under prepayments.

n) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

4 FIXED ASSETS

The estimated useful life and residual values of the Company's assets for the calculation of depreciation are as follows:

Aircraft Type	*Estimated Economic Life*
Boeing 747SR	7 years
Boeing 727-200 advanced	7 years
Rotable spare parts and spare engine	7 years
Furniture, vehicles, ground and office equipment	5 years

	Aircraft, spare engine and rotable spare parts QR	*Aircraft under finance lease* QR	*Furniture, vehicles, ground and office equipment* QR	*Capital work in progress* QR	*Total* QR
Cost:					
At 1 January 1996	65,920,451	17,506,952	8,818,186	-	92,245,589
Additions	4,645,062	-	4,882,890	5,283,017	14,810,969
Transfer from inventory	20,466,612	-	-	-	20,466,612
Major overhaul outstanding on acquisition	19,497,865	1,522,045	-	-	21,019,910
At 31 December 1996	110,529,990	19,028,997	13,701,076	5,283,017	148,543,080
Depreciation:					
At 1 January 1996	2,110,333	939,529	1,701,436	-	4,751,298
Prior year adjustment	1,364,306	138,905	-	-	1,503,211
Provided during the year	10,694,382	2,174,742	1,750,190	-	14,619,314
At 31 December 1996	14,169,021	3,253,176	3,451,626	-	20,873,823
Net book value at 31 December 1996	96,360,969	15,775,821	10,249,450	5,283,017	127,669,257

Capital work in progress relates to the construction of a building at Doha International Airport and aircraft modification projects not yet completed.

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QATAR AIRWAYS COMPANY W.L.L.

SUMMARISED FINANCIAL STATEMENTS

31 March 1998

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COMPANIES HOUSE 09/10/99

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Qatar Airways Company W.L.L. for the 15 month period ended 31 March 1998, from which the summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated 8 October 1998 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report therein.

A. Mekhael F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59
Doha, 27 June 1999

QATAR AIRWAYS COMPANY W.L.L.

SUMMARISED BALANCE SHEET
31 March 1998

	Note	31.03.1998 QR'000	31.12.1996 QR'000
ASSETS EMPLOYED			
FIXED ASSETS	5	163,565	127,669
INVESTMENT		2,500	2,500
DEFERRED CHARGES		2,039	400
CURRENT ASSETS			
Inventories		18,270	17,801
Accounts receivable and prepayments		115,172	39,421
Bank balances and cash		21,025	10,053
		154,467	67,275
CURRENT LIABILITIES			
Accounts payable and accruals		228,583	107,205
Bank overdrafts		20,898	12,831
Term loans and borrowings		18,733	15,537
		268,214	135,573
NET CURRENT LIABILITIES		(113,747)	(68,298)
		54,357	62,271
FUNDS EMPLOYED			
DEFICIENCY OF FUNDS			
Share capital		71,900	35,950
Legal reserve		6	6
Accumulated losses		(239,862)	(103,087)
		(167,956)	(67,131)
NON CURRENT LIABILITIES			
Term loans and borrowings		67,709	77,391
Loan from the Government of Qatar		70,000	-
Maintenance reserve		78,549	48,513
Staff end of service benefits		6,055	3,498
		222,313	129,402
		54,357	62,271

Akbar Al Baker (Chief Executive Officer)

Surinder Sarna (General Manager Finance & Administration)

The attached notes 1 to 6 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENTS OF INCOME AND ACCUMULATED LOSSES
15 Month Period Ended 31 March 1998

	15 Month Period Ended 31.03.1998 QR'000	*12 Month Period Ended 31.12.1996 QR'000*
STATEMENT OF INCOME		
REVENUE		
Services	523,888	248,840
Other income	8,351	3,743
TOTAL REVENUE	532,239	252,583
EXPENSES		
Operating expenses	632,755	289,449
Operating (loss) profit	(100,516)	(36,866)
Loss on exchange	(5,214)	(1,001)
Interest and financing charges	(11,649)	(9,617)
	(16,863)	(10,618)
NET LOSS FOR THE PERIOD BEFORE EXCEPTIONAL ITEMS	(117,379)	(47,484)
Exceptional items	(19,396)	(5,180)
NET LOSS FOR THE PERIOD	(136,775)	(52,664)
STATEMENT OF ACCUMULATED LOSSES		
Accumulated losses at 1 January	(103,087)	(1,609)
Change in accounting policies	-	(48,814)
Accumulated losses at 1 January	(103,087)	(50,423)
Net loss for the period	(136,775)	(52,664)
ACCUMULATED LOSSES AT END OF THE PERIOD	(239,862)	(103,087)

The attached notes 1 to 6 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENT OF CASH FLOWS

15 Month Period Ended 31 March 1998

	15 Month Period Ended 31.03.1998 QR'000	*12 Month Period Ended 31.12.1996 QR'000*
OPERATING ACTIVITIES		
Net loss for the year before exceptional items	(117,379)	(47,484)
Exceptional item - prior year operating expenses	(1,706)	(785)
Adjustments for:		
Depreciation and amortisation	26,797	14,719
Profit on disposal of aircraft for sale	(2,527)	-
Provisions	45,045	35,423
Interest and other financing charges	11,649	9,617
Operating (loss) profit before working capital changes	(38,121)	11,490
(Increase) decrease in inventories	(5,027)	11,350
(Increase) in accounts receivables	(75,351)	(3,140)
(Increase) in other current assets	-	(8,380)
Proceeds from sale of aircraft	10,907	-
Increase in accounts payable and unearned revenue	110,144	42,745
Cash from operations	2,552	54,065
Interest and financing charges paid	(11,649)	(9,617)
Staff end of service benefits paid	(1,023)	(340)
Maintenance costs paid	(23,157)	-
Net cash (used in) from operating activities	(33,277)	44,108
INVESTING ACTIVITIES		
Additions and adjustments to property, plant and equipment	(60,856)	(35,248)
Deferred charges paid	(2,425)	(500)
Net cash used in investing activities	(63,281)	(35,748)
FINANCING ACTIVITIES		
Capital introduced	35,950	-
Loan from the Government of Qatar	70,000	-
Term loans drawndown	22,265	25,599
Term loans repaid	(28,752)	(8,476)
Repayment of funds to a partner	-	(15,053)
Net cash from financing activities	99,463	2,070
INCREASE IN BANK BALANCES AND CASH	2,905	10,430
Bank balances and cash at 1 January	(2,778)	(13,208)
BANK BALANCES AND CASH AT 31 MARCH	127	(2,778)

The attached notes 1 to 6 form part of these financial statements.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
31 March 1998

1 ACTIVITIES

Qatar Airways Company W.L.L. is a limited liability company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activity of the Company is to provide air transportation services.

2 CHANGE IN ACCOUNTING REFERENCE DATE

The Company changed its accounting reference date during the current period from 31 December to 31 March. Thus, these financial statements have been prepared for a 15 month period ended 31 March 1998.

3 GOING CONCERN

The Company incurred losses in 1997-98 which created a deficiency of shareholders funds as at 31 March 1998 which exceeds 50% of its share capital.

The provisions of the Qatar Commercial Companies' Law No. 11 of 1981 and the Company's Articles of Association require that in such an event the directors propose to the general assembly, the matter of winding up the Company. At a Board of Directors meeting held on 1 December 1998, the Directors have approved a plan for the refinancing of the Company based on the result of financial support from the shareholders and other initiatives taken in liaison with various Government Ministries.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved to continue operations as required by the Qatar Commercial Companies Law No. 11 of 1981.

(b) The shareholders have approved plans to refinance the Company by way of additional shareholder support and the rescheduling of current indebtedness.

(c) The Directors are currently negotiating additional funding for the Company from other sources.

4 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards. The significant accounting policies adopted are as follows:

a) Accounting convention

The financial statements are prepared under the historical cost convention.

4 SIGNIFICANT ACCOUNTING POLICIES - continued

b) Fixed assets

Fixed assets are recorded at cost. Major expenses incurred on the improvement of aircraft prior to the first commercial flight and outstanding maintenance overhauls (refer to Note 4 (d) below) are capitalised.

Interest on loans obtained for the financing of aircraft and related equipment additions is capitalised until the first commercial flight.

c) Depreciation

Depreciation is provided on all fixed assets, at rates calculated to write off the cost less their estimated residual value on a straight line basis over the estimated economic life of each asset. Expected future cash flows are not discounted to their present values in determining the recoverable amounts of the fixed assets.

d) Aircraft and engine major overhaul costs

The aircraft and engine major overhaul costs are provided on an accruals basis by reference to the estimated future cost of major overhauls and the estimated period to the next major overhaul.

On acquisition of used aircraft, an estimate of the outstanding major overhauls is established in accordance with the Company's accounting policy. The provision is reflected in the capital cost of the aircraft and a corresponding reserve amount is established.

e) Investments

Unquoted investments are carried at cost. Income from such investments is accounted for as and when receivable.

Investments are written down to their estimated net realisable value when this amount is less than the carrying amount, unless the Company has reason to believe it will be able to recover the carrying amount. The loss is recognised as an expense.

f) Deferred charges

Town office costs which have been deferred are being amortised over five years.

Modification costs relate to the expenses incurred on the refurbishment of leased aircraft. These costs are amortised over the period from acquisition to the date of the first option to terminate the lease of the aircraft.

g) Inventories

Inventories are valued on a first-in first-out basis and are stated at the lower of cost and net realisable value. Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

4 SIGNIFICANT ACCOUNTING POLICIES - continued

h) Accounts receivable

Accounts receivable are generally settled within 90 days of recognition and represent sales on trade credit outstanding at the balance sheet date net of a provision for amounts estimated to be uncollectible.

i) Accounts payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The Company's terms of purchase generally require the amounts to be paid within 90 days from the date of the invoice.

j) Term loans

The Company's term loans are carried on the balance sheet at the principal amount. Interest is charged as an expense as it accrues.

k) Staff end of service benefits

Provision is made for amounts payable under the Qatar Labour Law applicable to employees' accumulated periods of service at the balance sheet date.

l) Leases

Assets held under finance leases, which transfer substantially all the risks and rewards of ownership to the Company, are initially recorded at their fair value at the inception of the lease. The equivalent liability, categorised as appropriate, is included under current and non-current liabilities. Assets are depreciated over the lease term or their useful economic life, as appropriate. Finance lease charges are allocated over the periods of the leases to produce constant rates of return to the outstanding balances.

Rentals under operating leases are charged to the income statement on a straight line basis over the lease terms.

m) Revenue recognition

All passenger and cargo billings are recorded as current liabilities in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight line basis over the terms of the lease.

n) Commission

Commission expense is deducted from revenue at the time transportation is provided. Commissions paid to agents for unprovided services are shown under prepayments.

o) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

5 FIXED ASSETS

The estimated useful life and residual values of the Company's assets for the calculation of depreciation are as follows:

Aircraft Type	*Estimated Economic Life*
Boeing 747SR	7 years
Boeing 727-200 advanced	7 years
Rotable spare parts and spare engine	7 years
Technical Building	10 years
Furniture, vehicles, ground and office equipment	5 years

	Aircraft, spare engines and rotable spare parts QR'000	*Aircraft under finance lease QR'000*	*Technical building QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Capital work in progress QR'000*	*Total QR'000*
Cost:						
At 1 January 1997	110,530	19,029	-	13,701	5,283	148,543
Additions	50,447	-	2,101	9,072	-	61,620
Disposal	-	-	-	(765)	-	(765)
Reclassifications	22,220	(19,029)	2,092	-	(5,283)	-
Major overhaul outstanding on acquisition	4,873	-	-	-	-	4,873
At 31 March 1998	188,070	-	4,193	22,008	-	214,271
Depreciation:						
At 1 January 1997	14,168	3,254	-	3,452	-	20,874
Provided during the period	26,717	-	227	3,217	-	30,161
Disposal	-	-	-	(329)	-	(329)
Reclassifications	3,254	(3,254)	-	-	-	-
At 31 March 1998	44,139	-	227	6,340	-	50,706
Net book value at 31 March 1998	143,931	-	3,966	15,668	-	163,565

Capital work in progress at 31 December 1996 related to the construction of a technical building at Doha International Airport and aircraft modification projects in progress.

The technical building is constructed on land owned by the Department of Civil Aviation, Doha.

6 COMPARATIVE FIGURES

The prior year amounts have been reclassified to conform with the presentation in the current period.

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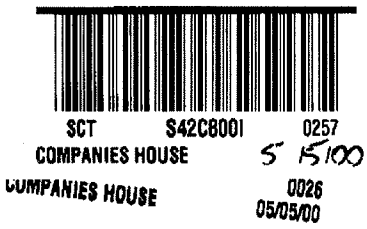
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QATAR AIRWAYS COMPANY W.L.L.

SUMMARISED FINANCIAL STATEMENTS

31 MARCH 1999

BR002965



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Qatar Airways Company W.L.L. for the year ended 31 March 1999, from which the summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated 3 October 1999 we expressed an unqualified opinion on the statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report therein.

A. Mekhael F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59
Doha, 5 April 2000

QATAR AIRWAYS COMPANY W.L.L.

SUMMARISED BALANCE SHEET

31 March 1999

	Note	1999 QR'000	1998 QR'000
ASSETS EMPLOYED			
FIXED ASSETS	4	61,214	163,565
INVESTMENT		2,500	2,500
DEFERRED CHARGES		3,321	2,039
CURRENT ASSETS			
Aircraft for sale		30,988	-
Inventories		26,470	18,270
Accounts receivable and prepayments		174,319	115,172
Bank balances and cash		40,697	21,025
		272,474	154,467
CURRENT LIABILITIES			
Accounts payable and accruals		345,041	228,583
Bank overdrafts		56,016	20,898
Current portion of term loan		57,960	18,733
		459,017	268,214
NET CURRENT LIABILITIES		(186,543)	(113,747)
		(119,508)	54,357
FUNDS EMPLOYED			
DEFICIENCY OF FUNDS			
Share capital		71,900	71,900
Legal reserve		6	6
Accumulated losses		(353,166)	(239,862)
		(281,260)	(167,956)
NON CURRENT LIABILITIES			
Term loans		32,409	67,709
Loan from the Government of Qatar		70,000	70,000
Maintenance reserve		50,678	78,549
Employees' terminal benefits		8,665	6,055
		161,752	222,313
		(119,508)	54,357

Akbar Al Baker (Chief Executive Officer)

Surinder Sarna (General Manager Finance & Administration)

The attached notes 1 to 5 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENTS OF INCOME AND ACCUMULATED LOSSES
Year Ended 31 March 1999

	12 Month Period Ended 31.03.1999 QR'000	*15 Month Period Ended 31.03.1998 QR'000*
STATEMENT OF INCOME		
REVENUE		
Scheduled services	525,967	523,888
Other income	33,987	8,351
TOTAL REVENUE	559,954	532,239
Operating expenses	(650,073)	(632,755)
LOSS FROM OPERATIONS	(90,119))	(100,516)
Finance cost	(17,963)	(11,649)
Loss on exchange	(5,222)	(5,214)
NET LOSS FOR THE YEAR BEFORE EXCEPTIONAL ITEMS	(113,304)	(117,379)
Exceptional items	-	(19,396)
NET LOSS FOR THE YEAR	(113,304)	(136,775)
STATEMENT OF ACCUMULATED LOSSES		
Accumulated losses at 1 April	(239,862)	(103,087)
Net loss for the year	(113,304)	(136,775)
ACCUMULATED LOSSES AT END OF THE YEAR	(353,166)	(239,862)

The attached notes 1 to 5 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENT OF CASH FLOWS

Year Ended 31 March 1999

	12 Month Period Ended 31.03.1999 QR'000	*15 Month Period Ended 31.03.1998 QR'000*
OPERATING ACTIVITIES		
Net loss for the year before extraordinary items	(113,304)	(117,379)
Extraordinary item	-	(1,706)
Adjustments for:		
Depreciation	25,009	26,797
Amortisation	1,045	-
Accelerated depreciation	24,583	-
Profit on disposal of aircraft for sale	(28,208)	(2,527)
Provision for maintenance reserve	52,211	41,465
Provision for staff end of service benefits	4,452	3,580
Interest and other financing charges	17,963	11,649
Operating loss before working capital changes	(16,249)	(38,121)
Increase in inventories	(8,200)	(5,027)
Increase in accounts receivables	(59,147)	(75,351)
Increase in accounts payable and unearned revenue	116,458	110,144
Cash from operations	32,862	(8,355)
Interest and financing charges paid	(17,963)	(11,649)
Staff end of service benefits paid	(1,842)	(1,023)
Maintenance costs paid	(43,413)	(23,157)
Net cash (used in) from operating activities	(30,356)	(44,184)
INVESTING ACTIVITIES		
Additions and adjustments to property, plant and equipment	(38,557)	(60,856)
Proceeds from sale of aircraft	51,867	10,907
Deferred charges paid	(2,327)	(2,425)
Net cash used in investing activities	10,983	(52,374)
FINANCING ACTIVITIES		
Capital introduced	-	35,950
Loan from the Government of Qatar	-	70,000
Term loans drawndown	11,862	22,265
Term loans repaid	(7,935)	(17,442)
Repayment of finance lease	-	(11,310)
Net cash from financing activities	3,927	99,463
(DECREASE) INCREASE IN BANK BALANCES AND CASH	(15,446)	2,905
Bank balances and cash at 1 April	127	(2,778)
BANK BALANCES AND CASH AT 31 MARCH	(15,319)	127

The attached notes 1 to 5 form part of these financial statements.

1 ACTIVITIES

Qatar Airways Company W.L.L. is a limited liability company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activity of the Company is to provide air transportation services.

2 GOING CONCERN

The Company incurred losses in 1998-99 which created a deficiency in shareholders funds as at 31 March 1999 which exceeds 50% of its share capital.

The provisions of the Qatar Commercial Companies' Law No. 11 of 1981 and the Company's Articles of Association require that in such an event the directors propose to the general assembly, the matter of winding up the company. The shareholders have resolved to continue operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved to continue operations as required by the Qatar Commercial Companies Law No. 11 of 1981.

(b) The State of Qatar acquired a 50 per cent shareholding in the company in July 1999.

(c) The shareholders have approved plans to refinance the company by way of additional shareholder support and the rescheduling of current indebtedness.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards and prevailing practices of the airline industry. The significant accounting policies adopted are as follows:

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Property, plant and equipment

Property, plant and equipment are recorded at cost. Major expenses incurred on the improvement of aircraft prior to the first commercial flight and outstanding maintenance overhauls (refer to Note 3 (d) below) are capitalised.

Interest on loans obtained for the financing of aircraft and related equipment additions is capitalised until the first commercial flight.

3 **SIGNIFICANT ACCOUNTING POLICIES** - continued

c) Depreciation

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost less their estimated residual value on a straight line basis over the estimated economic life of each asset. Expected future cash flows are not discounted to their present values in determining the recoverable amounts of the property, plant and equipment.

d) Aircraft and engine major overhaul costs

Aircraft and engine major overhaul costs are provided for on an accruals basis by reference to the estimated future cost of major overhauls and the estimated period to the next major overhaul.

On acquisition of used aircraft, an estimate of the outstanding major overhauls is established in accordance with the company's accounting policy. The provision is reflected in the capital cost of the aircraft and a corresponding reserve amount is established.

e) Investments

Unquoted investments are carried at cost. Income from such investments is accounted for as and when receivable.

Investments are written down to their estimated net realisable value when this amount is less than the carrying amount, unless the company has reason to believe it will be able to recover the carrying amount. The loss is recognised as an expense.

f) Deferred charges

Town office costs which have been deferred are being amortised over five years.

Costs incurred on the refurbishment of leased aircraft are amortised over the period from acquisition to the date of the first option to terminate the lease of the aircraft.

g) Inventories

Inventories are valued on a first-in first-out basis and are stated at the lower of cost and net realisable value. Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

h) Accounts receivable

Accounts receivable are stated net of provisions required for amounts estimated to be uncollectible.

i) Accounts payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

j) Term loans

The company's term loans are carried on the balance sheet at the principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

k) Employees' terminal benefits

The company provides for end of service benefits determined in accordance with the Qatar labour law based on employee's salaries and number of years of service. Applicable benefits are paid to employees on completion of their term of employment with the company. accordingly, the company has no expectation of settling its employees' terminal benefits obligation in the near term.

l) Leases

Rentals under operating leases are charged to the income statement on a straight line basis over the lease terms.

m) Revenue recognition

All passenger and cargo billings are recorded as current liabilities in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight line basis over the terms of the lease.

n) Commission

Commission expenses are deducted from revenue at the time transportation is provided. Commissions paid to agents for unprovided services are shown under prepayments.

o) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

p) Financial instruments

Financial instruments include on and off balance sheet items. On-balance financial instruments comprise (long and short term) investments, receivables, deposits, cash, payables and certain other assets and liabilities.

Fair values of financial instruments are based on quoted prices for marketable instruments, or estimated fair values, using methods such as net present values of future cash flows.

4 FIXED ASSETS

The estimated useful life and residual values of the company's assets for the calculation of depreciation are as follows:

Aircraft Type	*Estimated Residual Value*	*Estimated Economic Life*
Boeing 747SR	40%	7 years
Boeing 727-200 advanced	20%	7 years
Rotable spare parts and spare engine	20% - 40%	7 years
Technical Building	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	5 years

	Aircraft, spare engines and rotable spare parts QR'000	*Technical building QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Total QR'000*
Cost:				
At 1 April 1998	188,069	4,193	22,009	214,271
Additions	34,382	41	4,134	38,557
Disposal	(78,562)	-	(1,636)	(80,198)
Reclassifications	(70,409)	-	-	(70,409)
At 31 March 1999	73,480	4,234	24,507	102,221
Depreciation:				
At 1 April 1998	44,140	227	6,339	50,706
Provided during the period	20,851	421	3,737	25,009
Accelerated depreciation	24,583	-	-	24,583
Disposal	(18,905)	-	(965)	(19,870)
Reclassifications	(39,421)	-	-	(39,421)
At 31 March 1999	31,248	648	9,111	41,007
Net book values:				
At 31 March 1999	42,232	3,586	15,396	61,214
At 31 March 1998	143,931	3,966	15,668	163,565

In the current year the company has provided for accelerated depreciation on certain rotable spares related to the Boeing 727-200 advanced aircraft.

5 COMPARATIVE FIGURES

The prior year amounts have been reclassified to conform with the presentation in the current period.

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QATAR AIRWAYS COMPANY W.L.L.

SUMMARISED FINANCIAL STATEMENTS

31 MARCH 2000

Company Number : FC018591 / BR002965



ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Qatar Airways Company W.L.L. for the year ended 31 March 2000, from which the summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated 23 July 2000 we expressed an unqualified opinion on the statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report therein.

A. Mekhael F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59
Doha, 18 September 2000

QATAR AIRWAYS COMPANY W.L.L.

SUMMARISED BALANCE SHEET

31 March 2000

	Note	2000 QR'000	1999 QR'000
ASSETS EMPLOYED			
FIXED ASSETS	4	99,293	61,214
INVESTMENT		759	2,500
DEFERRED CHARGES		9,709	3,321
CURRENT ASSETS			
Aircraft for sale		31,712	30,988
Inventories		31,175	26,470
Accounts receivable and prepayments		178,982	191,288
Bank balances and cash		13,482	40,697
		255,351	289,443
CURRENT LIABILITIES			
Accounts payable and accruals		327,134	362,010
Bank overdrafts		62,661	56,016
Current portion of term loan		33,550	57,960
		423,345	475,986
NET CURRENT LIABILITIES		(167,994)	(186,543)
		(58,233)	(119,508)
FUNDS EMPLOYED			
DEFICIENCY OF FUNDS			
Share capital		144,000	71,900
Legal reserve		6	6
Accumulated losses		(442,435)	(353,166)
		(298,429)	(281,260)
NON CURRENT LIABILITIES			
Term loans		35,114	32,409
Loan from the Government of Qatar		139,193	70,000
Maintenance reserve		52,997	50,678
Deferred credits		2,348	-
Employees' terminal benefits		10,544	8,665
		240,196	161,752
		(58,233)	(119,508)

Akbar Al Baker (Chief Executive Officer)

Surinder Sarna (General Manager Finance & Administration)

The attached notes 1 to 8 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENT OF INCOME

Year Ended 31 March 2000

	2000 QR'000	*1999 QR'000*
REVENUE		
Scheduled services:		
Passenger	473,383	425,157
Cargo	54,940	50,483
	528,323	475,640
Non-scheduled services	6,233	50,327
TOTAL REVENUE	534,556	525,967
Other operating income	30,757	5,779
Operating expenses	(588,336)	(597,439)
General and administrative expenses	(53,683)	(52,634)
LOSS FROM OPERATIONS	(76,706)	(118,327)
Finance cost	(14,271)	(17,963)
Profit on sale of plant and equipment	4,889	28,208
Loss on exchange	(3,181)	(5,222)
NET LOSS FOR THE YEAR	(89,269)	(113,304)

The attached notes 1 to 8 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENT OF CASH FLOWS

Year Ended 31 March 2000

	2000 QR'000	1999 QR'000
OPERATING ACTIVITIES		
Net loss for the year	(89,269)	(113,304)
Adjustments for:		
Depreciation	22,041	25,009
Amortisation	2,030	1,045
Accelerated depreciation		24,583
Profit on disposal of aircraft for sale	(4,889)	(28,208)
Profit on sale of investment	(8,674)	-
Provision for maintenance reserve	15,529	52,211
Provision for end of service benefits	3,591	4,452
Interest and other financing charges	14,271	17,963
Operating loss before working capital changes	(45,370)	(16,249)
Increase in inventories	(4,705)	(8,200)
Decrease (increase) in accounts receivables	9,504	(59,147)
(Decrease) increase in accounts payable and unearned revenue	(34,876)	116,458
Cash (used in) from operations	(75,447)	32,862
Interest and financing charges paid	(14,271)	(17,963)
Staff end of service benefits paid	(1,712)	(1,842)
Maintenance costs paid	(8,724)	(43,413)
Net cash used in operating activities	(100,154)	(30,356)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(73,702)	(38,557)
Deferred charges paid	(6,070)	(2,327)
Purchases of investment	(759)	
Proceeds from sale of aircraft for sale	16,063	51,867
Proceeds from sale of investment	11,174	-
Net cash (used in) from investing activities	(53,294)	10,983
FINANCING ACTIVITIES		
Capital introduced	72,100	-
Loan from the Government of Qatar	69,193	-
Draw down of term loans	31,134	11,862
Repayment of term loans	(52,839)	(7,935)
Net cash from financing activities	119,588	3,927
DECREASE IN BANK BALANCES AND CASH	(33,860)	(15,446)
Bank balances and cash at 1 April	(15,319)	127
BANK BALANCES AND CASH AT 31 MARCH	(49,179)	(15,319)

The attached notes 1 to 8 form part of these financial statements.

QATAR AIRWAYS COMPANY W.L.L.

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2000

		Share capital *QR'000*	Statutory reserve *QR'000*	Accumulated losses *QR'000*	Total *QR'000*
Balance at 31 March 1998		71,900	6	(239,862)	(167,956)
Net loss for the year		-	-	(113,304)	(113,304)
Balance at 31 March 1999		71,900	6	(353,166)	(281,260)
Capital introduced	(a)	72,100	-	-	72,100
Net loss for the year		-	-	(89,269)	(89,269)
Balance at 31 March 2000		144,000	6	(442,435)	(298,429)

(a) The capital introduced during the year represents the loan granted by the Government of Qatar which was converted into capital for a 50% ownership of the company.

The attached notes 1 to 8 form part of these financial statements.

1 ACTIVITIES

Qatar Airways Company W.L.L. is a limited liability company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activity of the Company is to provide air transportation services.

The Company employed 894 employees as of 31 March 2000 (1999 : 871).

2 GOING CONCERN

The Company incurred losses in 1999-2000 which created a deficiency in shareholders funds as at 31 March 2000, which exceeds 50% of its share capital.

The provisions of the Qatar Commercial Companies' Law No. 11 of 1981 and the Company's Articles of Association require that in such an event the directors propose to the general assembly, the matter of winding up the company. The shareholders have resolved to continue operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved to continue operations as required by the Qatar Commercial Companies Law No. 11 of 1981.

(b) The shareholders have approved plans to refinance the company by way of additional shareholder support and the rescheduling of current indebtedness.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards and prevailing practices of the airline industry.

The significant accounting policies adopted are as follows:

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Property, plant and equipment

Property, plant and equipment is initially recorded at cost. Major expenses incurred on the improvement of aircraft prior to the first commercial flight and outstanding maintenance overhauls (refer to Note 3 (d) below) are capitalised.

Interest on loans obtained for the financing of aircraft and additions of related equipment is capitalised until the first commercial flight.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

c) Depreciation

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost less their estimated residual value on a straight line basis over the estimated economic life of each asset. Expected future cash flows are not discounted to their present values in determining the recoverable amounts of the property, plant and equipment.

d) Aircraft and engine major overhaul costs

Aircraft and engine major overhaul costs are provided for on an accruals basis by reference to the estimated future cost of major overhauls and the estimated period to the next major overhaul.

On acquisition of used aircraft, an estimate of the outstanding major overhauls is established in accordance with the company's accounting policy. The provision is reflected in the capital cost of the aircraft and a corresponding reserve amount is established.

e) Investments

Unquoted investments are carried at cost with provision for any permanent diminution in value where necessary. Income from such investments is accounted for as and when receivable.

f) Deferred charges

Town office costs which have been deferred are being amortised over a period of five years.

Costs incurred on the acquisition and refurbishment of leased aircraft are amortised over the period from the date of acquisition to the date of the first option to terminate the lease of the aircraft.

g) Inventories

Inventories are valued on a first-in first-out basis and are stated at the lower of cost and net realisable value. Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

h) Accounts receivable

Accounts receivable are stated net of provisions required for amounts estimated to be uncollectible.

i) Accounts payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

j) Term loans

The company's term loans are carried on the balance sheet at the principal amount. Interest other than those disclosed in note number 3(b) above is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

3 SIGNIFICANT ACCOUNTING POLICIES - continued

k) Employees' terminal benefits

The company provides for end of service benefits determined in accordance with the company's policy based on employee's salaries and number of years of service. Applicable benefits are paid to employees on completion of their term of employment with the company. Accordingly, the company has no expectation of settling its employees' terminal benefits obligation in the near term.

l) Leases

Rentals under operating leases are charged to the statement of income of on a straight line basis over the lease terms.

m) Revenue recognition

All passenger and cargo billings are recorded in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight line basis over the terms of the lease.

n) Commission

Commission expenses are deducted from revenue when transportation is provided. Commissions paid to agents for unprovided services are shown under unearned revenue.

o) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

p) Financial instruments

Financial instruments represent on-balance sheet items. On-balance financial instruments consist of investments, receivables, deposits, cash, payables and certain other assets and liabilities.

Fair values of financial instruments are based on quoted prices for marketable instruments, or estimated fair values, using methods such as net present values of future cash flows.

q) Deferred credits

The company receives credit from manufactures and lessors in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the aircraft and engines except where the aircraft are held under operating leases in which case the credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease as deferred credits .

4 PROPERTY, PLANT AND EQUIPMENT

The estimated useful life and residual values of the company's assets for the calculation of depreciation are as follows:

Asset Type	*Estimated Residual Value*	*Estimated Economic Life*
Boeing 727-200 advanced aircraft	20%	7 years
Rotable spare parts and spare engine	20% - 40%	7 years
Technical Building	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	5 years

	Aircraft spare engines, and rotable spare parts QR'000	*Technical building QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Total QR'000*
Cost:				
At 1 April 1999	73,480	4,234	24,507	102,221
Additions	66,917	356	6,429	73,702
Disposal	(253)	-	(60)	(313)
Transfer to aircraft for sale	(26,634)	-	-	(26,634)
At 31 March 2000	113,510	4,590	30,876	148,976
Depreciation:				
At 1 April 1999	31,248	648	9,111	41,007
Provided during the year	13,040	446	4,194	17,680
Disposal	-	-	(18)	(18)
Transfer to aircraft for sale	(8,986)	-	-	(8,986)
At 31 March 2000	35,302	1,094	13,287	49,683
Net book values:				
At 31 March 2000	78,208	3,496	17,589	99,293
At 31 March 1999	42,232	3,586	15,396	61,214

5 CONTINGENT LIABILITIES

(i) The court awarded QR 11,613 thousand to the former chief executive officer of the company in a case filed by him against the company claiming QR 27,589 thousand for wrongful dismissal. Both the company and the claimant has appealed against the ruling. The board of directors is of the opinion that this appeal will not give rise to any additional liability which will have a material effect on the financial statements. An amount of QR 11,613 is provided for in the books against any liabilities.

(ii) A previous GSA (General Sales Agent) of the company has filed a lawsuit against the company claiming QR 11,485 thousand for losses and damages suffered as a result of terminating the GSA agreement with them. The company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability. The company has lodged a counter claim for QR 4,820 thousand for the recovery of funds from the GSA.

(iii) Performance bonds, letters of credit and letters of guarantee issued by the company's bankers on behalf of the company amounted to QR 28,003 thousand (1999 : QR 17,144 thousand).

6 COMMITMENTS UNDER AIRCRAFT PURCHASE CONTRACT

The company has entered into a contract for the purchase of six A-320 aircraft with Airbus Industrie. The aircraft are scheduled to be delivered commencing from 2001.

The delivery schedule of the six A320-200 aircraft is as under:

Fourth quarter	2001	2 aircraft
Fourth quarter	2002	2 aircraft
Third quarter	2003	2 aircraft

The purchase of these aircraft is expected to be financed by a consortium of lendors.

The company also has the option to purchase five additional A320-200 aircraft from Airbus which would be delivered as follows:

Fourth quarter	2003	2 aircraft
Third quarter	2004	1 aircraft
Fourth quarter	2004	1 aircraft
Third quarter	2005	1 aircraft

7 POST BALANCE SHEET EVENTS

In accordance with the Memorandum of Understanding signed by the company with the Government of the State of Qatar, the company took over the duty free and airport operations (ground handling and cargo) at the Doha International Airport in May and July 2000 respectively. These operations are handled by two branches incorporated specifically for the above purposes.

8 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current period.

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Qatar Airways Company W.L.L.

SUMMARISED FINANCIAL STATEMENTS

31 MARCH 2001

Company number: FC018591
BR002965



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AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS COMPANY W.L.L.

We have audited the financial statements of Qatar Airways Company W.L.L. for the year ended 31 March 2001, from which the summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated 13 December 2001 we expressed an unqualified opinion on the statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report therein.

T. F. Sexton FCA,CISA
of Ernst & Young
Auditor's Registration No. 114

Date : 26 January 2002
Doha

Qatar Airways Company W.L.L.

SUMMARISED BALANCE SHEET
31 March 2001

	Note	2001 QR'000	2000 QR'000
ASSETS EMPLOYED			
PROPERTY, PLANT AND EQUIPMENT	4	397,392	105,325
INVESTMENTS		759	759
CURRENT ASSETS			
Aircraft for sale		10,465	31,712
Inventories		47,610	31,175
Accounts receivable and prepayments		163,484	176,048
Bank balances and cash		97,843	13,482
		319,402	252,417
CURRENT LIABILITIES			
Accounts payable and accruals		281,867	239,874
Unearned revenue		114,332	86,953
Bank overdrafts		22,226	62,661
Current portion of term loan		94,362	33,550
		512,787	423,038
NET CURRENT LIABILITIES		(193,385)	(170,621)
		204,766	(64,537)
DEFICIENCY OF FUNDS			
Share capital		143,800	143,800
Share premium		200	200
Legal reserve		6	6
Accumulated losses		(485,800)	(448,739)
		(341,794)	(304,733)
NON CURRENT LIABILITIES			
Term loans		247,344	35,114
Loan from the Government of Qatar		270,858	139,193
Maintenance reserve		10,770	52,997
Deferred credits		1,761	2,348
Employees' terminal benefits		15,827	10,544
		546,560	240,196
		204,766	(64,537)

Akbar Al Baker (Chief Executive Officer)

Surinder Sarna (General Manager Finance & Administration)

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Company W.L.L.

STATEMENT OF INCOME

Year Ended 31 March 2001

	2001 QR'000	*2000 QR'000*
REVENUE		
Operating revenue	**858,083**	534,556
Operating expenses	**(874,913)**	(591,422)
GROSS LOSS	**(16,830)**	(56,866)
Other operating income	**53,481**	30,630
General and administrative expenses	**(81,386)**	(53,683)
LOSS FROM OPERATIONS	**(44,735)**	(79,919)
Finance costs	**(12,389)**	(14,271)
Profit on sale of plant and equipment	**2,197**	4,889
Loss on foreign exchange	**(5,987)**	(3,181)
NET LOSS FOR THE YEAR	**(60,914)**	(92,482)

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Company W.L.L.

STATEMENT OF CASH FLOWS

Year Ended 31 March 2001

	2001 QR'000	*2000 QR'000*
OPERATING ACTIVITIES		
Net loss for the year	**(60,914)**	(92,483)
Prior year adjustments	**23,853**	(3,091)
	(37,061)	(95,574)
Adjustments for:		
Depreciation	**25,451**	22,020
Amortisation	**111**	3,321
Profit on disposal of assets	**(2,197)**	(4,889)
Profit on sale of shares	**-**	(8,674)
Net movement in provision for maintenance reserve	**(35,727)**	15,529
Provision for staff end of service benefits	**6,486**	3,592
Deferred charges written off	**(588)**	-
Interest and other financing charges	**12,389**	14,270
Operating loss before working capital changes	**(31,136)**	(50,405)
Increase in inventories	**(16,436)**	(4,705)
Decrease in accounts receivables	**12,564**	9,505
Increase (decrease) in accounts payable and unearned revenue	**69,372**	(34,876)
Cash from (used in) operations	**34,364**	(80,481)
Interest and financing charges paid	**(12,389)**	(14,270)
Staff end of service benefits paid	**(1,203)**	(1,712)
Maintenance costs paid	**-**	(8,724)
Net cash from (used in) operating activities	**20,772**	(105,187)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(315,404)**	(74,739)
Purchases of investment	**-**	(759)
Proceeds from sale of assets	**14,721**	16,063
Proceeds from sale of investment	**-**	11,174
Net cash used in investing activities	**(300,683)**	(48,261)
FINANCING ACTIVITIES		
Capital introduced	**-**	72,100
Loan from the Government of Qatar	**131,665**	69,193
Term loans drawndown/repayment	**273,042**	(21,705)
Net cash from financing activities	**404,707**	119,588
INCREASE (DECREASE) IN BANK BALANCES AND CASH	**124,796**	(33,860)
Bank balances and cash at 1 April	**(49,179)**	(15,319)
BANK BALANCES AND CASH AT 31 MARCH	**75,617**	(49,179)

The attached notes 1 to 10 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2001

		Share capital *QR'000*	Share premium *QR'000*	Statutory reserve *QR'000*	Accumulated losses *QR'000*	Total *QR'000*
Balance at 31 March 1999, as previously reported		71,900	-	6	(353,166)	(281,260)
Changes in accounting policy {See note 7 (i)}		-	-	-	(3,091)	(3,091)
Restated balance		71,900	-	6	(356,257)	(284,351)
Capital introduced	(a)	71,900	200	-	-	72,100
Net loss for the year		-	-	-	(92,482)	(92,482)
Balance at 31 March 2000		143,800	200	6	(448,739)	(304,733)
Change in accounting policy {See Note 7 (ii)}		-	-	-	23,853	23,853
Restated balance		143,800	200	6	(424,886)	(280,880)
Net loss for the year		-	-	-	(60,914)	(60,914)
Balance at 31 March 2001		**143,800**	**200**	**6**	**(485,800)**	**(341,794)**

(a) The capital introduced during the year 1999-2000 represents the loan granted by the Government of Qatar which was converted into capital for a 50% ownership of the company.

The attached notes 1 to 10 form part of these financial statements.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
31 March 2001

1 ACTIVITIES

The financial statements of Qatar Airways Company W.L.L. for the year ended 31 March 2001 were authorised for issue by the directors on 13 December 2001.

Qatar Airways Company W.L.L. is a limited liability company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activity of the Company is to provide air transportation services. The company also has other sundry activities which includes providing ground handling services to the various airlines operating in Qatar, distribution of beverages and trading duty free goods at Doha International Airport.

The Company employed 2,041 employees as of 31 March 2001 (2000 : 894).

2 GOING CONCERN

The Company incurred losses in 2000-2001 which created a deficiency in shareholders funds as at 31 March 2001, which exceeds 50% of its share capital of the company

The provisions of the Qatar Commercial Companies' Law No. 11 of 1981 require that in such an event any party, having interest in the company has the right to request for winding up the company. The shareholders have resolved to continue operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved to continue operations as required by the Qatar Commercial Companies Law No. 11 of 1981.

(b) The shareholders have resolved to continue to make funds available to the company to allow it to meet its liabilities as they fall due.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards issued by the International Accounting Standards Committee (IASC), interpretations issued by the Standing Interpretations Committee of the IASC and applicable requirements of Qatar Commercial Companies Law.

The significant accounting policies adopted are as follows:

Accounting convention
The financial statements are prepared under the historical cost convention. The accounting policies have been consistently applied by the company and are consistent with those used in the previous year.

The financial statements have been presented in Qatari Riyals.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment
Property, plant and equipment is recorded at cost. Major expenses incurred on the improvement of aircraft prior to the first commercial flight are capitalised.

Interest on loans obtained for the financing of aircraft and additions of related equipment is capitalised until the first commercial flight.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount. When carrying value exceeds this recoverable amount, assets are written down to their recoverable amount.

Depreciation
Depreciation is provided on all property, plant and equipment and aircraft for sale, at rates calculated to write off the cost less their estimated residual value on a straight line basis over the estimated economic life of each asset.

The estimated useful life and residual values of the company's assets for the calculation of depreciation are as follows:

Asset Type	*Estimated Residual Value*	*Estimated Economic Life*
Rotable spare parts	20% - 40%	7 years
Spare engines	20%	12 years
Buildings	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	3-7 years
A300 aircraft and related items	60-65%	7 years
B727-200 aircraft	20%	7 years
Ground handling equipments	Nil	6-7 years

Aircraft and engine overhaul costs
For aircraft leased under operating leases, aircraft and engine overhaul costs are provided for on an accruals basis by reference to the estimated future cost of major overhauls and the estimated period to the next major overhaul.

For owned aircraft, maintenance costs incurred on major overhaul of aircraft engines and equipment are capitalised and depreciated over the period to the next overhaul.

Investments
Unquoted investments are carried at cost with provision for any permanent diminution in value where necessary. Income from such investments is accounted for as and when receivable.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

Goods for resale : weighted average purchase cost

Others : purchase cost on a first-in, first out basis

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts receivable
Accounts receivable are stated at original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans
The company's term loans are carried on the balance sheet at the principal amount. Interest other than that capitalised with the cost of the assets is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Cash and cash equivalents
Cash and cash equivalents are defined as cash and bank balances net of any bank overdrafts.

Provisions
Provisions are recognised when the company has an obligation (legal and constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' terminal benefits
The company provides for end of service benefits determined in accordance with the company's policy based on employee's salaries and number of years of service. Applicable benefits are paid to employees on completion of their term of employment with the company. Accordingly, the company has no expectation of settling its employees' terminal benefits obligation in the near term.

Leases
Rentals under operating leases are charged to the statement of income on a straight line basis over the lease terms.

Revenue recognition
All passenger and cargo billings are recorded in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight line basis over the terms of the lease.

Revenue on goods sold and services provided represent invoiced value of goods supplied or services provided.

Commission
Commission expenses are deducted from revenue when transportation is provided. Commissions paid to agents for unprovided services are shown under unearned revenue.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments
Financial instruments represent on-balance sheet items. On-balance financial instruments consist of investments, receivables, deposits, cash, payables and certain other assets and liabilities.

Deferred credits
The company receives credit from manufacturers and lessors in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the aircraft and engines except where the aircraft are held under operating leases in which case the credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease as deferred credits .

4 PROPERTY, PLANT AND EQUIPMENT

	Aircraft spare engines and rotable spare parts QR'000	*Aircraft and related items QR'000*	*Buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Ground handling equipment QR'000*	*Capital projects QR'000*	*Total QR'000*
Reconciliation of carrying amounts:							
Balance at 1 April 2000, net of accumulated depreciation	78,211	-	3,496	17,585	-	6,033	105,325
Additions	16,512	-	3,098	27,097	21,182	247,515	315,404
Transfers	-	74,535	-	-	-	(74,535)	-
Disposals	(90)	-	-	(2,154)	-	-	(2,244)
Depreciation for the year	(10,033)	(1,166)	(751)	(7,409)	(1,734)	-	(21,093)
Balance at 31 March 2001 net of accumulated depreciation	**84,600**	**73,369**	**5,843**	**35,119**	**19,448**	**179,013**	**397,392**
Property, plant and equipment:							
At 31 March 2001							
At cost	127,426	74,535	7,688	53,538	21,182	179,013	463,382
Accumulated depreciation	(42,826)	(1,166)	(1,845)	(18,419)	(1,734)	-	(65,990)
Net carrying amount	**84,600**	**73,369**	**5,843**	**35,119**	**19,448**	**179,013**	**397,392**
At 31 March 2000							
At cost	113,510	-	4,590	30,874	-	6,033	155,007
Accumulated depreciation	(35,299)	-	(1,094)	(13,289)	-	-	(49,682)
Net carrying amount	**78,211**	-	**3,496**	**17,585**		**6,033**	**105,325**

5 CONTINGENT LIABILITIES

(i) A previous GSA (General Sales Agent) of the company has filed a lawsuit against the company claiming QR 9,454,000 for losses and damages suffered as a result of termination of the GSA agreement. The company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability. The company has lodged a counter claim for QR 3,818,000 for the recovery of funds from the GSA.

(ii) A previous GSA of the company has filed a lawsuit in which the company is a second defendant, claiming QR 10,546,000 for losses and damage suffered as a result of termination of the GSA agreement. The company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability.

(iii) Performance bonds, letters of credit and letters of guarantee issued by the company's bankers on behalf of the company amounted to QR 24,695,000 (2000 : QR 28,003,000).

6 CAPITAL COMMITMENTS

(a) Commitments for purchase of aircraft and engines

The company has entered into a contract for the purchase of aircraft and engines over the period 2001 to 2003 with a capital commitment value of QR 678,143,000.

(b) Others

Management has authorised other future capital expenditure at 31 March 2001 amounting to QR 11 million.

7 CHANGES IN ACCOUNTING POLICY

(i) Consequent to the introduction of International accounting Standard No. 38 - Intangible Assets, during the year the company changed its accounting policy with respect to the expenditures on refurbishment of leased aircraft. The company now charges expenditures incurred on the refurbishment of leased aircraft to the income statement. This change in accounting policy has been accounted for retrospectively. The comparative statements for the year ended 31 March 2000 have been restated to conform to the changed policy. Opening accumulated losses for the year ended 31 March 2000 has been increased by QR 3,091,000, which represents the net impact in the prior year due to the change in policy.

(ii) Consequent to the introduction of International accounting Standard No. 37 – Provisions, Contingent Liabilities and Contingent Assets, during the year the company changed its accounting policy with respect to the provision for maintenance reserves for aircraft, engines and auxiliary power units. This change in accounting policy has been accounted for prospectively. The comparative statements for the year ended 31 March 2000 have not been restated. Opening accumulated losses for the year ended 31 March 2001 have been reduced by QR 23,853,000, which represents the un-utilised portion of the maintenance reserve for aircraft, engines and APU's as at 31 March 2001.

8 CHANGE IN ACCOUNTING ESTIMATES

During the year, the company revised the estimated useful lives of property, plant and equipment as follows:

	Revised useful life	Earlier useful life
Aircraft spare engines	12 years	7 years
Rotable spare parts	7 years	5 years

As a result of the change in the estimated useful lives of the assets, the current year depreciation charge as compared to that of previous year, is lower by QR 3,470,000.

9 FAIR VALUES

The fair values of financial assets and liabilities are not materially different from their carrying value at the balance sheet date.

10 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current period.

Qatar Airways Company W.L.L.

SUMMARISED FINANCIAL STATEMENTS

31 MARCH 2002



ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS COMPANY W.L.L.

We have audited the financial statements of Qatar Airways Company W.L.L. for the year ended 31 March 2002, from which the summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated 8 August 2002 we expressed an unqualified opinion on the statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report therein.

T. F. Sexton FCA,CISA
of Ernst & Young
Auditor's Registration No. 114

Date : 5 October 2002
Doha

Qatar Airways Company W.L.L.

INCOME STATEMENT
Year Ended 31 March 2002

	2002 *QR'000*	*2001* *QR'000*
REVENUE		
Operating revenue	**1,026,025**	858,083
Operating expenses	**(1,020,006)**	(874,913)
GROSS PROFIT (LOSS)	**6,019**	(16,830)
Other operating income	**69,909**	53,481
General and administrative expenses	**(126,196)**	(81,386)
LOSS FROM OPERATIONS	**(50,268)**	(44,735)
Finance costs	**(16,429)**	(12,389)
Profit on sale of plant and equipment	**4,863**	2,197
Loss on foreign exchange	**(5,493)**	(5,987)
NET LOSS FOR THE YEAR	**(67,327)**	(60,914)

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Company W.L.L.

BALANCE SHEET
31 March 2002

	Note	2002 QR'000	2001 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,124,188	397,392
Available-for-sale investments		4,714	759
		1,128,902	398,151
Current assets			
Aircraft for sale		-	10,467
Inventories		52,450	47,610
Accounts receivable and prepayments		244,757	163,484
Bank balances and cash		74,724	97,843
		371,931	319,404
TOTAL ASSETS		1,500,833	717,555
DEFICIENCY OF FUNDS AND LIABILITIES			
Deficiency of funds			
Share capital		143,800	143,800
Share premium		200	200
Legal reserve		6	6
Cumulative changes in fair values		2,405	-
Accumulated losses		(553,127)	(485,800)
		(406,716)	(341,794)
Non-current liabilities			
Non-current portion of term loans		580,757	247,344
Loan from the Government of Qatar		414,477	270,858
Non-current portion of maintenance reserve		10,862	10,770
Deferred credits		1,173	1,761
Employees' terminal benefits		22,526	15,827
		1,029,795	546,560
Current liabilities			
Accounts payable and accruals		305,783	281,867
Unearned revenue		143,659	114,334
Bank overdrafts		10,178	22,226
Current portion of term loan		413,714	94,362
Current portion of maintenance reserve		4,420	-
		877,754	512,789
TOTAL DEFICIENCY OF FUNDS AND LIABILITIES		1,500,833	717,555

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Company W.L.L.

STATEMENT OF CASH FLOWS
Year Ended 31 March 2002

	2002 QR'000	*2001 QR'000*
OPERATING ACTIVITIES		
Net loss for the year	(67,327)	(60,914)
Prior year adjustments	-	23,853
	(67,327)	(37,061)
Adjustments for:		
Depreciation	48,138	25,451
Amortisation	-	111
Profit on disposal of assets	(4,863)	(2,197)
Impairment of available-for-sale investments	759	-
Net movement in provision for maintenance reserve	4,512	(35,728)
Provision for staff end of service benefits	8,386	6,486
Deferred credit written back	(588)	(587)
Interest and other financing charges	16,429	12,389
Operating profit (loss) before working capital changes	5,446	(31,136)
Increase in inventories	(4,840)	(16,436)
Decrease in accounts receivables	(81,273)	12,564
Increase (decrease) in accounts payable and unearned revenue	53,241	69,372
Cash (used in) from operations	(27,426)	34,364
Interest and financing charges paid	(16,429)	(12,389)
Staff end of service benefits paid	(1,687)	(1,203)
Net cash (used in) from operating activities	(45,542)	20,772
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(777,274)	(315,404)
Purchase of investments	(2,309)	-
Proceeds from sale of assets	17,670	14,721
Net cash used in investing activities	(761,913)	(300,683)
FINANCING ACTIVITIES		
Loan from the Government of Qatar	143,619	131,665
Term loan drawndown	652,765	273,042
Net cash from financing activities	796,384	404,707
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,071)	124,796
Cash and cash equivalents at 1 April	75,617	(49,179)
CASH AND CASH EQUIVALENTS AT 31 MARCH	64,546	75,617

The attached notes 1 to 10 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2002

	Share capital *QR'000*	Share premium *QR'000*	Statutory reserve *QR'000*	Cumulative changes in fair values *QR'000*	Accumulated losses *QR'000*	Total *QR'000*
Balance at 31 March 2000	143,800	200	6	-	(448,739)	(304,733)
Change in accounting policy {(See Note 7(i)}	-	-	-	-	23,853	23,853
Restated balance	143,800	200	6	-	(424,886)	(280,880)
Net loss for the year	-	-	-	-	(60,914)	(60,914)
Balance at 31 March 2001	143,800	200	6	-	(485,800)	(341,794)
Restatement in accordance with IAS 39 {See Note 7 (ii)}	-	-	-	4,677	-	4,677
Net loss for the year	-	-	-		(67,327)	(67,327)
Net movement in unrealized losses on available for sale investments {See Note 7 (ii)}	-	-	-	(2,272)	-	(2,272)
Balance at 31 March 2002	**143,800**	**200**	**6**	**2,405**	**(553,127)**	**(406,716)**

The attached notes 1 to 10 form part of these financial statements.

1 ACTIVITIES

The financial statements of Qatar Airways Company W.L.L. for the year ended 31 March 2002 were authorised for issue by the directors on 8 August 2002.

Qatar Airways Company W.L.L. is a limited liability company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activity of the Company is to provide air transportation services. The company also has other sundry activities which includes providing ground handling services to the various airlines operating in Qatar, distribution of beverages and trading duty free goods at Doha International Airport.

The Company employed 2,759 employees as of 31 March 2002 (2001 : 2,041).

2 GOING CONCERN

The Company incurred losses in 2001-2002 The deficiency in shareholders funds as at 31 March 2002, exceeds 50% of the share capital of the company

The provisions of the Qatar Commercial Companies' Law No. 11 of 1981 require that the matter of winding up of the company is proposed to the shareholders. The shareholders have resolved to continue operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved to continue operations as required by the Qatar Commercial Companies Law No. 11 of 1981.

(b) The shareholders have resolved to continue to make funds available to the company to allow it to meet its liabilities as they fall due.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the Standing Interpretations Committee of the IASB and applicable requirements of Qatar Commercial Companies Law.

The financial statements have been presented in Qatari Riyals.

Accounting convention:
The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments. The accounting policies have been consistently applied by the company and except for the changes in accounting policy due to implementation of International Accounting Standard (IAS) 39 "Financial Instruments : Recognition and Measurement" from 1 April 2001, discussed fully in Note 7 (ii), are consistent with those used in the previous year.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition
All passenger and cargo billings are recorded in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight line basis over the terms of the lease.

Revenues on goods sold and services provided represent the invoiced value of goods supplied or services provided.

Commission
Commission expenses are deducted from revenue when transportation is provided. Commissions paid to agents for unprovided services are shown under unearned revenue.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost. Major expenses incurred on the improvement of aircraft and interest on loans obtained for the financing of aircraft and additions of related equipment until the first commercial flight are capitalized.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Depreciation
Depreciation is provided on all property, plant and equipment and aircraft for sale, at rates calculated to write off the cost less their estimated residual value on a straight line basis over the estimated economic life of each asset.

The estimated useful life and residual values of the company's assets for the calculation of depreciation are as follows:

Asset Type	*Estimated Residual Value*	*Estimated Economic Life*
Rotable spare parts	20%	7 years
Spare engines	20%	12 years
Buildings	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	3-7 years
A300 aircraft and related items	60-65%	3-7 years
A320 aircraft and related items	20%	5-15 years
Ground handling equipment	Nil	6-7 years

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs
Interest and other financing costs attributable to the acquisition of aircraft and related items up to the date on which these are put to use are capitalised and form part of property, plant and equipment. These costs are amortised over the life of the respective assets.

Aircraft and engine overhaul costs
For aircraft leased under operating leases, aircraft and engine overhaul costs are provided for on an accruals basis by reference to the estimated future cost of major overhauls and the estimated period to the next major overhaul. The amounts required to be paid within one year are shown as a current liability.

For owned aircraft, maintenance costs incurred on major overhaul of aircraft engines and equipment are capitalised and depreciated over the period to the next overhaul.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

Available-for-sale investments
After initial recognition, investments are classified as "available-for-sale," and are remeasured at fair value. For investments traded in organised markets, fair value is determined by reference to quoted market bid prices. Fair value cannot be reliably measured for unquoted investments. Such investments are measured at cost. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity, along with any transitional adjustment to cumulative changes in fair values arising from the adoption of IAS 39, is included in the income statement for the period.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

Goods for resale	:	weighted average purchase cost
Others	:	purchase cost on a first-in, first out basis

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Term loans
The company's term loans are carried on the balance sheet at the principal amount. Instalments due within one year are shown as a current liability. Interest costs other than that capitalised is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Provisions
Provisions are recognised when the company has an obligation (legal and constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Leases
Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Employees' terminal benefits
The company provides for end of service benefits determined in accordance with the company's policy based on employee's salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the company. Accordingly, the company has no expectation of settling its employees' terminal benefits obligation in the near term.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Deferred credits
The company receives credit from manufacturers and lessors in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the aircraft and engines except where the aircraft are held under operating leases in which case the credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease as deferred credits .

4 PROPERTY, PLANT AND EQUIPMENT

	A300 aircraft and related items	*A320 aircraft and related items*	*Aircraft spare engines and rotable spare parts*	*Buildings*	*Furniture, vehicles, ground and office equipment*	*Ground handling equipment*	*Capital projects*	*Total*
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
Balance at 1 April 2001, net of accumulated depreciation	73,369	-	84,600	5,843	35,119	19,448	179,013	397,392
Additions	611	-	17,930	7,624	19,982	6,280	724,847	777,274
Transfers	94,736	311,233	21,505	5,792	16,923	-	(450,189)	-
Disposals	-	-	(1,642)	-	(546)	(1,082)	-	(3,270)
Depreciation for the year	(12,447)	(7,734)	(11,178)	(1,535)	(10,944)	(3,370)	-	(47,208)
Balance at 31 March 2002 net of accumulated depreciation	**156,269**	**303,499**	**111,215**	**17,724**	**60,534**	**21,276**	**453,671**	**1,124,188**
At 1 April 2001								
Cost	74,535	-	127,426	7,688	53,538	21,182	179,013	463,382
Accumulated depreciation	(1,166)	-	(42,826)	(1,845)	(18,419)	(1,734)	-	(65,990)
Net carrying amount	**73,369**	**-**	**84,600**	**5,843**	**35,119**	**19,448**	**179,013**	**397,392**
At 31 March 2002								
At cost	169,883	311,233	175,528	21,103	88,211	26,242	453,671	1,245,871
Accumulated depreciation	(13,614)	(7,734)	(64,313)	(3,379)	(27,677)	(4,966)	-	(121,683)
Net carrying amount	**156,269**	**303,499**	**111,215**	**17,724**	**60,534**	**21,276**	**453,671**	**1,124,188**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment with a net book value of QR 351,893,230 (2001 : QR 9,998,307) is mortgaged as security for term loans.

The cost of property, plant and equipment includes borrowing costs of QR 15,105,061. A capitalisation rate of 100% has been used up to the date when substantially all the activities necessary to bring the qualifying asset for its intended use are complete.

The A320-200 aircraft and related items are registered in the name of Doha Leasing (A320) Limited. These assets have been included in the financial statements as the company retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to its use as it would have for an asset registered in the own name.

5 CONTINGENT LIABILITIES

(i) A previous General Sales Agent (GSA) of the company has filed a lawsuit against the company claiming QR 9,454,000 (2001 : 9,454,000) for losses and damages suffered as a result of termination of the GSA agreement. The company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability. The company has lodged a counter claim for QR 3,818,000 (2001 : QR 3,818,000) for the recovery of funds from the GSA.

(ii) A previous GSA of the company has filed a lawsuit claiming QR 109,894,200 for losses and damages suffered as a result of cancellation of the GSA agreement. The company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability.

(iii) A lawsuit has been filed by a passenger of the company claiming QR 7,300,000 for losses suffered due to lost baggage. This is an insurance related claim and the amount, if any, will be paid by the insurance company. The company's lawyer is of the opinion that claims will not give rise to a material liability for the company.

(iv) Performance bonds, letters of credit and letters of guarantee issued by the company's bankers on behalf of the company amounted to QR 21,158,202 (2001 : QR 24,695,000).

6 CAPITAL COMMITMENTS

(a) Commitments for purchase of aircraft and engines

The company has entered into contracts for the purchase of aircraft and engines over the period 2002 to 2005 with the capital commitment as follows:

	2002 QR'000	*2001 QR'000*
Firm agreements:		
A320-200 aircraft	768,776	667,209
A330-200 aircraft	1,119,546	-
A320-200 aircraft engine	16,895	10,934
A330-200 aircraft engine	55,790	-
	1,961,007	678,143

6 CAPITAL COMMITMENTS - continued

(a) Commitments for purchase of aircraft and engines - continued

Option agreements:		
A320-200 aircraft	254,393	635,981
A330-200 aircraft	555,782	-
A330-200 aircraft engine	32,818	-
	842,993	635,981

(b) Others

Management has authorised other future capital expenditure at 31 March 2002 amounting to QR 1,120,500 (2001 : QR 11 million) to be incurred within the next twelve months.

7 CHANGES IN ACCOUNTING POLICY

(i) Consequent to the introduction of International Accounting Standard No. 37 – "Provisions, Contingent Liabilities and Contingent Assets", during 2001 the company changed its accounting policy with respect to the provision for maintenance reserves for owned aircraft, engines and auxiliary power units. This change in accounting policy was accounted for prospectively. The comparative statements for the year ended 31 March 2000 were not restated. Opening accumulated losses for the year ended 31 March 2001 were reduced by QR 23,853,000, which represented the un-utilised portion of the maintenance reserve for owned aircraft, engines and APU's as at 31 March 2001.

(ii) The company has adopted IAS 39 "Financial Instruments : Recognition and Measurement" for the year ended 31 March 2002. This has resulted in changes in the accounting policies of the company in respect of recognition and measurement of financial instruments. In accordance with the transitional provisions of this standard, the company has accounted for the changes in policies with effect from 1 April 2001 and has not restated comparatives.

The adoption of IAS 39 resulted in a credit adjustment to cumulative changes in fair values under capital and reserve at 1 April 2001 of QR 4,676,459 and at 31 March 2002 of QR 2,271,802.

8 RISK MANAGEMENT

Interest rate risk
The company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and term loan).

Credit risk
The company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The company sells its tickets through appointed sales agents in each country in which it operates flights. It further provides ground handling services to various airlines operating in Qatar and distributes beverages and sales duty free goods to various customers. Its five largest debtors account for 39% of outstanding accounts receivable at 31 March 2002. (2001 : 29%).

8 RISK MANAGEMENT - continued

Liquidity risk
The company limits its liquidity risk by ensuring bank facilities are available. The company's terms of sale requires amounts to be paid within 30-45 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase in case of local supplies and 30 days in case of foreign supplies.

Currency risk
The company does not hedge the anticipated purchases of aircraft and spares. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk. The company's exposure to currency risk is limited to currencies other than US Dollars.

Trade accounts and notes payable include an amount of QR 60,204,557 (2001: QR 72,773,000) due in foreign currencies, mainly US Dollars.

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses.

The fair values of the financial assets and liabilities, with the exception of certain available-for-sale investments carried at cost, are not materially different from their carrying values.

10 COMPARATIVE AMOUNTS

The corresponding figures for 2001 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect the previously reported net profit or shareholders' equity.

Qatar Airways Q.C.S.C.

SUMMARISED FINANCIAL STATEMENTS

31 MARCH 2003

Company Number: FC018591



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0798
07/11/03

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AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C.

We have audited the financial statements of Qatar Airways Q.C.S.C. for the year ended 31 March 2003, from which the summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated 17 July 2003 we expressed an unqualified opinion on the statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report therein.

A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date : 1 September 2003
Doha

Qatar Airways Q.C.S.C.

INCOME STATEMENT
Year Ended 31 March 2003

	2003 QR'000	*2002 QR'000*
REVENUE		
Operating revenue	**1,534,736**	1,026,025
Operating expenses	**(1,597,106)**	(1,031,220)
GROSS LOSS	**(62,370)**	(5,195)
Other operating income	**139,133**	69,909
General and administrative expenses	**(147,104)**	(114,982)
LOSS FROM OPERATIONS	**(70,341)**	(50,268)
Finance costs	**(46,103)**	(16,429)
(Loss) profit on sale of plant and equipment	**(74)**	4,863
Profit (loss) on foreign exchange	**16,344**	(5,493)
NET LOSS FOR THE YEAR	**(100,174)**	(67,327)

The attached notes 1 to 9 form part of these financial statements.

Qatar Airways Q.C.S.C.

BALANCE SHEET
At 31 March 2003

	Note	2003 QR'000	2002 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,063,371	1,124,188
Available-for-sale investments		3,057	4,714
		3,066,428	1,128,902
Current assets			
Inventories		73,713	52,450
Accounts receivable and prepayments		291,850	244,757
Bank balances and cash		165,621	74,724
		531,184	371,931
TOTAL ASSETS		3,597,612	1,500,833
DEFICIENCY OF FUNDS AND LIABILITIES			
Deficiency of funds			
Share capital		143,800	143,800
Share premium		200	200
Legal reserve		6	6
Cumulative changes in fair values		1,736	2,405
Accumulated losses		(653,301)	(553,127)
		(507,559)	(406,716)
Non-current liabilities			
Non-current portion of term loans		2,454,046	580,757
Loan from the Government of Qatar		449,852	414,477
Deferred credits		585	1,173
Employees' terminal benefits		32,400	22,526
		2,936,883	1,018,933
Current liabilities			
Accounts payable and accruals		470,366	321,065
Unearned revenue		226,751	143,659
Bank overdrafts		5,292	10,178
Current portion of term loan		465,879	413,714
		1,168,288	888,616
TOTAL DEFICIENCY OF FUNDS AND LIABILITIES		3,597,612	1,500,833

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Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 9 form part of these financial statements.

Qatar Airways Q.C.S.C.

STATEMENT OF CASH FLOWS

Year Ended 31 March 2003

	2003 QR'000	*2002 QR'000*
OPERATING ACTIVITIES		
Net loss for the year	**(100,174)**	(67,327)
Adjustments for:		
Depreciation	**119,866**	48,138
Loss (profit) on disposal of assets	**74**	(4,863)
Impairment of available-for-sale investments	**-**	759
Provision for staff end of service benefits	**12,351**	8,386
Deferred credit written back	**(588)**	(588)
Interest and other financing charges	**46,103**	16,429
Operating profit before working capital changes	**77,632**	934
Inventories	**(21,263)**	(4,840)
Accounts receivables	**(47,093)**	(81,273)
Accounts payable, unearned revenue and provision for maintenance	**232,393**	57,753
Cash from (used in) operations	**241,669**	(27,426)
Interest and financing charges paid	**(46,103)**	(16,429)
Staff end of service benefits paid	**(2,477)**	(1,687)
Net cash from (used in) operating activities	**193,089**	(45,542)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(2,061,076)**	(777,274)
Net movement in available for sale investments	**988**	(2,309)
Proceeds from sale of assets	**1,953**	17,670
Net cash used in investing activities	**(2,058,135)**	(761,913)
FINANCING ACTIVITIES		
Loan from the Government of Qatar	**35,375**	143,619
Net term loan drawndown	**1,925,454**	652,765
Net cash from financing activities	**1,960,829**	796,384
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**95,783**	(11,071)
Cash and cash equivalents at 1 April	**64,546**	75,617
CASH AND CASH EQUIVALENTS AT 31 MARCH	**160,329**	64,546

The attached notes 1 to 9 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2003

	Share capital *QR'000*	Share premium *QR'000*	Statutory reserve *QR'000*	Cumulative changes in fair values *QR'000*	Accumulated losses *QR'000*	Total *QR'000*
Balance at 31 March 2001	143,800	200	6	-	(485,800)	(341,794)
Restatement in accordance with IAS 39	-	-	-	4,677	-	4,677
Net loss for the year	-	-	-		(67,327)	(67,327)
Net movement in unrealized losses on available for sale investments	-	-	-	(2,272)	-	(2,272)
Balance at 31 March 2002	143,800	200	6	2,405	(553,127)	(406,716)
Net loss for the year	-	-	-	-	(100,174)	(100,174)
Net movement in unrealized losses on available for sale investments	-	-	-	(669)	-	(669)
Balance at 31 March 2003	**143,800**	**200**	**6**	**1,736**	**(653,301)**	**(507,559)**

The attached notes 1 to 9 form part of these financial statements.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
31 March 2003

1 ACTIVITIES

Qatar Airways Q.C.S.C. is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activities of Qatar Airways Q.C.S.C. comprise:

- Commercial air-transportation which includes passengers and cargo services.;
- Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
- Trading in duty free goods at Doha International Airport;
- Distribution of certain beverages in Qatar.

The Company employed 3,622 employees as of 31 March 2003 (2002 : 2,759).

2 GOING CONCERN

The company continued to incur losses in 2002-2003. The deficiency in capital as at 31 March 2003 exceeds 50% of the share capital of the company.

Article 46 of the Articles of Association of the Company requires that the Board of Directors shall convene an Extra-Ordinary General Assembly to decide whether the situation requires dissolution of the Company or to decrease its capital or to take any other suitable measures. In the Extra-Ordinary General Assembly dated 10 July 2003 the shareholders have resolved to continue the operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved to continue operations in its Extra-Ordinary General Assembly.

(b) The shareholders have resolved to continue to make funds available to the company to allow it to meet its liabilities as they fall due.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the Standing Interpretations Committee of the IASB and applicable requirements of Qatar Commercial Companies Law.

The financial statements have been presented in Qatari Riyals.

Accounting convention:
The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

The accounting policies are consistent with those used in the previous year.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition
All passenger and cargo billings are recorded in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight line basis over the terms of the lease.

Revenues on goods sold and services provided represent the invoiced value of goods supplied or services provided.

Commission
Commission expenses are deducted from revenue when transportation is provided. Commissions paid to agents for unprovided services are shown under unearned revenue.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost. Major expenses incurred on the improvement of aircraft and interest on loans obtained for the financing of aircraft and additions of related equipment until the first commercial flight are capitalized.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Depreciation
Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less their estimated residual value on a straight line basis over the estimated economic life of each asset.

The estimated useful life and residual values of the company's assets for the calculation of depreciation are as follows:

Asset Type	*Estimated Residual Value*	*Estimated Economic Life*
Rotable and repairable spare parts	20%	7 years
Spare engines	20%	7-12 years
Buildings	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	3-7 years
A300 aircraft and related items	60-65%	3-7 years
A320 aircraft and related items	20%	5-15 years
A330 aircraft and related items	20%	5-15 years
Catering plant and equipment	Nil	6-7 years
Ground handling equipment	Nil	6-7 years

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

Borrowing costs
Interest and other financing costs attributable to the acquisition of aircraft and related items up to the date on which these are put to use are capitalised and form part of property, plant and equipment. These costs are amortised over the life of the respective assets.

Aircraft and engine overhaul costs
Maintenance costs incurred on major overhauls of owned aircraft, engines and equipment are capitalized when incurred and depreciated over the period to the next overhaul. Other maintenance costs are expensed when incurred.

Available-for-sale investments
After initial recognition, investments are classified as "available-for-sale," and are remeasured at fair value. For investments traded in organised markets, fair value is determined by reference to quoted market bid prices. Fair value cannot be reliably measured for unquoted investments. Such investments are measured at cost. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity, along with any transitional adjustment to cumulative changes in fair values arising from the adoption of IAS 39, is included in the income statement for the period.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

Goods for resale	:	weighted average purchase cost
Others	:	purchase cost on a first-in, first-out basis

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Term loans
The company's term loans are carried on the balance sheet at the principal amount. Instalments due within one year are shown as a current liability. Interest costs other than that capitalised is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Provisions
Provisions are recognised when the company has an obligation (legal and constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Leases
Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Employees' terminal benefits
The company provides for end of service benefits determined in accordance with the company's policy based on employee's salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the company. Accordingly, the company has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Qatari employees, the Company has decided to make contributions to Government Pension Fund calculated as a percentage of the employees' salaries. The company's obligations are limited to these contributions, which are expensed when due.

Frequent flyer programme
Qatar Airways maintains a frequent flyer programme that provides a variety of rewards to programme members based on mileage credit for flights on Qatar Airways. Members can also accrue miles by utilising the services of non-airline programme participants. Miles accrued through utilising the services of programme partners is paid for by the participating partners and the resulting revenue is recorded as other operating income. The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is recognised as a current liability as programme members accrued miles.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Deferred credits
The company receives credit from manufacturers and lessors in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the aircraft and engines except where the aircraft are held under operating leases in which case the credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease as deferred credits .

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
31 March 2003

4 PROPERTY, PLANT AND EQUIPMENT

	A300 Aircraft & related items QR'000	*A320 Aircraft & related items QR'000*	*A330 Aircraft & related items QR'000*	*Aircraft spare engines and rotable spare parts QR'000*	*Buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant & equipment QR'000*	*Ground handling equipment QR'000*	*Capital projects QR'000*	*Total QR'000*
Cost:										
At 1 April 2002	169,883	311,233	-	175,528	21,103	88,211	-	26,242	453,671	1,245,871
Additions	-	360,420	616,085	57,643	11,855	17,447	5,116	9,845	982,665	2,061,076
Transfers	-	116,217	411,361	43,345	14,748	6,438	-	-	(592,109)	-
Disposals including write offs	-	-	-	-	-	(6,774)	-	(8)	(163)	(6,945)
At 31 March 2003	169,883	787,870	1,027,446	276,516	47,706	105,322	5,116	36,079	844,064	3,300,002
Depreciation:										
At 1 April 2002	13,614	7,734	-	64,313	3,379	27,677	-	4,966	-	121,683
Provided during the year	14,229	29,618	32,352	19,685	3,016	15,280	424	5,262	-	119,866
Disposals including write offs	-	-	-	-	-	(4,912)	-	(6)	-	(4,918)
At 31 March 2003	27,843	37,352	32,352	83,998	6,395	38,045	424	10,222	-	236,631
Net book values:										
At 31 March 2003	**142,040**	**750,518**	**995,094**	**192,518**	**41,311**	**67,277**	**4,692**	**25,857**	**844,064**	**3,063,371**
At 31 March 2002	156,269	303,499	-	111,215	17,724	60,534	-	21,276	453,671	1,124,188

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment with a net book value of QR 918,335,154 (2002 : QR 351,893,230) is mortgaged as security for certain term loans.

The cost of property, plant and equipment includes capitalised borrowing cost of QR 13,376,476 (2002 : QR 15,105,061). A capitalisation rate of 100% has been used up to the date when substantially all the activities necessary to bring the qualifying asset for its intended use are complete.

Aircraft fleet
At 31 March 2003, the aircraft fleet comprised 21 aircraft (2002 : 13 aircraft):

9 Airbus A300-200 (7 under operating lease)
9 Airbus A320-200 (4 under operating lease)
3 Airbus A330-200

The A320-200 aircraft and related items and A330-200 aircraft and related items are registered in the name of Doha Leasing (A320) Limited and Doha Leasing (A330) Limited respectively. These assets have been included in the financial statements as the company retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would have for an asset registered in its own name. {Also refer Note 18(a)}.

5 CONTINGENT LIABILITIES

(i) A previous General Sales Agent (GSA) of the company has filed a lawsuit against the company claiming QR 9,454,000 (2002 : 9,454,000) for losses and damages suffered as a result of termination of the GSA agreement. The company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability. The company has lodged a counter claim for QR 3,818,000 (2002 : QR 3,818,000) for the recovery of funds from the GSA.

(ii) A previous GSA of the company has filed a lawsuit claiming QR 109,894,200 (2002: QR 109,894,200) for losses and damages suffered as a result of cancellation of the GSA agreement. The company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability.

(iii) A lawsuit has been filed by a passenger of the company claiming QR 7,300,000 (2002 : QR 7,300,000) for losses suffered due to lost baggage. This is an insurance related claim and the amount, if any, will be paid by the insurance company. The company's lawyer is of the opinion that the claim will not give rise to a material liability for the company.

(iv) Performance bonds, letters of credit and letters of guarantee issued by the company's bankers on behalf of the company amounted to QR 24,733,114 (2002 : QR 21,158,202).

6 CAPITAL COMMITMENTS

(a) Commitments for purchase of aircraft and engines

The company has entered into contracts for the purchase of aircraft and engines over the period 2003 to 2005 with the capital commitment as follows:

	2003 QR'000	*2002 QR'000*
Firm agreements:		
A320-200 aircraft	**501,373**	768,776
A330-200 aircraft	**691,702**	1,119,546
A330-200 aircraft engine	**22,972**	55,790
	1,216,047	1,944,112
Option agreements:		
A320-200 aircraft	**-**	254,393
A330-200 aircraft	**227,891**	555,782
A320-200 aircraft engine	**14,328**	16,895
A330-200 aircraft engine	**32,818**	32,818
	275,037	859,888

(b) Others

The Company has committed other future capital expenditure at 31 March 2003 amounting to QR 1,824,295 (2002 : QR 1,120,500) to be incurred within the next twelve months.

7 RISK MANAGEMENT

Interest rate risk
The company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and term loans).

Credit risk
The company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The company sells its tickets through appointed sales agents in each country in which it operates flights. It further provides ground handling services to various airlines operating in Qatar and distributes beverages and sales duty free goods to various customers. Its five largest debtors account for 28% of outstanding accounts receivable at 31 March 2003. (2002 : 39%).

Liquidity risk
The company limits its liquidity risk by ensuring bank facilities are available. The company's terms of sale requires amounts to be paid within 30-45 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase in case of local supplies and 30 days in case of foreign supplies.

Currency risk
The company does not hedge the anticipated purchases of aircraft and spares. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk. The company's exposure to currency risk is limited to currencies other than US Dollars.

Trade accounts and notes payable include an amount of QR 103,636,679 (2002: QR 60,204,557) due in foreign currencies, mainly US Dollars.

8 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses.

The fair values of the financial assets and liabilities, with the exception of certain available-for-sale investments carried at cost, are not materially different from their carrying values.

9 COMPARATIVE AMOUNTS

The corresponding figures for 2002 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect the previously reported net profit or shareholders' equity.

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Qatar Airways Q.C.S.C.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2004

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COMPANIES HOUSE 9/3/04

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AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C.

We have audited the consolidated financial statements of Qatar Airways Q.C.S.C. for the year ended 31 March 2004, from which the summarised consolidated financial statements were derived in accordance with International Standards on Auditing. In our report dated 4 July 2004 we expressed an unqualified opinion on the statements from which the summarised consolidated financial statements were derived.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report therein.

A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date : 4 July 2004
Doha

ERNST & YOUNG Doha

Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT
Year Ended 31 March 2004

	2004 QR'000	*2003 QR'000*
REVENUE		
Operating revenue	2,307,263	1,530,640
Operating expenses	(2,284,172)	(1,592,465)
GROSS PROFIT (LOSS)	23,091	(61,825)
Other operating income	227,916	121,335
General and administrative expenses	(183,006)	(145,942)
PROFIT (LOSS) FROM OPERATIONS	68,001	(86,432)
Other income	47,854	24,979
Finance costs	(97,693)	(46,225)
Loss on sale of property, plant and equipment	(965)	(74)
Gain on foreign exchange	31,323	16,344
Provision for bad and doubtful debts	(26,777)	(2,204)
Pre organisation cost written off	-	(1,600)
Gains on disposal of available-for-sale investments	71,412	-
NET PROFIT (LOSS) BEFORE TAXATION AND MINORITY INTERESTS	93,155	(95,212)
Taxation	(11,742)	(6,044)
Taxation relating to minority interest activities	(588)	(18)
NET PROFIT (LOSS) BEFORE MINORITY INTERESTS	80,825	(101,274)
(Profit) loss attributable to minority interests	(2,227)	451
NET PROFIT (LOSS) FOR THE YEAR	78,598	(100,823)

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED BALANCE SHEET
At 31 March 2004

	Note	2004 QR'000	2003 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,607,967	3,067,487
Investments in a subsidiary		2,948	-
Available-for-sale investments		231,217	1,761
Loans to related parties		20,208	-
		4,862,340	3,069,248
Current assets			
Aircraft for sale		33,768	-
Inventories		101,809	72,304
Accounts receivable and prepayments		479,802	255,318
Bank balances and cash		542,163	167,369
		1,157,542	494,991
TOTAL ASSETS		6,019,882	3,564,239
DEFICIENCY OF FUNDS, MINORITY INTERESTS AND LIABILITIES			
Deficiency of funds			
Share capital		143,800	143,800
Share premium		200	200
Legal reserve		7,866	6
Cumulative changes in fair values		71,930	1,736
Accumulated losses		(583,596)	(654,334)
		(359,800)	(508,592)
Minority Interests		2,383	156
Non-current liabilities			
Non-current portion of term loans		3,741,236	2,454,046
Loan from the Government of Qatar		649,082	449,852
Deferred credits		-	585
Employees' end of service benefits		43,627	32,404
		4,433,945	2,936,887
Current liabilities			
Accounts payable and accruals		686,790	464,928
Unearned revenue		253,841	199,636
Bank overdrafts		26,897	5,345
Current portion of term loans		975,826	465,879
		1,943,354	1,135,788
TOTAL DEFICIENCY OF FUNDS, MINORITY INTERESTS AND LIABILITIES		6,019,882	3,564,239

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 March 2004

	2004 QR'000	*2003 QR'000*
OPERATING ACTIVITIES		
Net profit (loss) before taxation and minority interests	93,155	(95,212)
Adjustments for:		
Depreciation	214,916	120,191
Loss on disposal of assets	965	74
Provision for employees' end of service benefits	14,668	12,355
Gain on disposal of available-for-sale investments	(71,412)	-
Deferred credits written back	(585)	(588)
Finance costs	97,693	46,225
Operating profit before working capital changes	349,400	83,045
Inventories	(29,505)	(19,855)
Accounts receivables	(212,809)	(10,562)
Accounts payable and unearned revenue	272,990	200,297
Cash from operations	380,076	252,925
Finance costs	(97,693)	(46,225)
Taxes paid	(11,742)	(6,044)
Employees' end of service benefits paid	(3,445)	(2,477)
Net cash from operating activities	267,196	198,179
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	(1,757,143)	(2,065,191)
Additions to aircraft for sale	(33,768)	-
Net movement in investments in a subsidiary	(2,948)	-
Net movement in available for sale investments	(97,036)	1,588
Proceeds from sale of property, plant and equipment	782	1,953
Net movement in loans to related parties	(20,208)	-
Net cash used in investing activities	(1,910,321)	(2,061,650)
FINANCING ACTIVITIES		
Loan from the Government of Qatar	199,230	35,375
Net term loan drawndown	1,797,137	1,925,454
Net cash from financing activities	1,996,367	1,960,829
	353,242	97,358
Cash and cash equivalents at the beginning of the year	162,024	64,666
CASH AND CASH EQUIVALENTS AT 31 MARCH	515,266	162,024

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIENCY OF FUNDS

Year Ended 31 March 2004

	Share capital QR'000	*Share premium QR'000*	*Legal reserve QR'000*	*Cumulative changes in fair values QR'000*	*Accumulated losses QR'000*	*Total QR'000*
Balance at 31 March 2002	143,800	200	6	2,405	(553,511)	(407,100)
Net loss for the year	-	-	-	-	(100,823)	(100,823)
Net movement in unrealised losses on available-for-sale investments	-	-	-	(669)	-	(669)
Balance at 31 March 2003	143,800	200	6	1,736	(654,334)	(508,592)
Net profit for the year	-	-	-	-	78,598	78,598
Transfer to legal reserve	-	-	7,860	-	(7,860)	-
Net movement in unrealised gain on available-for-sale investments	-	-	-	61,008	-	61,008
Net unrealised gain on revaluation of derivative financial instruments	-	-	-	9,186	-	9,186
Balance at 31 March 2004	**143,800**	**200**	**7,866**	**71,930**	**(583,596)**	**(359,800)**

The attached notes 1 to 10 form part of these financial statements.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2004

1 ACTIVITIES

Qatar Airways Q.C.S.C. is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activities of Qatar Airways Q.C.S.C. and its consolidated subsidiaries comprise:

- Commercial air-transportation which includes passengers and cargo services;
- Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
- Trading in duty free goods at Doha International Airport;
- Distribution of certain beverages in Qatar.
- Public relation, advertising, marketing and promotional activities in Qatar.
- Marketing, distribution, installation and maintenance of airline reservation and travel agency system.

The Company employed 5,009 employees as of 31 March 2004 (2003: 3,943).

2 GOING CONCERN

The losses incurred by the company in the past has created a deficiency of funds as at 31 March 2004 which exceeds 50% of the share capital of the company.

Article 46 of the Articles of Association of the Company requires that the Board of Directors shall convene an Extra-Ordinary General Assembly to decide whether the situation requires dissolution of the Company or to decrease its capital or to take any other suitable measures. In the Extra-Ordinary General Assembly dated 4 July 2004, the shareholders have resolved to continue the operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved to continue operations in its Extra-Ordinary General Assembly.

(b) The shareholders have resolved to continue to make funds available to the company to allow it to meet its liabilities as they fall due.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The summarised consolidated financial statements have been derived from the consolidated financial statements of the Company which are prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards issued, or adopted by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee and applicable requirements of Qatar Commercial Companies Law No. 5 of 2002.

The financial statements have been presented in Qatari Riyals.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation

(a) The summarised consolidated financial statements incorporate the financial statements of Qatar Airways Q.C.S.C. and its subsidiaries for the year ended 31 March 2004. Subsidiaries are consolidated from the date on which control is transferred to the Company and ceases to be consolidated from the date on which control is transferred out of the Company. All significant inter-company balances, transactions and profits have been eliminated on consolidation.

(b) Subsidiary companies are companies in which the Company has more than 50% of the capital or in which it is able to appoint management and control company policy. The consolidated financial statements incorporate the financial statements of the Company and each of the following subsidiary companies at the balance sheet date.

Financial statements of the following subsidiaries have been consolidated:

	Ownership	Country of incorporation
United Media International Company W.L.L.	60%	Qatar
Amadeus Qatar W.L.L.	60%	Qatar

(c) Minority interests comprise shareholders funds of subsidiary companies which are attributable to outside shareholders.

(d) The results of Lambrini Holding Ltd. has not been consolidated as its results and net assets are not considered significant to the Company as a whole. This investment is shown at cost less provision for impairment.

Accounting convention
The summarised consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and derivative financial instruments.

The accounting policies are consistent with those used in the previous year.

Revenue recognition
All passenger and cargo billings are recorded in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight-line basis over the terms of the lease.

Revenues on goods sold and services provided represent the invoiced value of goods supplied or services provided.

Commission
Commission expenses are deducted from revenue when transportation is provided. Commissions paid to agents for unprovided services are shown under unearned revenue.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost. Major expenses incurred on the improvement of aircraft and interest on loans obtained for the financing of aircraft and additions of related equipment are capitalised until the first commercial flight.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less their estimated residual value on a straight-line basis over the estimated economic life of each asset.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

The estimated residual values and useful lives of the company's assets for the calculation of depreciation are as follows:

Asset Type	*Estimated Residual Value*	*Estimated Economic Life*
A300 aircraft and related items	60-65%	3-7 years
A320 aircraft and related items	20%	5-15 years
A330 aircraft and related items	20%	5-15 years
Rotable and repairable spare parts	20%	7 years
Spare engines	20%	7-12 years
Buildings	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	3-7 years
Catering plant and equipment	Nil	6-7 years
Ground handling equipment	Nil	6-7 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

Borrowing costs
Interest and other financing costs attributable to the acquisition of aircraft and related items up to the date on which these are put to use are capitalised and form part of property, plant and equipment. These costs are amortised over the life of the respective assets.

Aircraft and engine overhaul costs
Maintenance costs incurred on major overhauls of owned aircraft, engines and equipment are capitalized when incurred and depreciated over the period to the next overhaul. Other maintenance costs are expensed when incurred.

Available-for-sale investments
After initial recognition, investments are classified as "available-for-sale," and are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity, along with any transitional adjustment to cumulative changes in fair values arising from the adoption of IAS 39, is included in the income statement for the period.

Investments in subsidiaries
The investments in subsidiaries are accounted for using the cost method. These are concerns in which the company owns more than 50% of the capital or in which it is able to appoint the management and control company policy.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

Goods for resale : weighted average purchase cost

Others : purchase cost on a first-in, first-out basis

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash, net of outstanding bank overdrafts.

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans
The company's term loans are carried on the balance sheet at the principal amount. Instalments due within one year are shown as a current liability. Interest costs other than that capitalised is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Provisions
Provisions are recognised when the company has an obligation (legal and constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Leases
Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Employees' end of service benefits
The company provides for end of service benefits determined in accordance with its policy based on employee's salaries and the number of years of service. The expected costs of these benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the company. Accordingly, the company has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Qatari employees, the Company makes contributions to a Government Pension Fund calculated as a percentage of the employees' salaries. The company's obligations are limited to these contributions, which are expensed when due.

Frequent flyer programme
Qatar Airways maintains a frequent flyer programme that provides a variety of rewards to programme members based on mileage credit for flights on Qatar Airways. Members can also accrue miles by utilising the services of non-airline programme participants. Miles accrued through utilising the services of programme partners are paid for by the participating partners and the resulting revenue is recorded as other operating income. The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is recognised as a current liability as programme members accrue miles.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Deferred credits
The company receives credits from manufacturers and lessors in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the aircraft and engines except where the aircraft are held under operating leases in which case the credits are deferred and reduced from the operating lease rentals on a straight-line basis over the period of the related lease.

Derivative financial instruments
The Company uses interest rate swap contracts to hedge its risk associated with interest rate fluctuations relating to the interest payments on the company's term loan. These interest rate swap contracts are stated at fair market value. The company classifies hedges as cash flow hedges where they hedge the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. The interest rate swap contracts have been classified as cash flow hedges and meet the conditions for special hedge accounting. The portion of the gain or loss from re-measuring the interest rate swap at fair value, that is determined to be an effective hedge, is recognised directly in equity as cumulative changes in fair value and the ineffective portion is recognised in the income statement. The fair value of the interest rate swap agreements is included in "current assets" in case of favourable contracts and "current liabilities " in case of unfavourable contracts.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the assets.

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

Fair values
For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

Unquoted investments for which fair values cannot be reliably measured are stated at cost.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates.

4 PROPERTY, PLANT AND EQUIPMENT

	Aircraft and related items QR'000	*Aircraft spare engines and rotable spare parts QR'000*	*Buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant & equipment QR'000*	*Ground handling equipment QR'000*	*Capital projects QR'000*	*Total QR'000*
Cost:								
At 1 April 2003	1,985,199	276,516	47,706	111,342	5,116	36,079	844,064	3,306,022
Additions	5,771	103,399	5,899	20,739	783	11,175	1,644,068	1,791,834
Transfers	1,501,595	-	-	13,113	-	-	(1,549,399)	(34,691)
Disposals including write offs	-	-	-	(4,255)	-	-	-	(4,255)
At 31 March 2004	3,492,565	379,915	53,605	140,939	5,899	47,254	938,733	5,058,910
Depreciation:								
At 1 April 2003	97,546	83,998	6,395	39,950	424	10,222	-	238,535
Provided during the year	156,582	24,824	5,043	21,276	808	6,383	-	214,916
Relating to disposals including write offs	-	-	-	(2,508)	-	-	-	(2,508)
At 31 March 2004	254,128	108,822	11,438	58,718	1,232	16,605	-	450,943
Net book values:								
At 31 March 2004	**3,238,437**	**271,093**	**42,167**	**82,221**	**4,667**	**30,649**	**938,733**	**4,607,967**
At 31 March 2003	1,887,653	192,518	41,311	71,392	4,692	25,857	844,064	3,067,487

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment with a net book value of QR 3,137,215,187 (2003: QR 2,066,625,956) is mortgaged as security for certain term loans.

The additions and transfers include capitalised borrowing costs of QR 11,951,127 (2003: QR 13,376,476). A capitalisation rate of 100% has been used up to the date when substantially all the activities necessary to bring the qualifying asset to its intended use are complete.

Aircraft fleet
At 31 March 2004, the aircraft fleet comprised 29 aircraft (2003: 21 aircraft) as follows:

Included in property, plant and equipment:

	2004	*2003*
Airbus A319-133	1	-
Airbus A300-200	2	2
Airbus A320-200	9	5
Airbus A330-200	5	3
	17	10

The Airbus A319-133, A320-200 and A330-200 aircraft are registered in the names of certain special purpose companies that have been set up to securitise the respective finance obligations for each aircraft. These aircraft have been reflected in the financial statements as fixed assets as the company retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would for an asset registered in its own name.
Under operating lease:

The company also has the following aircraft under operating lease agreements which it operates.

	2004	*2003*
Airbus A300-200	7	7
Airbus A320-200	3	4
Airbus A330-200	2	-
	12	11

5 CONTINGENT LIABILITIES

(i) A previous GSA of the company has filed a lawsuit claiming QR 109,894,200 for losses and damages suffered as a result of cancellation of the GSA agreement. The company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability.

(ii) A lawsuit has been filed by a passenger of the company claiming QR 7,300,000 for losses suffered due to lost baggage. This is an insurance related claim and the amount, if any, will be paid by the insurance company. The company's lawyer is of the opinion that the claim will not give rise to a material liability for the company.

(iii) Performance bonds, letters of credit and letters of guarantee issued by the company's bankers on behalf of the company amounted to QR 36,491,599 (2003: QR 24,733,114).

6 COMMITMENTS UNDER AIRCRAFT PURCHASE CONTRACTS

(a) Commitments for the purchase of aircraft and engines

The company has entered into contracts for the purchase of aircraft and engines over the period 2004 to 2010 with total capital commitment of QR3,642 million (2003: QR 1,216 million).

Delivery schedule of the aircraft is as follows:

Financial year	Number of Aircraft
2004 – 2006	12
2006 – 2010	20
	32

(b) Others

The company has committed other future capital expenditure at 31 March 2004 amounting to QR 1,543,074 (2003: QR 1,824,295) to be incurred within the next twelve months. In addition, the company raised various orders during the month of March 2004 amounting to QR 66 million to purchase rotables, spares and other aircraft related items. The company expects to receive them within three (3) to six (6) months thereafter.

7 COMMITMENTS UNDER OPERATING LEASES

The company operates 12 aircraft under operating lease agreements. The company's obligation under these operating leases up to the earliest termination dates are as follows:

	2004 *QR'000*	*2003* *QR'000*
Amounts payable:		
Within one year	124,244	123,837
Within two to five years	435,096	66,455
	559,340	190,292

8 FINANCIAL RISK MANAGEMENT

Interest rate risk
The company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts and term loans).

The company entered in to interest rate swap contracts to manage the company's interest rate exposure. The interest rate swap contracts are designed to hedge the company's interest rate exposure to upward movement of interest rates on loan drawdowns. The contract consists of ten separate swap deals and are match with a substantial portion of the outstanding floating rate term debt obligations of the company and cover the period from august 2003 to august 2015.The swap contracts have been executed to swap the effective LIBOR rate on the long term loans with a fixed rates ranging from 3.365% to 3.725%.

Credit risk
The company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The company sells its tickets through appointed sales agents in each country in which it operates flights. It further provides ground handling services to various airlines operating in Qatar and distributes beverages and sales duty free goods to various customers. Its five largest debtors account for 39% of outstanding accounts receivable at 31 March 2004 (2003: 28%).

Liquidity risk
The company limits its liquidity risk by ensuring bank facilities are available. The company's terms of sales require amounts to be paid within 30-45 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase in case of local supplies and 30 days in case of foreign supplies.

Currency risk
The company does not hedge its exposure to foreign currency on account of anticipated purchases of aircraft and spare parts. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk. The company's exposure to currency risk is limited to currencies other than US Dollars.

Trade accounts and notes payable include an amount of QR 148,314,454 (2003: QR 103,636,679) due in foreign currencies, mainly US Dollars.

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses. Derivatives consist of interest rate swap contracts.

The fair values of the financial instruments, with the exception of certain available-for-sale investments and investments in subsidiaries carried at cost are not materially different from their carrying values.

10 COMPARATIVE AMOUNTS

The corresponding figures for 2003 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect the previously reported net profit or deficiency of funds.

107494 /30

Qatar Airways Q.C.S.C.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2005



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AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C.

We have audited the accompanying consolidated balance sheet of Qatar Airways Q.C.S.C. (the "Company") and its subsidiaries (the "Group") as of 31 March 2005, from which the summarised consolidated financial statements were derived in accordance with International Standards on Auditing. In our report dated 28 July 2005 we expressed an unqualified opinion on the statements from which the summarised consolidated financial statements were derived.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report therein.

A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date : 28 July 2005
Doha

ERNST & YOUNG Doha

Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT

Year Ended 31 March 2005

	2005 QR'000	*2004 QR'000*
REVENUE		
Operating revenue	**3,406,190**	2,307,263
Operating expenses	**(3,504,254)**	(2,242,002)
GROSS (LOSS) PROFIT	**(98,064)**	65,261
Other operating income	**380,979**	227,916
General and administrative expenses	**(335,075)**	(221,767)
(LOSS) PROFIT FROM OPERATIONS	**(52,160)**	71,410
Other income	**71,060**	48,906
Finance costs	**(180,438)**	(101,102)
Profit (loss) on sale of property, plant and equipment	**483**	(965)
Gain on foreign exchange	**9,250**	31,323
Provision for bad and doubtful debts	**(5,189)**	(26,777)
Gains on disposal of available-for-sale investments	**210,971**	71,412
NET PROFIT BEFORE TAXATION	**53,977**	94,207
Taxation	**(18,378)**	(11,742)
Taxation relating to minority interest activities	**(915)**	(588)
NET PROFIT FOR THE YEAR	**34,684**	81,877
Attributable to:		
Equity holders of the parent	**32,372**	80,174
Minority interests	**2,312**	1,703
	34,684	81,877

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED BALANCE SHEET
At 31 March 2005

	Note	2005 QR'000	2004 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	6,653,245	4,618,422
Investments in an associate		14,000	-
Investment in a subsidiary		2,185	-
Available-for-sale investments		545,536	231,217
Loans to related parties		-	10,000
		7,214,966	4,859,639
Current assets			
Aircraft for sale		-	33,768
Inventories		147,229	101,809
Accounts receivable and prepayments		612,244	484,326
Bank balances and cash		593,559	542,163
		1,353,032	1,162,066
TOTAL ASSETS		8,567,998	6,021,705
EQUITY AND LIABILITIES			
Equity (deficiency of funds) attributable to equity holders of the parent			
Share capital		143,800	143,800
Share premium		200	200
Legal reserve		10,594	7,866
Cumulative changes in fair values		426,854	71,930
Accumulated losses		(552,376)	(582,020)
		29,072	(358,224)
Minority Interests		4,679	2,367
Total equity (deficiency of funds)		33,751	(355,857)
Non-current liabilities			
Non-current portion of term loans		5,297,626	3,741,236
Loan from the Government of Qatar		649,082	649,082
Government grants		2,583	-
Employees' end of service benefits		64,098	43,627
		6,013,389	4,433,945
Current liabilities			
Accounts payable and accruals		1,096,278	684,356
Unearned revenue		326,168	256,538
Bank overdrafts		41,407	26,897
Current portion of term loans		1,057,005	975,826
		2,520,858	1,943,617
TOTAL EQUITY AND LIABILITIES		8,567,998	6,021,705

.....

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 March 2005

	2005 QR'000	*2004 QR'000*
OPERATING ACTIVITIES		
Net profit before taxation and minority interests	**53,977**	94,207
Adjustments for:		
Depreciation	**355,332**	214,916
(Gain) loss on disposal of assets	**(483)**	965
Provision for employees' end of service benefits	**24,850**	14,668
Gain on disposal of available-for-sale investments	**(210,971)**	(71,412)
Deferred credits written back	**-**	(585)
Finance costs	**180,438**	101,102
Operating profit before working capital changes	**403,143**	353,861
Inventories	**(45,420)**	(29,505)
Accounts receivables	**(14,265)**	(213,861)
Accounts payable and unearned revenue	**483,713**	270,289
Cash from operations	**827,171**	380,784
Finance costs	**(180,438)**	(101,102)
Taxes paid	**(18,966)**	(11,742)
Employees' end of service benefits paid	**(4,379)**	(3,445)
Net cash from operating activities	**623,388**	264,495
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	**(2,388,657)**	(1,767,598)
Additions to aircraft for sale	**-**	(33,768)
Net movement in investments in subsidiary and associates	**(16,185)**	-
Net movement in available for sale investments	**135,435**	(97,036)
Proceeds from sale of property, plant and equipment	**1,568**	782
Net movement in loans to related parties	**10,000**	(10,000)
Proceeds from sale of aircraft	**33,768**	-
Net cash used in investing activities	**(2,224,071)**	(1,907,620)
FINANCING ACTIVITIES		
Loan from the Government of Qatar	**-**	199,230
Net term loan drawndown	**1,637,569**	1,797,137
Net cash from financing activities	**1,637,569**	1,996,367
INCREASE IN CASH AND CASH EQUIVALENTS	**36,886**	353,242
Cash and cash equivalents at the beginning of the year	**515,266**	162,024
CASH AND CASH EQUIVALENTS AT 31 MARCH	**552,152**	515,266

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2005

	Attributable to equity holders of the parent						*Minority interest*	*Total Equity (deficiency of funds)*
	Share capital QR'000	*Share premium QR'000*	*Legal reserve QR'000*	*Cumulative changes in fair values QR'000*	*Accumulated losses QR'000*	*Total QR'000*	*QR'000*	*QR'000*
Balance at 31 Mach 2003	143,800	200	6	1,736	(654,334)	(508,592)	664	(507,928)
Net movement in unrealised gains on available for sale investments	-	-	-	61,008	-	61,008	-	61,008
Net unrealised gain on revaluation of derivative financial instruments	-	-	-	9,186	-	9,186	-	9,186
Net income recognised directly in equity	-	-	-	70,194	-	70,194	-	70,194
Net profit for the year	-	-	-	-	80,174	80,174	1,703	81,877
Total income and expenses for the year	-	-	-	70,194	80,174	150,368	1,703	152,071
Transfer to legal reserve	-	-	7,860	-	(7,860)	-	-	-
Balance at 31 March 2004	**143,800**	**200**	**7,866**	**71,930**	**(582,020)**	**(358,224)**	**2,367**	**(355,857)**

The attached notes 1 to 10 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year Ended 31 March 2005

	Attributable to equity holders of the parent						*Minority interest*	*Total Equity (deficiency of funds)*
	Share capital QR'000	*Share premium QR'000*	*Legal reserve QR'000*	*Cumulative changes in fair values QR'000*	*Accumulated losses QR'000*	*Total QR'000*	*QR'000*	*QR'000*
Balance at 31 Mach 2e004	143,800	200	7,866	71,930	(582,020)	(358,224)	2,367	(355,857)
Net movement in unrealised gains on available for sale investments	-	-	-	238,783	-	238,783	-	238,783
Net unrealised gain on revaluation of derivative financial instruments	-	-	-	116,141	-	116,141	-	116,141
Net income recognised directly in equity	-	-	-	354,924	-	354,924	-	354,924
Net profit for the year	-	-	-	-	32,372	32,372	2,312	34,684
Total income and expenses for the year	-	-	-	354,924	32,372	387,296	2,312	389,608
Transfer to legal reserve	-	-	2,728	-	(2,728)	-	-	-
Balance at 31 March 2005	**143,800**	**200**	**10,594**	**426,854**	**(552,376)**	**29,072**	**4,679**	**33,751**

The attached notes 1 to 10 form part of these financial statements.

1 ACTIVITIES

Qatar Airways Q.C.S.C. (the "Company") is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activities of Qatar Airways Q.C.S.C. and its consolidated subsidiaries comprise:

- Commercial air-transportation which includes passengers and cargo services;
- Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
- Trading in duty free goods at Doha International Airport;
- Distribution of certain beverages in Qatar.
- Public relation, advertising, marketing and promotional activities in Qatar.
- Marketing, distribution, installation and maintenance of airline reservation and travel agency system.

The Company employed 5,016 employees as of 31 March 2005 (2004: 5,009).

The consolidated financial statements for the year ended 31 March 2005 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of Qatar Airways Q.C.S.C. for the year ended 31 March 2005 were authorised for issue by the directors on 28 July 2005.

2 GOING CONCERN

The losses incurred by the Group in the past has created accumulated losses as at 31 March 2005 which exceeds 50% of the share capital of the Company.

Article 46 of the Articles of Association of the Company requires that the Board of Directors shall convene an Extra-Ordinary General Assembly to decide whether the situation requires dissolution of the Company or to decrease its capital or to take any other suitable measures. In the Extra-Ordinary General Assembly dated 28 July 2005, the shareholders have resolved to continue the operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved to continue operations in its Extra-Ordinary General Assembly.

(b) The shareholders have resolved to continue to make funds available to the Company to allow it to meet its liabilities as they fall due.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards issued, or adopted by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee and applicable requirements of Qatar Commercial Companies Law No. 5 of 2002.

The consolidated financial statements have been presented in Qatari Riyals and all values are rounded to the nearest thousand (QR'000) except when otherwise indicated.

Basis of consolidation

(a) The consolidated financial statements incorporate the financial statements of Qatar Airways Q.C.S.C. and its subsidiaries for the year ended 31 March 2005. Subsidiaries are consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group. All significant inter-company balances, transactions and profits have been eliminated on consolidation.

(b) Subsidiary companies are companies in which the Group has more than 50% of the capital or in which it is able to appoint management and control company policy. The consolidated financial statements incorporate the financial statements of the Company and each of the following subsidiary companies at the balance sheet date:

	Ownership	Country of incorporation
United Media International Company W.L.L.	100%	Qatar
Lambrini Holding Ltd.	100%	United Kingdom
Amadeus Qatar W.L.L.	60%	Qatar

Financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(c) Minority interests comprise shareholders funds of subsidiary companies which are attributable to outside shareholders.

(d) The results of Qatar Media Company has not been consolidated as its results and net assets are not considered material to the Group as whole. This investment is shown at cost less provision for impairment, if any.

Accounting convention
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and derivative financial instruments.

The accounting policies are consistent with those used in the previous year.

Revenue recognition
All passenger and cargo billings are recorded in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis.

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight-line basis over the terms of the lease.

Revenues on goods sold and services provided represent the invoiced value of goods supplied or services provided.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Commission
Commission expenses are deducted from revenue when transportation is provided. Commissions paid to agents for unprovided services are shown under unearned revenue.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost. Major expenses incurred on the improvement of aircraft and interest on loans obtained for the financing of aircraft and additions of related equipment are capitalised until the first commercial flight.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less their estimated residual value on a straight-line basis over the estimated economic life of each asset.

The estimated residual values and useful lives of the Group's assets for the calculation of depreciation are as follows:

Asset Type	*Estimated Residual Value*	*Estimated Economic Life*
A300 aircraft and related items	55-60%	3-7 years
A319/A320/A321 aircraft and related items	20%	5-15 years
A330 aircraft and related items	20%	5-15 years
Rotable and repairable spare parts	20%	7 years
Spare engines	20%	7-12 years
Buildings	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	3-7 years
Catering plant and equipment	Nil	6-7 years
Ground handling equipment	Nil	6-7 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

Borrowing costs
Interest and other financing costs attributable to the acquisition of aircraft and related items up to the date on which these are put to use are capitalised and form part of property, plant and equipment. These costs are amortised over the life of the respective assets.

Aircraft and engine overhaul costs
Maintenance costs incurred on major overhauls of owned aircraft, engines and equipment are capitalised when incurred and depreciated over the period to the next overhaul. Other maintenance costs are expensed when incurred.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Available-for-sale investments
After initial recognition, investments are classified as "available-for-sale," and are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity, along with any transitional adjustment to cumulative changes in fair values arising from the adoption of IAS 39, is included in the income statement for the period.

Investments in associates
The Group's investment in its associates is accounted for under the equity method of accounting. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The reporting dates of the associates and the Group are identical and both use consistent accounting policies.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

Goods for resale	:	weighted average purchase cost
Others	:	purchase cost on a first-in, first-out basis

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash, net of outstanding bank overdrafts.

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans
The Group's term loans are carried on the balance sheet at the principal amount. Instalments due within one year are shown as a current liability. Interest costs other than that capitalised is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Provisions
Provisions are recognised when the company has an obligation (legal and constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Leases
Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Employees' end of service benefits
The Group provides for end of service benefits determined in accordance with its policy based on employee's salaries and the number of years of service. The expected costs of these benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the company. Accordingly, the company has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Qatari employees, the Group makes contributions to a Government Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Frequent flyer programme
Qatar Airways maintains a frequent flyer programme that provides a variety of rewards to programme members based on mileage credit for flights on Qatar Airways. Members can also accrue miles by utilising the services of non-airline programme participants. Miles accrued through utilising the services of programme partners are paid for by the participating partners and the resulting revenue is recorded as other operating income. The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is recognised as a current liability as programme members accrue miles.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Deferred credits
The Group receives credits from manufacturers and lessors in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction to the cost of the aircraft and engines except where the aircraft are held under operating leases in which case the credits are deferred and reduced from the operating lease rentals on a straight-line basis over the period of the related lease.

Derecognition of financial instruments
The derecognition of financial instruments takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Derivative financial instruments
The Group uses interest rate swap contracts to hedge its risk associated with interest rate fluctuations relating to the interest payments on the company's term loan. These interest rate swap contracts are stated at fair market value. The Group classifies hedges as cash flow hedges where they hedge the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. The interest rate swap contracts have been classified as cash flow hedges and meet the conditions for special hedge accounting. The portion of the gain or loss from re-measuring the interest rate swap at fair value, that is determined to be an effective hedge, is recognised directly in equity as cumulative changes in fair value and the ineffective portion is recognised in the income statement. The fair value of the interest rate swap agreements is included in "current assets" in case of favourable contracts and "current liabilities " in case of unfavourable contracts.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Derivative financial instruments (continued)
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualified for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Trade and settlement date accounting
All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

One of the subsidiaries is liable for Qatar income tax under the provisions of Income Tax Law No. 11 of 1993. Tax liability of the Group is included under "accounts payable and accruals".

Fair values
For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

Unquoted investments for which fair values cannot be reliably measured are stated at cost.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates.

4 PROPERTY, PLANT AND EQUIPMENT

	Aircraft and related items QR'000	*Aircraft spare engines and rotable spare parts QR'000*	*Buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant & equipment QR'000*	*Ground handling equipment QR'000*	*Capital work in progress QR'000*	*Total QR'000*
Cost:								
At 1 April 2004	3,492,565	379,915	64,060	140,939	5,899	47,254	938,733	5,069,365
Additions	-	278,239	5,275	40,795	355	11,802	2,054,774	2,391,240
Transfers	1,971,735	-	3,796	12,597	305	50	(1,988,483)	-
Disposals/write offs	-	-	(184)	(3,587)	-	-	-	(3,771)
At 31 March 2005	5,464,300	658,154	72,947	190,744	6,559	59,106	1,005,024	7,456,834
Depreciation:								
At 1 April 2004	254,128	108,822	11,438	58,718	1,232	16,605	-	450,943
Provided during the year	271,930	40,695	5,408	28,211	919	8,169	-	355,332
Relating to disposals/write offs	-	-	-	(2,686)	-	-	-	(2,686)
At 31 March 2005	526,058	149,517	16,846	84,243	2,151	24,774	-	803,589
Net book values:								
At 31 March 2005	**4,938,242**	**508,637**	**56,101**	**106,501**	**4,408**	**34,332**	**1,005,024**	**6,653,245**
At 31 March 2004	3,238,437	271,093	52,622	82,221	4,667	30,649	938,733	4,618,422

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment with a net book value of QR 4,660,637 (2004: QR 3,137,215,187) is mortgaged as security for certain term loans.

The additions and transfers include capitalised borrowing cost of QR 8,115,405 (2004 : QR 11,951,127). A capitalisation rate of 100% has been used up to the date when substantially all the activities necessary to bring the qualifying asset for its intended use are complete.

Capital work in progress includes construction of a warehouse on a piece of land received as grant from the Government of the State of Qatar, the fair value of which is QR 2,583,360.

Aircraft fleet
At 31 March 2005, the aircraft fleet comprised 38 aircraft (2004: 29 aircraft) as follows:

Included in fixed assets:

	2005	*2004*
Airbus A319	**2**	1
Airbus A300	**2**	2
Airbus A320/A321	**12**	9
Airbus A330	**8**	5
Bombardier	**1**	-
	25	17

One Airbus A319 aircraft, twelve A320/321 aircraft and eight A330 aircraft are registered in the names of certain special purpose companies that have been set up to securitise the respective finance obligations for each aircraft. These aircraft have been reflected in the financial statements as fixed assets as the company retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would for an asset registered in its own name.

Under operating lease:

The company also has the following aircraft under operating lease agreements which it operates.

	2005	*2004*
Airbus A300	**7**	7
Airbus A320	**1**	3
Airbus A330	**5**	2
	13	12

5 CONTINGENT LIABILITIES

(i) A previous GSA of the Company has filed a lawsuit claiming QR 109,894,200 for losses and damages suffered as a result of cancellation of the GSA agreement. The Company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability.

(ii) A previous GSA of the Company has filed a lawsuit claiming QR 11,538,000 for losses and damages suffered as a result of cancellation of the GSA agreement. The Company's lawyer is of the opinion that Jordanian court has no jurisdiction to entertain the suit. The company has filed an appeal and appellate court has not yet heard the case. The court will go into the merits of the case only after deciding on territorial jurisdiction.

(iii) A lawsuit has been filed by a passenger of the Company claiming QR 7,300,000 for losses suffered due to lost baggage. This is an insurance related claim and the amount, if any, will be paid by the insurance company. The Group's lawyer is of the opinion that the claim will not give rise to a material liability for the company.

(iv) Performance bonds, letters of credit and letters of guarantee issued by the Group's bankers on behalf of the Group amounted to QR 36,839,301 (2004: QR 36,491,559).

6 COMMITMENTS UNDER AIRCRAFT PURCHASE CONTRACTS

(a) Commitments for the purchase of aircraft and engines

The Group has entered into contracts for the purchase of aircraft and engines over the period 2005 to 2010 with total capital commitment of QR 9,909 million (2004: QR 13,262 million).

Delivery schedule of the aircraft is as follows:

Financial year	*Number of Aircraft*
2005 – 2007	20
2007 – 2010	3
	23

(b) Investments

The Group's outstanding commitment towards investment in Qatar Media Company as at 31 March 2005 amounted to QR 1.8 million.

(b) Others

The Group raised various orders during the month of March 2005 amounting to QR 8.5 million (2004 : QR 66 million) to purchase rotables, spares and other aircraft related items. The Group expects to receive them within three to six months thereafter. Estimated other capital expenditure contracted for at the balance sheet date is QR 4.0 million (2004 : Nil).

7 COMMITMENTS UNDER OPERATING LEASES

The Group operates 13 (2004 : 12) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2005 QR'000	*2004 QR'000*
Amounts payable:		
Within one year	**174,129**	124,244
Within two to five years	**530,156**	435,096
	704,285	559,340

8 FINANCIAL RISK MANAGEMENT

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts and term loans).

The Group entered in to interest rate swap contracts to manage the Group's interest rate exposure. The interest rate swap contracts are designed to hedge the Group's interest rate exposure to upward movement of interest rates on loan drawdowns. The contract consists of ten separate swap deals and are match with a substantial portion of the outstanding floating rate term debt obligations of the Group and cover the period from august 2004 to august 2015.The swap contracts have been executed to swap the effective LIBOR rate on the long term loans with a fixed rates ranging from 3.365% to 3.725%.

Credit risk
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group sells its tickets through appointed sales agents in each country in which it operates flights. It further provides ground handling services to various airlines operating in Qatar and distributes beverages and sales duty free goods to various customers. Its five largest debtors account for 31% of outstanding accounts receivable at 31 March 2005 (2004: 39%).

Liquidity risk
The Group limits its liquidity risk by ensuring bank facilities are available. Further, the shareholders have resolved to make funds available to the Company to allow it to meet its liabilities as they fall due (Refer Note 2). The Group's terms of sales require amounts to be paid within 30-45 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase in case of local supplies and 30 days in case of foreign supplies.

Currency risk
The Group does not hedge its exposure to foreign currency on account of anticipated purchases of aircraft and spare parts. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk. The Group's exposure to currency risk is limited to currencies other than US Dollars.

Trade accounts and notes payable include an amount of QR 349,414,643 (2004: QR 148,314,454) due in foreign currencies, mainly US Dollars.

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses. Derivatives consist of interest rate swap contracts.

The fair values of the financial instruments, with the exception of certain available-for-sale investments, investments in subsidiaries and the loans from the government of Qatar carried at cost, are not materially different from their carrying values.

10 COMPARATIVE AMOUNTS

The corresponding figures for 2004 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect the previously reported net profit or deficiency of funds.

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Qatar Airways Q.C.S.C.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2006



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AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C.

We have audited the accompanying consolidated balance sheet of Qatar Airways Q.C.S.C. (the "Company") and its subsidiaries (the "Group") as of 31 March 2006, from which the summarised consolidated financial statements were derived in accordance with International Standards on Auditing. In our report dated 25 September 2006 we expressed an unqualified opinion on the statements from which the summarised consolidated financial statements were derived.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year and the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report therein.

A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date : 25 September 2006
Doha

ERNST & YOUNG Doha

Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT

Year Ended 31 March 2006

	2006 ***QR'000***	*2005* *QR'000*
REVENUE		
Operating revenue	**4,874,134**	3,408,419
Operating expenses	**(5,355,839)**	(3,500,923)
GROSS LOSS	**(481,705)**	(92,504)
Other operating income	**691,024**	378,750
General and administrative expenses	**(506,009)**	(338,406)
Other income	**192,968**	74,681
Finance costs	**(283,898)**	(182,740)
(Loss) profit on sale of property, plant and equipment	**(194)**	483
Gain on foreign exchange	**197**	9,250
Provision for bad and doubtful debts	**(30,412)**	(5,189)
Gains on disposal of available-for-sale investments	**14,054**	209,652
(LOSS) PROFIT BEFORE TAXATION	**(403,975)**	53,977
Taxation	**(27,049)**	(19,293)
(LOSS) PROFIT FOR THE YEAR	**(431,024)**	34,684
Attributable to:		
Equity holders of the parent	**(433,499)**	32,372
Minority interests	**2,475**	2,312
	(431,024)	34,684

The attached notes 1 to 11 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	Note	2006 QR'000	2005 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	9,209,817	6,653,245
Investment in an associate		14,000	14,000
Investment in a subsidiary		2,185	2,185
Available-for-sale investments		968,574	545,536
Intangibles		63,188	-
		10,257,764	7,214,966
Current assets			
Inventories		218,185	147,229
Accounts receivable and prepayments		1,071,358	612,244
Bank balances and cash		568,468	593,559
		1,858,011	1,353,032
TOTAL ASSETS		12,115,775	8,567,998
EQUITY AND LIABILITIES			
(Deficiency of funds) equity attributable to equity holders of the parent			
Share capital		143,800	143,800
Legal reserve		10,794	10,794
Cumulative changes in fair values		543,649	426,854
Accumulated losses		(985,875)	(552,376)
Foreign currency translation reserve		(997)	-
		(288,629)	29,072
Minority interests		4,274	3,399
Total (deficiency of funds) equity		(284,355)	32,471
Non-current liabilities			
Loan from the Government of Qatar		649,082	649,082
Non-current portion of term loans		7,872,082	5,297,626
Government grants		2,583	2,583
Employees' end of service benefits		92,633	64,098
		8,616,380	6,013,389
Current liabilities			
Accounts payable and accruals		1,454,497	1,033,828
Unearned revenue		800,139	389,898
Bank overdrafts		72,620	41,407
Current portion of term loans		1,456,494	1,057,005
		3,783,750	2,522,138
Total liabilities		12,400,130	8,535,527
TOTAL EQUITY AND LIABILITIES		12,115,775	8,567,998

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Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 11 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 March 2006

	2006 ***QR'000***	*2005* *QR'000*
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(403,975)**	53,977
Adjustments for:		
Depreciation	**477,172**	355,332
Loss (gain) on sale of property, plant and equipment	**194**	(483)
Provision for employees' end of service benefits	**34,720**	24,850
Gain on disposal of available-for-sale investments	**(14,054)**	(209,652)
Interest income	**(17,044)**	(3,442)
Dividend income	**(10,586)**	(3,621)
Finance costs	**283,898**	182,740
Operating profit before working capital changes	**350,325**	399,701
Inventories	**(70,956)**	(45,420)
Accounts receivable	**(393,822)**	(14,265)
Accounts payable and unearned revenue	**821,243**	484,993
Cash from operations	**706,790**	825,009
Finance costs	**(283,898)**	(182,740)
Taxes paid	**(26,961)**	(18,966)
Employees' end of service benefits paid	**(6,185)**	(4,379)
Net cash from operating activities	**389,746**	618,924
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(3,035,879)**	(2,388,657)
Additions to intangibles	**(63,188)**	-
Net movement in investments in subsidiary and associates	**-**	(16,185)
Additions to available-for-sale investments	**(378,004)**	(350,221)
Proceeds from sale of available-for-sale investments	**30,102**	484,337
Proceeds from sale of property, plant and equipment	**1,050**	1,568
Net movement in loans to related parties	**-**	10,000
Dividend paid to minority interests	**(1,600)**	(1,280)
Proceeds from sale of aircraft	**-**	33,768
Dividend income	**10,586**	3,621
Interest income	**17,044**	3,442
Net cash used in investing activities	**(3,419,889)**	(2,219,607)
FINANCING ACTIVITIES		
Net term loan drawndown	**2,973,945**	1,637,569
Net cash from financing activities	**2,973,945**	1,637,569
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(56,198)**	36,886
Net foreign exchange difference	**(106)**	-
Cash and cash equivalents at the beginning of the year	**552,152**	515,266
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**495,848**	552,152

The attached notes 1 to 11 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2006

	Attributable to equity holders of the parent						*Minority interests*	*Total equity (deficiency of funds)*
	Share capital QR'000	*Legal reserve QR'000*	*Cumulative changes in fair values QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*QR'000*	*QR'000*
Balance at 1 April 2004	143,800	8,066	71,930	(582,020)	-	(358,224)	2,367	(355,857)
Net movement in unrealised gains on available for sale investments	-	-	238,783	-	-	238,783	-	238,783
Net movement in unrealised gain on revaluation of derivative financial instruments	-	-	116,141	-	-	116,141	-	116,141
Total income and expense for the year recognised directly in equity	-	-	354,924	-	-	354,924	-	354,924
Profit for the year	-	-	-	32,372	-	32,372	2,312	34,684
Total income and expense for the year	-	-	354,924	32,372	-	387,296	2,312	389,608
Transfer to legal reserve	-	2,728	-	(2,728)	-	-	-	-
Adjustments arising from dividend payments of subsidiaries	-	-	-	-	-	-	(1,280)	(1,280)
Balance at 31 March 2005	143,800	10,794	426,854	(552,376)	-	29,072	3,399	32,471

The attached notes 1 to 11 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year Ended 31 March 2006

	Attributable to equity holders of the parent						*Minority interests*	*Total equity (deficiency of funds)*
	Share capital QR'000	*Legal reserve QR'000*	*Cumulative changes in fair values QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*QR'000*	*QR'000*
Balance at 1 April 2005	143,800	10,794	426,854	(552,376)	-	29,072	3,399	32,471
Net movement in unrealised gains on available for sale investments	-	-	61,082	-	-	61,082	-	61,082
Net movement in unrealised gain on revaluation of derivative financial instruments	-	-	55,713	-	-	55,713	-	55,713
Translation on difference on net assets in foreign operations	-	-	-	-	(997)	(997)	-	(997)
Total income and expense for the year recognised directly in equity	-	-	116,795	-	(997)	115,798	-	115,798
Loss for the year	-	-	-	(433,499)		(433,499)	2,475	(431,024)
Total income and expense for the year	-	-	116,795	(433,499)	(997)	(317,701)	2,475	(315,226)
Adjustments arising from dividend payments of subsidiaries	-	-	-	-	-	-	(1,600)	(1,600)
Balance at 31 March 2006	**143,800**	**10,794**	**543,649**	**(985,875)**	**(997)**	**(288,629)**	**4,274**	**(284,355)**

The attached notes 1 to 11 form part of these financial statements.

1 ACTIVITIES

Qatar Airways Q.C.S.C. (the "Company") is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activities of Qatar Airways Q.C.S.C. and its consolidated subsidiaries comprise:

- Commercial air-transportation which includes passengers and cargo services;
- Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
- Trading in duty free goods at Doha International Airport;
- Distribution of certain beverages in Qatar;
- Public relations, advertising, marketing and promotional activities in Qatar; and
- Marketing, distribution, installation and maintenance of airline reservation and travel agency systems.

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of Qatar Airways Q.C.S.C. for the year ended 31 March 2006 were authorised for issue by the directors on 25 September 2006.

2 GOING CONCERN

The accumulated losses as at 31 March 2006 exceed 50% of the share capital of the Company. In such a case, Article 46 of the Articles of Association of the Company requires that the Board of Directors shall convene an Extraordinary General Assembly to decide whether the situation requires dissolution of the Company or to decrease its capital or to take any other suitable measures. In the Extraordinary General Assembly dated 25 September 2006, the shareholders have resolved to continue the operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved in the Extraordinary General Assembly to continue with the operations of the Company; and

(b) The shareholders have resolved in the Extraordinary General Assembly to continue to make funds available to the Company to allow it to meet its liabilities as they fall due.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards issued, or adopted by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee, and the applicable requirements of Qatar Commercial Companies Law No. 5 of 2002.

The financial statements have been presented in Qatari Riyals which is the presentation and functional currency of the Company and all values are rounded to the nearest thousand (QR'000) except when otherwise indicated.

Basis of consolidation

(a) The consolidated financial statements incorporate the financial statements of Qatar Airways Q.C.S.C. and its consolidated subsidiaries for the year ended 31 March 2006. Subsidiaries are consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group. All significant inter-company balances, transactions and profits have been eliminated on consolidation.

(b) Subsidiary companies are companies in which the Group has more than 50% of the capital or in which it is able to appoint management and control company policy. The consolidated financial statements incorporate the financial statements of the Company and each of the following subsidiary companies at the balance sheet date:

	Ownership	Country of incorporation
Lambrini Holding Ltd.	100%	United Kingdom
Amadeus Qatar W.L.L.	60%	Qatar

Financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(c) Minority interests comprise shareholders' funds of subsidiary companies which are attributable to outside shareholders.

(d) The results of Qatar Media Company has not been consolidated as its results and net assets are not considered material to the Group as whole. This investment is shown at cost less provision for impairment, if any.

Accounting convention
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of quoted available-for-sale investments and derivative financial instruments.

The accounting policies are consistent with those used in the previous year.

IASB Standards and Interpretations issued but not adopted
The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Company:

IFRS 7 *Financial instruments: Disclosure*
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 8 Scope of IFRS 2.

The application of these standards on Interpretations, which will take place after 31 March 2006 as required by the IASB, is not expected to have a material impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition
All passenger and cargo billings are recorded in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis based on the terms and conditions of the ticket and historical trends

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight-line basis over the terms of the lease.

Revenues on goods sold and services provided represent the invoiced value of goods supplied or services provided.

Commission
Commission expenses are deducted from revenue when transportation is provided. Commissions paid to agents for unprovided services are shown under unearned revenue.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost. Major expenses incurred on the improvement of aircraft and interest on loans obtained for the financing of aircraft and additions of related equipment are capitalised until the first commercial flight.

Depreciation is provided on all property, plant and equipment, except on land , at rates calculated to write off the cost of the assets less their estimated residual value on a straight-line basis over the estimated economic life of each asset. Land is not depreciated.

The estimated residual values and useful lives of the Group's assets for the calculation of depreciation are as follows:

Asset Type	*Estimated Residual Value*	*Estimated Economic Life*
A300 aircraft and related items	55-60%	3-7 years
A319/A320/A321 aircraft and related items	20%	5-15 years
A330 aircraft and related items	20%	5-15 years
Rotable and repairable spare parts	20%	7 years
Spare engines	20%	7-12 years
Buildings	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	3-7 years
Catering plant and equipment	Nil	6-7 years
Ground handling equipment	Nil	6-7 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

The assets' residual value, useful lives and methods are reviewed and adjusted if appropriate, at each financial year end.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Borrowing costs
Interest and other financing costs attributable to the acquisition of aircraft and related items up to the date on which these are put to use are capitalised and form part of property, plant and equipment. These costs are amortised over the life of the respective assets.

Aircraft and engine overhaul costs
Maintenance costs incurred on major overhauls of owned aircraft, engines and equipment are capitalised when incurred and depreciated over the period to the next overhaul. Other maintenance costs are expensed when incurred.

Available-for-sale investments
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the investments. Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity, is included in the income statement for the period.

Intangibles
Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investments in associate
The Group's investment in its associates is accounted for under the equity method of accounting. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The reporting dates of the associates and the Group are identical and both use consistent accounting policies.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

Goods for resale	:	weighted average purchase cost
Others	:	purchase cost on a first-in, first-out basis

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash, net of outstanding bank overdrafts.

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans
The Group's term loans are carried on the balance sheet at the principal amount. Instalments due within one year are shown as a current liability. Interest costs other than those capitalised are charged as an expense as the interest accrues, with unpaid amounts included in "accounts payable and accruals".

Provisions
Provisions are recognised when the Group has an obligation (legal and constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term or other systematic basis representative of the time pattern of the lease benefits.

Employees' end of service benefits
The Group provides for end of service benefits determined in accordance with its policy based on employee's salaries and the number of years of service. The expected costs of these benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Group. Accordingly, the Group has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Qatari employees, the Group makes contributions to a Government Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Frequent flyer programme

Qatar Airways maintains a frequent flyer programme that provides a variety of rewards to programme members based on mileage credit for flights on Qatar Airways. Members can also accrue miles by utilising the services of non-airline programme participants. Miles accrued through utilising the services of programme partners are paid for by the participating partners and the resulting revenue is recorded as other operating income. The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is recognised as a current liability as programme members accrue miles.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The functional currency of the foreign subsidiary Lambrini Holding Limited, is the Pound Sterling. As at the reporting date, the assets and liabilities of the subsidiary are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and the income statement is transacted at the average exchange rate for the year. The exchange difference arising on the transaction is taken directly to a separate component of equity.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where:

- *the rights to receive cash flows from the asset have expired;*
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the *maximum amount of consideration that the Group could be required to repay.*

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Derivative financial instruments
The Group uses interest rate swap contracts to hedge its risk associated with interest rate fluctuations relating to the interest payments on the Group's term loans. These interest rate swap contracts are stated at fair market value. The Group classifies hedges as cash flow hedges where they hedge the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. The interest rate swap contracts have been classified as cash flow hedges and meet the conditions for special hedge accounting. The portion of the gain or loss from re-measuring the interest rate swap at fair value, that is determined to be an effective hedge, is recognised directly in equity as cumulative changes in fair value and the ineffective portion is recognised in the income statement. The fair value of the interest rate swap agreements is included in "current assets" in case of favourable contracts and "current liabilities " in case of unfavourable contracts.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualified for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Trade and settlement date accounting
All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

One of the subsidiaries is liable for Qatar income tax under the provisions of Income Tax Law No. 11 of 1993. Tax liability of the Group is included under "accounts payable and accruals".

Fair values
For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

Unquoted investments for which fair values cannot be reliably measured are stated at cost.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates.

4 PROPERTY, PLANT AND EQUIPMENT

	Aircraft and related items QR'000	*Aircraft spare engines and rotable spare parts QR'000*	*Buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant and equipment QR'000*	*Ground handling equipment QR'000*	*Capital work in progress QR'000*	*Total QR'000*
Cost:								
At 1 April 2005	5,464,300	658,154	72,947	189,782	6,559	59,106	1,005,024	7,455,872
Additions	-	80,292	5,006	41,294	1,960	6,945	2,900,382	3,035,879
Foreign exchange adjustments	-	-	(891)	-	-	-	-	(891)
Transfers	2,186,363	-	9,004	15,871	-	449	(2,211,687)	-
Disposals/write offs	-	-	(944)	(3,244)	-	-	-	(4,188)
At 31 March 2006	7,650,663	738,446	85,122	243,703	8,519	66,500	1,693,719	10,486,672
Depreciation:								
At 1 April 2005	526,058	149,517	16,846	83,281	2,151	24,774	-	802,627
Provided during the year	353,022	65,162	7,535	41,120	1,083	9,250	-	477,172
Relating to disposals/write offs	-	-	(458)	(2,486)	-	-	-	(2,944)
At 31 March 2006	879,080	214,679	23,923	121,915	3,234	34,024	-	1,276,855
Net book values:								
At 31 March 2006	**6,771,583**	**523,767**	**61,199**	**121,788**	**5,285**	**32,476**	**1,693,719**	**9,209,817**
At 31 March 2005	4,938,242	508,637	56,101	106,501	4,408	34,332	1,005,024	6,653,245

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment with a net book value of QR'000 6,513,983 (2005: QR'000 4,660,637) is mortgaged as security for certain term loans.

The additions and transfers include capitalised borrowing cost of QR'000 17,201 (2005 : QR'000 8,115). A capitalisation rate of 100% has been used up to the date when substantially all the activities necessary to bring the qualifying asset for its intended use are complete.

Buildings include construction of a warehouse on a piece of land received as grant from the Government of the State of Qatar, the fair value of which is QR'000 2,583.

Aircraft fleet
At 31 March 2006, the aircraft fleet comprised 45 aircraft (2005: 38 aircraft) as follows:

Included in property, plant and equipment:

	2006	*2005*
Airbus A319	**2**	2
Airbus A300	**2**	2
Airbus A320/A321	**12**	12
Airbus A330	**13**	8
Bombardier	**2**	1
	31	25

One Airbus A319 aircraft, twelve A320/321 aircraft and thirteen A330 aircraft are registered in the names of certain special purpose companies that have been set up to securitise the respective finance obligations for each aircraft. These aircraft have been reflected in the financial statements as property, plant and equipment as the company retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would for an asset registered in its own name.

Under operating leases:

The company also operates the following aircraft under operating lease agreements:

	2006	*2005*
Airbus A300	**7**	7
Airbus A320	**1**	1
Airbus A330	**6**	5
	14	13

5 CONTINGENT LIABILITIES

(i) A previous General Sales Agent (GSA) of the Company has filed a lawsuit claiming QR'000 109,894 for losses and damages suffered as a result of cancellation of the GSA agreement. The Company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability.

(ii) A previous GSA of the Company has filed a lawsuit claiming QR'000 11,538 for losses and damages suffered as a result of cancellation of the GSA agreement. The Company's lawyer is of the opinion that the Jordanian court has no jurisdiction to entertain the suit. The company has filed an appeal and appellate court has not yet heard the case. The court will go into the merits of the case only after deciding on territorial jurisdiction.

(iii) A lawsuit has been filed by a passenger of the Company claiming QR'000 7,300 for losses suffered due to lost baggage. This is an insurance related claim and the amount, if any, will be paid by the insurance company. The Company's lawyer is of the opinion that the claim will not give rise to a material liability for the company.

(iv) Performance bonds, letters of credit and letters of guarantee issued by the Group's bankers on behalf of the Group amounted to QR'000 144,372 (2005: QR'000 36,839).

6 COMMITMENTS UNDER AIRCRAFT PURCHASE CONTRACTS

(a) Commitments for the purchase of aircraft and engines

The Group has entered into contracts for the purchase of aircraft and engines over the period 2006 to 2010 with total capital commitment of QR 6,741 million (2005: QR 9,909 million).

Delivery schedule of the aircraft is as follows:

Financial year	*Number of Aircraft*
April 2006 – March 2007	20
April 2007 – March 2010	3
	23

(b) Investments

The Group's outstanding commitment in connection with its investment in Qatar Media Company as at 31 March 2006 amounted to QR 1.8 million (2005 : QR 1.8 million)

(c) Others

The Group raised various orders raised up to 31 March 2006 amounting to QR 135.7 million (2005 : QR 8.5 million) to purchase rotables, spares and other aircraft related items. The Group expects to receive them within three to six months thereafter. Estimated other capital expenditure contracted for at the balance sheet date is QR 33.9 million (2005 : QR 4 million).

7 COMMITMENTS UNDER OPERATING LEASES

The Group operates 14 (2005 : 13) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2006 ***QR'000***	*2005* *QR'000*
Amounts payable:		
Within one year	**203,761**	174,129
Within two to five years	**473,788**	530,156
	677,549	704,285

8 FINANCIAL RISK MANAGEMENT

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts and term loans).

The Group entered in to interest rate swap contracts to manage the Group's interest rate exposure. The interest rate swap contracts are designed to hedge the Group's interest rate exposure to upward movement of interest rates on loan drawdowns. The contract consists of sixteen separate swap deals and are match with a substantial portion of the outstanding floating rate term debt obligations of the Group and cover the period from August 2005 to August 2015. The swap contracts have been executed to swap the effective LIBOR rate on the long term loans with a fixed rates ranging from 3.365% to 4.336%.

Credit risk
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual agents and customers and monitoring outstanding receivables.

The Group sells its tickets through appointed sales agents in each country in which it operates flights. It further provides ground handling services to various airlines operating in Qatar and distributes beverages and sells duty free goods to various customers. Its five largest debtors account for 31% of outstanding accounts receivable at 31 March 2006 (2005: 31%).

Liquidity risk
The Group limits its liquidity risk by ensuring bank facilities are available. Further, the shareholders have resolved to make funds available to the Company to allow it to meet its liabilities as they fall due (Refer Note 2). The Group's terms of sales require amounts to be paid within 30-45 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase in case of local supplies and 30 days in case of foreign supplies.

Currency risk
The Group does not hedge its exposure to foreign currency on account of anticipated purchases of aircraft and spare parts. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk. The Group's exposure to currency risk is limited to currencies other than US Dollars.

Trade accounts and notes payable include an amount of QR,000 357,147 (2005: QR'000 349,415) due in foreign currencies, mainly US Dollars.

Trade accounts receivable includes an amount of QR'000 256,655 in foreign currencies (2005: QR'000 182,260), mainly in UAE Dirhams, US Dollars and Euro.

Fuel price risk
The airline industry is exposed to fluctuations in the price of jet fuel. The Group does not hedge its exposure to fuel price risk.

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses. Derivatives consist of interest rate swap contracts.

The fair values of the financial instruments, with the exception of certain available-for-sale investments, investment in subsidiary and loan from the Government of Qatar carried at cost, are not materially different from their carrying values.

10 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were QR'000 592,823 and the provision for doubtful debts was QR'000 62,248. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross inventories were QR'000 220,236 with provisions for old and obsolete inventories of QR'000 2,051. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of intangibles
The Group determines whether intangibles are impaired at least on an annual basis. This requires an estimation of the value in use and fair value less cost to sell the assets. Estimating the value in use requires the Group to make an estimate of the expected future cash flows and to choose a suitable discount rate. The carrying amount of intangibles at 31 March 2006 was QR'000 63,188 and no impairment loss provision has been made.

Impairment of aircraft
A decline in the value of aircraft could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The useful lives and the residual values of aircraft are assessed on each balance sheet date.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; and
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected

In management's judgement, the carrying values of aircraft are not impaired.

11 COMPARATIVE INFORMATION

During the year, certain revenue and expense items have been reclassified. Comparative amounts have been reclassified accordingly; which resulted in the decrease in the gross loss for the year 2005 by QR'000 5,560. There has been no impact on the profit for the year of such reclassification.

In addition, dividend payments of subsidiaries amounting to QR'000 1,280 relating to 31 March 2005 have been reclassified from the comparative accounts payable to minority interest.

Further, the cash flow statements for the comparative year have been reclassified as a result of the above which have resulted in a decrease in net cash from operating activities and an equivalent decrease in net cash used in investing activities by QR'000 4,464.

These changes have been made to improve the quality of information presented.

ASSURANCE AND ADVISORY
BUSINESS SERVICES

Qatar Airways Q.C.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2007

ERNST & YOUNG

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C.

We have audited the accompanying financial statements of Qatar Airways Q.C.S.C. ('the Company'), and its subsidiaries (together the "Group") which comprise the balance sheet as at 31 March 2007 and the income statement, cash flow statement and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C. (continued)

Report on legal and other requirements

Furthermore, in our opinion proper books of account have been kept by the company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the company or on its financial position.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. The losses incurred by the Group has created accumulated losses which exceeds 50% of the share capital as at 31 March 2007 and, as of that date, the Group's current liabilities exceeded its current assets by QR 3,099,544 thousand (2006: QR 1,922,632 thousand). The shareholders of the Company have resolved to continue the operations of the Group as financial support will be made available to enable the Group to meet its liabilities as they fall due.

A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date : 20 September 2007
Doha

CONSOLIDATED INCOME STATEMENT
Year Ended 31 March 2007

	Notes	2007 QR'000	2006 QR'000
REVENUE			
Operating revenue	4	8,062,018	5,739,484
Operating expenses	5	(7,737,622)	(5,663,824)
GROSS PROFIT		324,396	75,660
Other operating income	6	143,128	140,701
General and administrative expenses	7	(743,507)	(511,376)
Other income	8	230,914	191,295
Finance costs	9	(520,331)	(283,900)
Loss on disposal of property, plant and equipment		(528)	(194)
Gain on foreign exchange		34,730	197
Provision for bad and doubtful debts		(14,953)	(30,412)
Gain on disposal of available-for-sale investments		-	14,054
Impairment losses on available-for-sale investments		(80,460)	-
LOSS BEFORE TAXATION	10	(626,611)	(403,975)
Taxation	11	(35,358)	(27,049)
LOSS FOR THE YEAR		(661,969)	(431,024)
Attributable to:			
Equity holders of the parent		(665,198)	(433,499)
Minority interests		3,229	2,475
		(661,969)	(431,024)

The attached notes 1 to 36 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
At 31 March 2007

	Notes	2007 QR'000	2006 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	14,994,271	9,207,234
Investment in an associate	13	14,000	14,000
Investment in a subsidiary	14	2,185	2,185
Available-for-sale investments	15	600,451	968,574
Intangibles	16	63,188	63,188
		15,674,095	10,255,181
Current assets			
Inventories	17	301,101	218,185
Accounts receivable and prepayments	18	1,406,118	1,071,358
Bank balances and cash	19	1,033,294	568,468
		2,740,513	1,858,011
TOTAL ASSETS		18,414,608	12,113,192
DEFICIENCY OF FUNDS AND LIABILITIES			
Deficiency of funds attributable to equity holders of the parent			
Share capital	20	143,800	143,800
Legal reserve	21	10,794	10,794
Cumulative changes in fair values		79,493	543,649
Accumulated losses		(1,647,909)	(982,711)
Foreign currency translation reserve		1,286	(997)
		(1,412,536)	(285,465)
Minority interests		7,271	4,042
Total deficiency of funds		(1,405,265)	(281,423)
Non-current liabilities			
Loan from the Government of Qatar	22	2,818,201	649,082
Non-current portion of term loans	23	11,034,406	7,872,082
Employees' end of service benefits	24	127,209	92,808
		13,979,816	8,613,972
Current liabilities			
Accounts payable and accruals	25	2,020,939	1,451,390
Unearned revenue		1,291,573	800,139
Bank overdrafts	19	46,609	72,620
Current portion of term loans	23	2,480,936	1,456,494
		5,840,057	3,780,643
Total liabilities		19,819,873	12,394,615
TOTAL DEFICIENCY OF FUNDS AND LIABILITIES		18,414,608	12,113,192

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 36 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year Ended 31 March 2007

	Notes	2007 QR'000	2006 QR'000
OPERATING ACTIVITIES			
Loss before taxation		(626,611)	(403,975)
Adjustments for:			
Depreciation	12	704,194	477,172
Impairment of available for sale investments		80,460	-
Loss on disposal of property, plant and equipment		528	194
Provision for employees' end of service benefits	24	45,171	34,720
Gain on disposal of available-for-sale investments		-	(14,054)
Interest income	8	(27,824)	(17,044)
Dividend income	8	(36,287)	(10,586)
Finance costs	9	520,331	283,900
		659,962	350,327
Working capital changes			
Inventories		(82,916)	(70,956)
Accounts receivable		(389,672)	(393,822)
Accounts payable and unearned revenue		1,065,902	821,243
Cash from operations		1,253,276	706,792
Finance costs		(520,331)	(283,900)
Taxes paid		(32,251)	(26,961)
Employees' end of service benefits paid	24	(10,770)	(6,185)
Net cash from operating activities		689,924	389,746
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(6,493,698)	(3,035,879)
Additions to intangibles		-	(63,188)
Additions to available-for-sale investments		(126,924)	(378,004)
Proceeds from sale of available-for-sale investments		-	30,102
Proceeds from sale of property, plant and equipment		1,939	1,050
Dividend paid to minority interests		-	(1,600)
Dividend income		27,824	10,586
Interest income		36,287	17,044
Net cash used in investing activities		(6,554,572)	(3,419,889)
FINANCING ACTIVITIES			
Loan draw downs		9,662,640	4,618,975
Principal repayments		(3,306,755)	(1,645,030)
Net cash from financing activities		6,355,885	2,973,945
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		491,237	(56,198)
Net foreign exchange difference		(400)	(106)
Cash and cash equivalents at the beginning of the year		495,848	552,152
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	19	986,685	495,848

The attached notes 1 to 36 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2007

	Attributable to equity holders of the parent						*Minority interests*	*Total deficiency of funds*
	Share capital QR'000	*Legal reserve QR'000*	*Cumulative changes in fair values QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*QR'000*	*QR'000*
Balance at 1 April 2006	143,800	10,794	543,649	(982,711)	(997)	(285,465)	4,042	(281,423)
Net movement in unrealised gains on available-for-sale investments	-	-	(495,047)	-	-	(495,047)	-	(495,047)
Fair value loss transferred tom income statement on impairment of available-for-sale investments	-	-	80,460	-	-	80,460	-	80,460
Net movement in unrealised gain on revaluation of derivative financial instruments (Note 30)	-	-	(49,569)	-	-	(49,569)	-	(49,569)
Translation on difference on net assets in foreign operations	-	-	-	-	2,283	2,283	-	2,283
Adjustments								
Total income and expense for the year recognised directly in equity	-	-	(464,156)	-	2,283	(461,873)	-	(461,873)
Loss for the year	-	-	-	(665,198)		(665,198)	3,229	(661,969)
Total income and expense for the year	-	-	(464,156)	(665,198)	2,283	(1,127,071)	3,229	(1,123,842)
Balance at 31 March 2007	**143,800**	**10,794**	**79,493**	**(1,647,909)**	**1,286**	**(1,412,536)**	**7,271**	**(1,405,265)**

The attached notes 1 to 36 form part of these financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year Ended 31 March 2007

	Attributable to equity holders of the parent						*Minority interests*	*Total equity (deficiency of funds)*
	Share capital QR'000	*Legal reserve QR'000*	*Cumulative changes in fair values QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*QR'000*	*QR'000*
Balance at 1 April 2005	143,800	10,794	426,854	(552,376)	-	29,072	3,399	32,471
Net movement in unrealised gains on available for sale investments	-	-	61,082	-	-	61,082	-	61,082
Net movement in unrealised gain on revaluation of derivative financial instruments (Note 30)	-	-	55,713	-	-	55,713	-	55,713
Translation on difference on net assets in foreign operations	-	-	-	-	(997)	(997)	-	(997)
Total income and expense for the year recognised directly in equity	-	-	116,795	-	(997)	115,798	-	115,798
Loss for the year	-	-	-	(433,499)		(433,499)	2,475	(431,024)
Total income and expense for the year	-	-	116,795	(433,499)	(997)	(317,701)	2,475	(315,226)
Adjustments arising from dividend payments of subsidiaries	-	-	-	-	-	-	(1,600)	(1,600)
	143,800	10,794	543,649	(985,875)	(997)	(288,629)	4,274	(284,355)
Consolidation adjustments	-	-	-	3,164	-	3,164	(232)	2,932
Balance at 31 March 2006	**143,800**	**10,794**	**543,649**	**(982,711)**	**(997)**	**(285,465)**	**4,042**	**(281,423)**

The attached notes 1 to 36 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2007

1 ACTIVITIES

Qatar Airways Q.C.S.C. (the "Company") is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 23 November 1993 under Commercial Registration No. 160700 and commenced operations during January 1994.

The main activities of Qatar Airways Q.C.S.C. and its consolidated subsidiaries comprise:

- Commercial air-transportation which includes passengers and cargo services;
- Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
- Trading in duty free goods at Doha International Airport;
- Distribution of certain beverages in Qatar;
- Public relations, advertising, marketing and promotional activities in Qatar; and
- Marketing, distribution, installation and maintenance of airline reservation and travel agency systems.

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of Qatar Airways Q.C.S.C. for the year ended 31 March 2007 were authorised for issue by the directors on 20 September 2007.

2 GOING CONCERN

The accumulated losses as at 31 March 2007 exceed 50% of the share capital of the Company. In such a case, Article 46 of the Articles of Association of the Company requires that the Board of Directors shall convene an Extraordinary General Assembly to decide whether the situation requires dissolution of the Company or to decrease its capital or to take any other suitable measures. In the Extraordinary General Assembly dated 20 September 2007, the shareholders have resolved to continue the operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved in the Extraordinary General Assembly to continue with the operations of the Company; and

(b) The shareholders have resolved in the Extraordinary General Assembly to continue to make funds available to the Company to allow it to meet its liabilities as they fall due.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards issued, or adopted by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee, and the applicable requirements of Qatar Commercial Companies Law No. 5 of 2002.

The financial statements have been presented in Qatari Riyals which is the presentation and functional currency of the Company and all values are rounded to the nearest thousand (QR'000) except when otherwise indicated.

Basis of consolidation

(a) The consolidated financial statements incorporate the financial statements of Qatar Airways Q.C.S.C. and its consolidated subsidiaries for the year ended 31 March 2007. Subsidiaries are consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group. All significant inter-company balances, transactions and profits have been eliminated on consolidation.

(b) Subsidiary companies are companies in which the Group has more than 50% of the capital or in which it is able to appoint management and control company policy. The consolidated financial statements incorporate the financial statements of the Company and each of the following subsidiary companies at the balance sheet date:

	Ownership	Country of incorporation
Lambrini Holding Ltd.	100%	United Kingdom
Amadeus Qatar W.L.L.	60%	Qatar

Financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(c) Minority interests comprise shareholders' funds of subsidiary companies which are attributable to outside shareholders.

(d) The results of Qatar Media Company has not been consolidated as its results and net assets are not considered material to the Group as whole. This investment is shown at cost less provision for impairment, if any.

Accounting convention
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of quoted available-for-sale investments and derivative financial instruments.

The accounting policies are consistent with those used in the previous year.

IASB Standards and Interpretations issued but not adopted
The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Company:

IFRS 7 *Financial instruments: Disclosure*
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 8 Scope of IFRS 2.

The application of these standards on Interpretations, which will take place after 31 March 2007 as required by the IASB, is not expected to have a material impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition
All passenger and cargo billings are recorded in the unearned revenue account until recognised as revenue when transportation is provided. Unused tickets are recognised as revenue on a systematic basis based on the terms and conditions of the ticket and historical trends

Revenues from aircraft that are leased to other airlines on operating leases are recognised on a straight-line basis over the terms of the lease.

Revenues on goods sold and services provided represent the invoiced value of goods supplied or services provided.

Commission
Commission expenses are deducted from revenue when transportation is provided. Commissions paid to agents for unprovided services are shown under unearned revenue.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost. Major expenses incurred on the improvement of aircraft and interest on loans obtained for the financing of aircraft and additions of related equipment are capitalised until the first commercial flight.

Depreciation is provided on all property, plant and equipment, except on land , at rates calculated to write off the cost of the assets less their estimated residual value on a straight-line basis over the estimated economic life of each asset. Land is not depreciated.

The estimated residual values and useful lives of the Group's assets for the calculation of depreciation are as follows:

Asset Type	*Estimated Residual Value*	*Estimated Economic Life*
A300 aircraft and related items	55-60%	3-7 years
A319/A320/A321 aircraft and related items	20%	5-15 years
A330 aircraft and related items	20%	5-15 years
A340 aircraft and related items	20%	5-15 years
Rotable and repairable spare parts	20%	7 years
Spare engines	20%	7-12 years
Buildings	Nil	10 years
Furniture, vehicles, ground and office equipment	Nil	3-7 years
Catering plant and equipment	Nil	6-7 years
Ground handling equipment	Nil	6-7 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

The assets' residual value, useful lives and methods are reviewed and adjusted if appropriate, at each financial year end.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Borrowing costs
Interest and other financing costs attributable to the acquisition of aircraft and related items up to the date on which these are put to use are capitalised and form part of property, plant and equipment. These costs are amortised over the life of the respective assets.

Aircraft and engine overhaul costs
Maintenance costs incurred on major overhauls of owned aircraft, engines and equipment are capitalised when incurred and depreciated over the period to the next overhaul. Other maintenance costs are expensed when incurred.

Available-for-sale investments
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the investments. Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity, is included in the income statement for the period.

Intangibles
Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investments in associate
The Group's investment in its associates is accounted for under the equity method of accounting. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The reporting dates of the associates and the Group are identical and both use consistent accounting policies.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition as follows:

Goods for resale	:	weighted average purchase cost
Others	:	purchase cost on a first-in, first-out basis

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories (continued)
Net realisable value is based on the estimated selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash, net of outstanding bank overdrafts.

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans
The Group's term loans are carried on the balance sheet at the principal amount. Instalments due within one year are shown as a current liability. Interest costs other than those capitalised are charged as an expense as the interest accrues, with unpaid amounts included in "accounts payable and accruals".

Provisions
Provisions are recognised when the Group has an obligation (legal and constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term or other systematic basis representative of the time pattern of the lease benefits.

Employees' end of service benefits
The Group provides for end of service benefits determined in accordance with its policy based on employee's salaries and the number of years of service. The expected costs of these benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Group. Accordingly, the Group has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Qatari employees, the Group makes contributions to a Government Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Frequent flyer programme
Qatar Airways maintains a frequent flyer programme that provides a variety of rewards to programme members based on mileage credit for flights on Qatar Airways. Members can also accrue miles by utilising the services of non-airline programme participants. Miles accrued through utilising the services of programme partners are paid for by the participating partners and the resulting revenue is recorded as other operating income. The incremental direct cost of providing free travel as adjusted for estimated redemption rates is recognised as a current liability as programme members accrue miles.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The functional currency of the foreign subsidiary Lambrini Holding Limited, is the Pound Sterling. As at the reporting date, the assets and liabilities of the subsidiary are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and the income statement is transacted at the average exchange rate for the year. The exchange difference arising on the transaction is taken directly to a separate component of equity.

Derecognition of financial assets and liabilities

Financial assets
A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES - continued

Derivative financial instruments
The Group uses interest rate swap contracts to hedge its risk associated with interest rate fluctuations relating to the interest payments on the Group's term loans. These interest rate swap contracts are stated at fair market value. The Group classifies hedges as cash flow hedges where they hedge the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. The interest rate swap contracts have been classified as cash flow hedges and meet the conditions for special hedge accounting. The portion of the gain or loss from re-measuring the interest rate swap at fair value, that is determined to be an effective hedge, is recognised directly in equity as cumulative changes in fair value and the ineffective portion is recognised in the income statement. The fair value of the interest rate swap agreements is included in "current assets" in case of favourable contracts and "current liabilities " in case of unfavourable contracts.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualified for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Trade and settlement date accounting
All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

One of the subsidiaries is liable for Qatar income tax under the provisions of Income Tax Law No. 11 of 1993. Tax liability of the Group is included under "accounts payable and accruals".

Fair values
For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

Unquoted investments for which fair values cannot be reliably measured are stated at cost.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates.

4 OPERATING REVENUE

	2007 QR'000	*2006 QR'000*
Scheduled services:		
Passenger	6,432,269	4,523,428
Cargo	933,672	718,960
	7,365,941	5,242,388
Other operating revenue:		
Sale of duty free goods and beverages	502,771	358,345
Revenue from ground handling services	103,868	84,558
Revenue from aircraft charters	44,922	19,027
Reservation and travel agency revenue	28,192	21,366
In-flight catering and related service charges	10,695	6,932
Advertisement and promotional revenue	5,629	6,868
	696,077	497,096
	8,062,018	5,739,484

5 OPERATING EXPENSES

	2007 QR'000	*2006 QR'000*
Fuel	2,584,596	1,787,510
Salaries, allowances and other benefits	1,121,557	798,106
Landing, ground handling and over flying charges	907,513	676,981
Depreciation	653,124	436,942
Aircraft maintenance and insurance	516,580	430,363
Revenue Commissions	417,666	313,359
Passenger services	399,194	286,134
Cost of sales of duty free goods and beverages	397,473	271,025
Reservations, communications and revenue accounting	329,026	255,352
Aircraft and engine operating lease rentals	235,245	235,769
Advertisement and promotions	139,622	141,420
Frequent flyer programme	36,026	30,863
	7,737,622	5,663,824

6 OTHER OPERATING INCOME

	2007 QR'000	*2006 QR'000*
Credits/refund received from suppliers	**41,074**	35,962
Doha International Airport passenger tax credit	**34,989**	24,170
Forward sales adjustment	**27,255**	42,362
Passenger miscellaneous charges	**15,700**	26,098
Income from in-flight duty free	**13,812**	9,129
Miscellaneous operating income	**5,940**	-
Cargo security charges	**2,798**	1,643
Commission and interline excess provisions written back	**1,560**	1,337
	143,128	140,701

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2007 QR'000	*2006 QR'000*
Salaries, allowances and other benefits	**364,006**	266,112
Legal and consultancy fees	**88,520**	20,870
Rental - office, vehicles, accommodation and equipment	**58,287**	40,104
Depreciation	**51,070**	40,230
Management fees	**31,008**	25,217
Stationery and publication materials	**30,194**	19,704
Repairs, maintenance and insurance	**24,720**	15,489
Communication expenses	**24,390**	19,262
Travelling and deportation expenses	**9,065**	6,066
Provision for departure control system project	**3,406**	4,542
Provision for doubtful funds in Seychelles	-	13,808
Miscellaneous expenses	**58,841**	39,972
	743,507	511,376

8 OTHER INCOME

	2007 QR'000	*2006 QR'000*
Dividend income	**36,287**	10,586
Rechargeable expenses recovered from related parties	**32,949**	30,689
Interest income	**27,824**	17,044
Long outstanding liabilities no longer required written back	**25,205**	8,220
Airport development fee (DIA)	**24,524**	57,085
Maintenance income	**13,151**	6,839
Car park income (DIA)	**12,374**	17,452
Rental income (DIA)	**9,383**	16,084
Miscellaneous income	**49,217**	27,296
	230,914	191,295

9 FINANCE COSTS

	2007 QR'000	*2006 QR'000*
Interest on term loans	494,935	268,962
Interest on overdrafts	4,562	-
Bank charges and commissions	20,834	14,938
	520,331	283,900

10 LOSS BEFORE TAXATION

The loss profit before taxation is stated after charging:

	2007 QR'000	*2006 QR'000*
Total staff costs	1,485,563	1,064,218
Depreciation:		
Operating expenses	653,124	436,942
Administration expenses	51,070	40,230
	704,194	477,172

11 TAXATION

Taxation relates only to certain overseas stations where Qatar Airways is subject to income tax and where tax exemptions are not likely to be obtained. Hence, providing information on effective tax rates is not meaningful.

12 PROPERTY, PLANT AND EQUIPMENT

	Aircraft and related items QR'000	*Aircraft spare engines and rotable spare parts QR'000*	*Buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant and equipment QR'000*	*Ground handling equipment QR'000*	*Capital work in progress QR'000*	*Total QR'000*
Cost:								
At 1 April 2006	7,650,663	738,446	82,539	243,703	8,519	66,500	1,693,719	10,484,089
Additions	-	-	2,096	49,411	1,863	32,938	6,380,160	6,466,468
Foreign exchange adjustments	-	-	1,420	-	-	-	-	1,420
Transfers	5,512,035	306,380	18,956	68,840	-	42,984	(5,949,195)	-
Disposals/write offs	(1,597)	-	-	(3,004)	(472)	(9)	-	(5,082)
At 31 March 2007	13,161,101	1,044,826	105,011	358,950	9,910	142,413	2,124,684	16,946,895
Depreciation:								
At 1 April 2006	879,080	214,679	23,923	121,915	3,234	34,024	-	1,276,855
Provided during the year	548,758	71,008	8,745	57,071	1,367	17,245	-	704,194
Transfers	(25,746)	(493)		429	-	-	-	(25,810)
Relating to disposals/write offs	(271)	-	-	(2,052)	(283)	(9)	-	(2,615)
At 31 March 2007	1,401,821	285,194	32,668	177,363	4,318	51,260	-	1,952,624
Net book values:								
At 31 March 2007	**11,759,280**	**759,632**	**72,343**	**181,587**	**5,592**	**91,153**	**2,124,684**	14,994,271
At 31 March 2006	6,771,583	523,767	58,616	121,788	5,285	32,476	1,693,719	9,207,234

12 PROPERTY, PLANT AND EQUIPMENT -continued

Property, plant and equipment with a net book value of QR'000 11,620,703 (2006: QR'000 6,798,460) is mortgaged as security for certain term loans.

The additions and transfers include capitalised borrowing cost of QR'000 99,668 (2006 : QR'000 17,200). A capitalisation rate of 100% has been used up to the date when substantially all the activities necessary to bring the qualifying asset for its intended use are complete.

Aircraft fleet
At 31 March 2007, the aircraft fleet comprised 58 aircraft (2006: 45 aircraft) as follows:

Included in property, plant and equipment:

	2007	*2006*
Airbus A319	2	2
Airbus A320	10	10
Airbus A321	2	2
Airbus A300	2	2
Airbus A330	21	13
Airbus 340	4	-
Bombardier	2	2
	43	31

One Airbus A319 aircraft, twelve A320/321 aircraft, twenty one A330 aircraft and four A340 aircraft are registered in the names of certain special purpose companies that have been set up to securitise the respective finance obligations for each aircraft. These aircraft have been reflected in the financial statements as property, plant and equipment as the company retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would for an asset registered in its own name. {Also refer to Note 23 }.

Under operating leases:

The company also operates the following aircraft under operating lease agreements:

	2007	*2006*
Airbus A320	2	1
Airbus A300	7	7
Airbus A330	6	6
	15	14

13 INVESTMENT IN AN ASSOCIATE

	Country of Incorporation	*Ownership*	*2007 QR'000*	*2006 QR'000*
Qatar Health Insurance Company	Qatar	20%	**14,000**	14,000

The above company is in the pre-operating stage.

14 INVESTMENT IN A SUBSIDIARY

	Country of Incorporation	*Ownership*	*2007 QR'000*	*2006 QR'000*
Qatar Media Company	Qatar	80%	**2,185**	2,185

15 AVAILABLE-FOR-SALE INVESTMENTS

	2007 QR'000	*2006 QR'000*
Quoted shares	**576,404**	950,665
Unquoted shares	**24,047**	17,909
	600,451	968,574
Cost	**732,890**	605,966
Cumulative changes in fair values	**(51,979)**	362,608
Impairment loss	**(80,460)**	-
	600,451	968,574

The investments in quoted shares include investments in shares at cost amounting to QR'000 708,843 (2006: QR'000 588,057) quoted on the Doha Securities Market.

Investments in certain quoted shares amounting to QR 357 million at cost with a fair value of QR 311 million as at 31 March 2007 are mortgaged as security for term loan (Refer Note 23).

16 INTANGIBLES

	2007 QR'000	*2006 QR'000*
Right to use the slot	**63,188**	**63,188**

The right to use the slot represents payments of GBP 9,740,987 to British Midland International (BMI) for the additional slot for flying through London Heathrow airport. Qatar Airways has title to the slot on a permanent basis and the carrying value of these rights are assessed at the end of each financial year and any difference, if any, is taken to the income statement.

17 INVENTORIES

	2007 QR'000	*2006 QR'000*
Goods for resale and in-transit	**68,602**	64,081
Spare parts	**117,521**	74,273
Catering materials	**67,215**	53,379
Other supplies	**47,763**	26,452
	301,101	218,185

18 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007 QR'000	*2006 QR'000*
Trade accounts receivable	**874,560**	592,823
Prepaid expenses	**107,110**	94,557
Amounts due from related parties (Note 29)	**215,729**	153,717
Positive fair value of derivatives (Note 30)	**135,708**	190,620
Other receivables	**146,269**	101,889
	1,479,376	1,133,606
Provision for bad and doubtful debts	**(73,258)**	(62,248)
	1,406,118	1,071,358

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet items:

	2007 QR'000	*2006 QR'000*
Bank balances and cash	**1,033,294**	568,468
Bank overdrafts	**(46,609)**	(72,620)
	986,685	495,848

Included in bank balances and cash is an amount of QR'000 9,596 (2006 : QR'000 13,809) which is a short term call deposit account held in Seychelles currency in Seychelles. These funds cannot be repatriated due to strict government policies on repatriation of local currencies.

20 SHARE CAPITAL

	2007 QR'000	*2006 QR'000*
14,380,000 (2006 : 143,800) authorised, issued and fully paid shares of QR 10 (2006 : QR 10) each	**143,800**	143,800

21 LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No. 5 of 2002 and the Articles of Association of the Company and a subsidiary, 10% of the profits for the year are required to be transferred to a legal reserve. Transfers may cease when the reserve totals 50% of the share capital. The reserve is not normally available for distribution, except in the circumstances stipulated by the above law. No transfer has been made for the current year due to losses incurred.

22 LOAN FROM THE GOVERNMENT OF QATAR

The loan is unsecured and interest free with no fixed repayment schedule. The loan has been shown as a long term liability as the management does not intend to settle it within 12 months from the date of the balance sheet.

23 TERM LOANS

	2007 QR'000	*2006 QR'000*
The term loans consist of:		
For pre-delivery payments for the purchase of aircraft and spare engines	**455,325**	1,393,272
For purchases of aircraft and spare engines (a)	**11,887,506**	7,723,375
For purchases of other assets	**1,172,511**	211,929
	13,515,342	9,328,576
Non current portion	**11,034,406**	7,872,082
Current portion	**2,480,936**	1,456,494
	13,515,342	9,328,576
The maturity profile of the non-current portion is as follows:		
Due in 2-5 years	**4,949,176**	3,451,749
Due after 5 years	**6,085,230**	4,420,333
	11,034,406	7,872,082

All the term loans, except for a term loan amounting to QR 920 million (2006 : QR 699 million) which bears interest at fixed rates, bear interest at LIBOR/Qatar Central Bank base rate plus margins. Most of the loans are secured by mortgages over assets and/or guarantees given by the Government of the State of Qatar. Further certain term loans are secured by investments in quoted shares.

A series of structured arrangements were entered into by the Group whereby a number of special purpose companies (SPCs) were established for the purpose of purchasing the A319, A320, A321, A330 and A340 aircraft from Airbus Industries. Pursuant to the aircraft purchase agreement and assignment and delegation agreement, these SPCs took title to these aircraft and subsequently the Group entered into agreements with the SPCs to lease the above aircraft. The SPCs entered into Aircraft Mortgage and Security Assignment Agreements with the Security Trustee mortgaging the aircraft and assigning all the rights relating to the aircraft to the Security Trustee. As the Group retains all risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would have for an asset registered in its own name, the assets (refer Note 12) and the liabilities relating to these assets have been included in these financial statements.

24 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	2007 QR'000	*2006 QR'000*
Provision at the beginning of the year	**92,808**	64,273
Provided during the year	**45,171**	34,720
End of service benefits paid	**(10,770)**	(6,185)
	127,209	92,808

25 ACCOUNTS PAYABLE AND ACCRUALS

	2007 QR'000	*2006 QR'000*
Trade accounts and notes payable	**714,680**	494,348
Accrued expenses	**509,681**	487,269
Accrued commission	**110,845**	91,122
Accrued maintenance costs	**378,281**	240,858
Amounts due to related parties (Note 29)	**1,453**	16,057
Other payables	**160,080**	112,157
Negative fair value of derivatives (Note 30)	**4,236**	9,579
Accrued interest	**141,683**	-
	2,020,939	1,451,390

26 CONTINGENT LIABILITIES

(i) A previous General Sales Agent (GSA) of the Company has filed a lawsuit claiming QR'000 109,894 for losses and damages suffered as a result of cancellation of the GSA agreement. The Company's lawyer is of the opinion that the claims are without merit and are unlikely to succeed and will not give rise to a material liability.

(ii) A previous GSA of the Company has filed a lawsuit claiming QR'000 12,856 for losses and damages suffered as a result of cancellation of the GSA agreement. The Company's lawyer is of the opinion that the Jordanian court has no jurisdiction to entertain the suit. The company has filed an appeal and appellate court has not yet heard the case. The court will go into the merits of the case only after deciding on territorial jurisdiction.

(iii) A lawsuit has been filed by a passenger of the Company claiming QR'000 7,300 for losses suffered due to lost baggage. This is an insurance related claim and the amount, if any, will be paid by the insurance company. The Company's lawyer is of the opinion that the claim will not give rise to a material liability for the Company.

(iv) Lawsuits have been filed by four passengers of the company claiming a total amount of QR'000 2,908 for denied boarding in to the aircraft. These are insurance related claims and the amounts, if any, will be paid by the insurance company. The company's lawyer is of the opinion that these claims will not give rise to a material liability for the company.

(v) At 31 March 2007, the Company had contingent liabilities in respect of pperformance bonds, letters of credit and letters of guarantee amounting to QR'000 80,686 (2006: QR'000 144,372) arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

27 COMMITMENTS UNDER AIRCRAFT PURCHASE CONTRACTS

(a) Commitments for the purchase of aircraft and engines

Total capital commitment for the purchase of aircraft and engines are as follows:

	2007 QR'000	*2006 QR'000*
Authorised and contracted	**24,340,441**	6,741,297
Authorised but not contracted	**86,499,515**	-

Delivery schedule of the aircraft is as follows:

Financial year	*Number of Aircraft*
April 2007 – March 2008	12
Beyond 2007-2008	104
	116

(b) Investments

The Company's outstanding commitments towards its investments are as follows:

	2007 QR'000	*2006 QR'000*
Qatar Media Company	**1,815**	1,800
Epicure Mezzanine Income Fund	**6,371**	11,833
	8,186	13,633

(c) Others

The Group raised various orders raised up to 31 March 2007 amounting to QR 45.3million (2006 : QR 135.7 million) to purchase rotables, spares and other aircraft related items. The Group expects to receive them within three to six months thereafter. Estimated other capital expenditure contracted for at the balance sheet date is QR 42 million (2006 : QR 33.9 million).

28 COMMITMENTS UNDER OPERATING LEASES

The Group operates 15 (2006 : 14) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2007 QR'000	*2006 QR'000*
Amounts payable:		
Within one year	**236,970**	203,761
Within two to five years	**581,927**	473,788
	818,897	677,549

29 RELATED PARTY TRANSACTIONS

Related parties represent the associated company and the non-consolidated subsidiary, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the income statement are as follows:

	2007 QR'000	*2006 QR'000*
Rechargeable expenses recovered from related parties	**32,949**	30,689

Loan from the Government of Qatar, amounts due from and due to related parties are disclosed in Notes 22, 18 and 25 respectively.

Compensation of key management personnel
The remuneration of directors and other members of key management during the year was as follows:

	2007 QR'000	*2006 QR'000*
Short-term benefits	**8,152**	9,658
Employees' end of service benefits	**495**	528
	8,647	10,186

30 DERIVATIVE FINANCIAL INTRUMENTS

The Group has sixteen interest rate swap contracts outstanding as at 31 March 2007 in order to hedge the risk of interest rate payments during the period August 2004 to August 2015 with a notional amount of USD'000 879,948. Under the terms of the interest rate swap contracts, the Group pays fixed rates ranging from 3.365% to 4.336% plus a margin and receives floating LIBOR rates plus a margin. The terms of the interest rate swap contracts have been negotiated to match the terms of the commitments. As at 31 March 2007, the measurement of the fair values of interest rate swap contracts resulted in an unrealised gain of QR'000 131,472 (2006 : QR'000 181,041) being recognised in equity as cumulative changes in fair value in respect of these contracts.

31 AGREEMENT ON THE MANAGEMENT, OPERATION AND MAINTENANCE OF DOHA INTERNATIONAL AIRPORT

On 1 June 2006, the Company entered into an agreement with Civil Aviation Authority (CAA) to manage, operate and maintain Doha International Airport. In accordance with the agreement, revenues relating to Doha International Airport operations amounting to QR'000 146,691 for the period from 1 April 2001 till 31 March 2007, have been included in the other income for the year ended 31 March 2007.

32 FINANCIAL RISK MANAGEMENT

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts and term loans).

The Group entered in to interest rate swap contracts to manage the Group's interest rate exposure. The interest rate swap contracts are designed to hedge the Group's interest rate exposure to upward movement of interest rates on loan drawdowns. The contract consists of sixteen separate swap deals and are match with a substantial portion of the outstanding floating rate term debt obligations of the Group and cover the period from August 2006 to August 2015. The swap contracts have been executed to swap the effective LIBOR rate on the long term loans with a fixed rates ranging from 3.365% to 4.336%.

Credit risk
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual agents and customers and monitoring outstanding receivables.

The Group sells its tickets through appointed sales agents in each country in which it operates flights. It further provides ground handling services to various airlines operating in Qatar and distributes beverages and sells duty free goods to various customers. Its five largest debtors account for 35% of outstanding accounts receivable at 31 March 2007 (2006: 31%). .

Liquidity risk
The Group limits its liquidity risk by ensuring bank facilities are available. Further, the shareholders have resolved to make funds available to the Company to allow it to meet its liabilities as they fall due (Refer Note 2). The Group's terms of sales require amounts to be paid within 30-45 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase in case of local supplies and 30 days in case of foreign supplies.

Currency risk
The Group does not hedge its exposure to foreign currency on account of anticipated purchases of aircraft and spare parts. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk. The Group's exposure to currency risk is limited to currencies other than US Dollars.

Trade accounts and notes payable include an amount of QR,000 635,879 (2006: QR'000 357,147) due in foreign currencies, mainly US Dollars.

Trade accounts receivable includes an amount of QR'000 626,834 in foreign currencies (2006: QR'000 256,655), mainly in UAE Dirhams, US Dollars and Euro.

Fuel price risk
The airline industry is exposed to fluctuations in the price of jet fuel. The Group does not hedge its exposure to fuel price risk.

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses. Derivatives consist of interest rate swap contracts.

The fair values of the financial instruments, with the exception of certain available-for-sale investments, investment in subsidiary and loan from the Government of Qatar carried at cost (see Notes 14, 15 and 22 respectively), are not materially different from their carrying values.

34 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were QR'000 874,560 and the provision for doubtful debts was QR'000 73,258. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross inventories were QR'000 305,683 with provisions for old and obsolete inventories of QR'000 4,582. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of intangibles
The Group determines whether intangibles are impaired at least on an annual basis. This requires an estimation of the value in use and fair value less cost to sell the assets. Estimating the value in use requires the Group to make an estimate of the expected future cash flows and to choose a suitable discount rate. The carrying amount of intangibles at 31 March 2007 is QR'000 63,188 and no impairment loss provision has been made.

Impairment of aircraft
A decline in the value of aircraft could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The useful lives and the residual values of aircraft are assessed on each balance sheet date.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; and
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected

In management's judgement, the carrying values of aircraft are not impaired.

35 EVENTS AFTER THE BALANCE SHEET DATE

On 19 April 2007, a leased Airbus A300 was severely destroyed by fire while under maintenance control in the hangar at Abu Dhabi Airport. The excess of the insurance proceeds over the lost stipulation value of the aircraft under sub-lease agreement amounting to QR 91 million were transferred to the Company.

36 COMPARATIVE INFORMATION

Certain revenue and expense items have been reclassified and have no impact to net profit before taxation.Also, certain assets and liabilities have been reclassified. Comparative amounts have been reclassified accordingly.

These changes have been made to improve the quality of information presented.

Qatar Airways Q.C.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2008



ERNST & YOUNG



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Qatar Airways Q.C.S.C. ("the Company"), and its subsidiaries (together referred as the "Group") which comprise the consolidated balance sheet as at 31 March 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 March 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C. (continued)

Report on legal and other requirements

Furthermore, in our opinion proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law except stipulated below or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. The losses incurred by the Group has created accumulated losses which exceeds 50% of the share capital as at 31 March 2008 and, as of that date, the Group's current liabilities exceeded its current assets by QR 4,150,664 thousand (2007: QR 2,799,116 thousand). The shareholders of the Company have resolved to continue the operations of the Group as financial support will be made available to enable the Group to meet its liabilities as they fall due.

A. Mekhael. F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date: 20 September 2008
Doha

ERNST & YOUNG Doha

Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT
Year Ended 31 March 2008

	Notes	2008 QR'000	2007 QR'000 (Restated)
Revenue	4	11,768,223	8,272,289
Other operating income	5	118,646	145,139
Operating expenses	6	(10,804,117)	(7,739,701)
GROSS PROFIT		1,082,752	677,727
Other income	7	754,438	212,960
General and administrative expenses	8	(1,014,671)	(798,262)
Finance costs	9	(688,705)	(507,790)
Loss on disposal of property, plant and equipment		(2,300)	(528)
(Loss) gain on foreign currency exchange		(89,395)	34,728
Impairment loss on available-for-sale investments		-	(80,460)
PROFIT (LOSS) BEFORE TAXATION		42,119	(461,625)
Income tax expense	10	(1,748)	(1,440)
PROFIT (LOSS) FOR THE YEAR		40,371	(463,065)
Attributable to:			
Equity holders of the parent		26,887	(474,935)
Minority interests		13,484	11,870
		40,371	(463,065)

The attached notes 1 to 35 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED BALANCE SHEET
At 31 March 2008

	Notes	2008 QR'000	2007 QR'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	20,838,507	15,068,702
Investment properties	12	12,159	4,335
Intangibles	13	107,785	63,188
Investment in an associate	14	14,000	14,000
Available-for-sale investments	15	127,539	600,451
Positive fair value of derivatives	30	-	105,305
		21,099,990	15,855,981
Current assets			
Inventories	16	415,307	301,096
Accounts receivable and prepayments	17	1,661,250	1,378,550
Bank balances and cash	18	1,284,054	1,083,721
		3,360,611	2,763,367
TOTAL ASSETS		24,460,601	18,619,348
DEFICIENCY OF FUNDS AND LIABILITIES			
Deficiency of funds attributable to equity holders of the parent			
Share capital	19	143,800	143,800
Legal reserve	20	13,483	10,794
Fair value reserve	21	(17,700)	79,493
Accumulated losses		(1,161,836)	(1,186,034)
Foreign currency translation reserve		1,266	1,286
		(1,020,987)	(950,661)
Minority interests		30,094	24,210
Total deficiency of funds		(990,893)	(926,451)
Non-current liabilities			
Loan from the Government of Qatar	22	5,520,104	2,818,201
Non-current portion of term loans	23	12,220,139	11,034,406
Employees' end of service benefits	24	166,610	127,422
Negative fair value of derivatives	30	33,366	3,287
		17,940,219	13,983,316
Current liabilities			
Accounts payable and accruals	25	2,173,697	1,732,866
Unearned revenue		1,894,341	1,302,072
Bank overdrafts	18	33,672	46,609
Current portion of term loans	23	3,409,565	2,480,936
		7,511,275	5,562,483
Total liabilities		25,451,494	19,545,799
TOTAL DEFICIENCY OF FUNDS AND LIABILITIES		24,460,601	18,619,348

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 35 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED CASH FLOW STATEMENT

Year Ended 31 March 2008

	Notes	2008 QR'000	2007 QR'000 (Restated)
OPERATING ACTIVITIES			
Profit (loss) before taxation		42,119	(461,625)
Adjustments for:			
Depreciation	11 & 12	990,254	687,587
Impairment loss on available-for-sale investments		-	80,460
Loss on disposal of property, plant and equipment		2,300	528
Provision for employees' end of service benefits	24	56,939	45,346
Profit on sale of available-for-sale investments	7	(354,385)	-
Interest and dividend income	7	(67,778)	(64,111)
Finance costs	9	688,705	507,790
Operating profit before working capital changes		1,358,154	795,975
Inventories		(114,206)	(82,916)
Receivables		(313,107)	(282,603)
Payables and unearned revenue		1,018,162	768,311
Cash from operations		1,949,003	1,198,767
Interest expense paid	9	(684,387)	(507,790)
Income tax paid		(1,444)	(1,440)
Employees' end of service benefits paid	24	(17,751)	(10,770)
Net cash from operating activities		1,245,421	678,767
INVESTING ACTIVITIES			
Net movement in restricted short term deposits		5,856	4,213
Additions to property, plant and equipment		(6,762,766)	(6,493,539)
Additions to investment properties	12	(10,020)	(1,791)
Additions to intangibles	13	(44,597)	-
Additions to available-for-sale investments		(106,729)	(126,924)
Proceeds from sale of available-for-sale investments		1,012,937	-
Proceeds from disposal of property, plant and equipment		2,742	1,939
Interest and dividend received		67,778	64,111
Net cash used in investing activities		(5,834,799)	(6,551,991)
FINANCING ACTIVITIES			
Proceeds from loans		7,578,514	9,662,640
Repayment of loans		(2,762,251)	(3,306,755)
Dividend paid to minority interests		(7,600)	-
Net cash from financing activities		4,808,663	6,355,885
INCREASE IN CASH AND CASH EQUIVALENTS		219,285	482,661
Net foreign exchange difference		(159)	(1,420)
Cash and cash equivalents at the beginning of the year	18	1,027,516	546,275
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18	1,246,642	1,027,516

The attached notes 1 to 35 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2008

	Attributable to equity holders of the parent							
	Share capital QR'000	*Legal reserve QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Minority interest QR'000*	*Total deficiency of funds QR'000*
Balance at 1 April 2007 as reported	143,800	10,794	79,493	(1,647,909)	1,286	(1,412,536)	7,271	(1,405,265)
Restatement arising from changes in accounting policies (Note 3.3)				398,115	-	398,115	-	398,115
Restatement arising from consolidation of a subsidiary (Note 3.4)	-	-	-	63,760	-	63,760	16,939	80,699
Balance at 1 April 2007 as restated	143,800	10,794	79,493	(1,186,034)	1,286	(950,661)	24,210	(926,451)
Net movement in fair value of available-for-sale investments	-	-	78,909	-	-	78,909	-	78,909
Net loss on fair value of cash flow hedges	-	-	(176,102)	-	-	(176,102)	-	(176,102)
Foreign currency translation	-	-	-	-	(20)	(20)	-	(20)
Total income and expense for the year directly recognised in equity	-	-	(97,193)	-	(20)	(97,213)	-	(97,213)
Profit for the year	-	-	-	26,887	-	26,887	13,484	40,371
Total income and expenses for the year	-	-	(97,193)	26,887	(20)	(70,326)	13,484	(56,842)
Transfer to legal reserve		2,689		(2,689)	-	-	-	-
Dividends	-	-	-	-	-	-	(7,600)	(7,600)
Balances at 31 March 2008	**143,800**	**13,483**	**(17,700)**	**(1,161,836)**	**1,266**	**(1,020,987)**	**30,094**	**(990,893)**

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year Ended 31 March 2008

	Attributable to equity holders of the parent							
	Share capital QR'000	*Legal reserve QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Minority interests QR'000*	*Total deficiency of funds QR'000*
Balance at 1 April 2006 as reported	143,800	10,794	543,649	(982,711)	(997)	(285,465)	4,042	(281,423)
Restatement arising from changes in accounting policies (Note 3.3)	-	-	-	242,419	-	242,419	-	242,419
Restatement arising from consolidation of a subsidiary (Note 3.4)	-	-	-	29,193	-	29,193	8,298	37,491
Balance at 1 April 2006 as restated	143,800	10,794	543,649	(711,099)	(997)	(13,853)	12,340	(1,513)
Net movement in fair value of available-for-sale investments	-	-	(414,587)	-	-	(414,587)	-	(414,587)
Net loss on cash flow hedge	-	-	(49,569)	-	-	(49,569)	-	(49,569)
Foreign currency translation	-	-	-	-	2,283	2,283	-	2,283
Total income and expense for the year directly recognised in equity	-	-	(464,156)	-	2,283	(461,873)	-	(461,873)
(Loss) profit for the year	-	-	-	(474,935)	-	(474,935)	11,870	(463,065)
Total income and expenses for the year	-	-	(464,156)	(474,935)	2,283	(936,808)	11,870	(924,938)
Balances at 31 March 2007 (Restated)	143,800	10,794	79,493	(1,186,034)	1,286	(950,661)	24,210	(926,451)

The attached notes 1 to 35 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2008

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Airways Q.C.S.C. (the "Company") is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 30 November 1993 under Commercial Registration No. 16070 and commenced operations during January 1994. The Company's registered office is located at P.O. Box 22550, Doha, State of Qatar.

The main activities of the Company are:

- Commercial air-transportation which includes passenger, cargo, aircraft charters and related services.
- Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
- Trading in duty free goods at Doha International Airport;
- Distribution of certain beverages in Qatar;
- Public relations, advertising, marketing and promotional activities in Qatar; and
- Marketing, distribution, installation and maintenance of airline reservation and travel agency systems.

The consolidated financial statements of Qatar Airways Q.C.S.C. for the year ended 31 March 2008 were authorised for issue by the management representatives on 20 September 2008.

The consolidated financial statements for the year ended 31 March 2008 comprise the Company and its subsidiaries (together referred as the "Group").

The principal subsidiaries of the Group, incorporated in the consolidated financial statements are as follows:

	Ownership	Country of incorporation
Lambrini Holding Ltd.	100%	United Kingdom
Amadeus Qatar W.L.L.	60%	Qatar
Qatar Media Company W.L.L.	80%	Qatar
Oryx Holdings, Inc.	100%	United States of America

Lambrini Holdings Ltd.
The Company was incorporated in Jersey, United Kingdom and its principal activity is the holding of properties.

Amadeus Qatar W.L.L
The Company is engaged in activities relating to marketing, distribution, installation and maintenance of the Amadeus reservation and travel agency system to various travel agencies in the state.

Qatar Media Company W.L.L
The Company is engaged in providing services relating to public relations, advertising, marketing and promotional activities in the state.

Oryx Holdings, Inc.
The Company was incorporated in Wilmington, Delaware and its principal activity is the holding of properties.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company except for Amadeus Qatar W.L.L and Qatar Media Services Company W.L.L. of whose financial year ends on 31 December 2007, and all companies in the Group use consistent accounting policies.

2 GOING CONCERN

The Company reported a profit for the year of QR 40,371 thousand for the year ended 31 March 2008. However, because of the losses reported in previous years, the deficiency in capital as at 31 March 2008 exceeds 50% of the Capital.

Article 46 of the Articles of Association of the Company requires that the Board of Directors shall convene an Extra-Ordinary General Assembly to decide whether the situation requires dissolution of the Company or to decrease its capital or to take any other suitable measures. In the Extra-Ordinary General Assembly dated 20 September 2008, the shareholders of the Company have resolved to continue the operations of the Company as financial support will be made available to enable the Company to meet its liabilities as they fall due.

The consolidated financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved in the Extraordinary General Assembly to continue with the operations of the Company; and

(b) The shareholders have resolved in the Extraordinary General Assembly to continue to make funds available to the Company to allow it to meet its liabilities as they fall due.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), and the applicable requirements of Qatar Commercial Companies Law No. 5 of 2002.

The consolidated financial statements have been presented in Qatari Riyals which is the functional currency of the Group and all values are rounded to the nearest thousand (QR'000) except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of quoted available-for-sale investments and derivative financial instruments.

3.2 BASIS OF CONSOLIDATION

Subsidiaries
Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company with the exception of Amadeus Qatar W.L.L and Qatar Media Services Company W.L.L.

Transactions eliminated on consolidation
Inter-company balances and transactions, and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Minority interests
Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Losses applicable to the minority in excess of the minority's interests are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover losses. Acquisitions of minority interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

3.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted by the Group are consistent with those applied in the previous years, except as follows:

Changes in accounting policies
Engine overhaul costs:
During the year, the Group changed its accounting policy for the engine overhaul costs. Previously, the Group estimated the costs for the overhaul and such estimates were included in each year's income statement based on a ratio of the engine cycles completed in each year to the engine cycles until the next engine overhaul. The difference between the estimated and actual costs was also included in the income statement in the year in which the actual cost was incurred.

In the current year the overhaul costs are now capitalised when incurred and depreciated over the shorter of the period to the next overhaul or useful life of the aircraft type concerned.

Depreciation policy for certain property, plant and equipment:
In the previous years, the Group's method of estimating the useful lives for the purpose of calculating the depreciation charge for the year was based on each significant component of the assets. During the year, the Group changed its accounting policy for components of the same asset and now depreciates these as a single asset.

Old asset category			New asset category		
Category	Useful lives	Residual value	Category	Useful lives	Residual value
A319/A320/A321/A330/A340 aircrafts and related items	5 - 15 years	20%	Passenger aircraft	15 years	20%
A300 aircraft and related items	3 - 7 years	55-60%	Freighter aircraft – A300	7 years	20%
Spare engines	7 - 12 years	20%	Spare engines	15 years	20%

Management believes that these revised policies provide more reliable and relevant information because it results in a more transparent treatment for major overhaul costs and appropriate depreciation polices to be consistent with industry practice making the Group's consolidated financial statements more comparable.

This change in accounting policies has been accounted for retrospectively and the comparative financial statements for 2006/2007 have been restated. The opening accumulated losses for 2006/2007 have been reduced by QR 242.4 million. In respect of the adjustment relating to periods prior to 2006/2007. The result of the change in accounting policies is as follows:

	QR'000
Decrease in operating expenses and losses in periods prior to 2006/2007	242,419
Decrease in operating expenses and losses in 2006/2007	155,696
Decrease in accumulated losses in 2006/2007	398,115
Reflected in the balance sheet as:	
Decrease in accounts payable and accruals in 2006/2007	326,583
Increase in property, plant and equipment in 2006/2007	71,532
	398,115

3.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Adopted new and amended IFRS Interpretations
The Group has adopted the following new and amended IFRS Interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Amendment - Presentation of Financial Statements*

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1- Presentation of Financial statements
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies, and processes for managing capital. These new disclosures are shown in Note 32.

3.4 CONSOLIDATION OF QATAR MEDIA COMPANY W.L.L

The financial statements of Qatar Media Company W.L.L., a subsidiary were not previously consolidated as insufficient financial information was available for consolidation. For 2008, the financial statements of the subsidiary are available and accordingly these have been consolidated into the Group.

The effect of the consolidation of the above subsidiary has been accounted for retrospectively and the comparative financial statements for 2006/2007 have been restated.

The opening accumulated losses and minority interest for 2006/2007 have been reduced and increased by QR 29.2 million and QR 8.3 million respectively, in respect of adjustments relating to periods prior to 2006/2007. The result of consolidating Qatar Media Company W.L.L. in the Group accounts is as follows:

	QR'000
Increase in minority interest in periods prior to 2006/2007	1,000
Decrease in losses in periods prior to 2006/2007	36,491
Decrease in losses in 2006/2007	43,208
Decrease in total deficit of funds in 2006/2007	80,699
The balance sheet impact is as follows:	
Property, plant and equipment	2,897
Investment properties	4,335
Accounts receivable and prepayments	104,242
Bank balance and cash (net)	46,427
Employees' end of service benefits	(213)
Accounts payable and accruals	(76,989)
Net increase in assets	80,699

3.4 CONSOLIDATION OF QATAR MEDIA SERVICES COMPANY W.L.L (continued)

The increase in the net bank balance and cash is a result of the following:

	QR'000
Bank balance and cash	50,427
Investment by the Group	(4,000)
Net increase in bank balance and cash	46,427

3.5 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

At the date of authorisation of the financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing on or after 1 July 2008. Such standards, interpretations and amendments which are likely to have an impact on the Group's operations are as follows:

IAS 23 Borrowing Costs
A revised IAS 23 Borrowing Costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group capitalises borrowing costs on qualifying assets. As a result, the Group expects that this standard will not have a significant impact on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements (Revised)
A revised IAS 1 was issued in September 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to set overall requirements for the presentation of consolidated financial statements. The application of this Standard will result in amendments to the presentation of the consolidated financial statements.

IFRIC Interpretation 13- Customer Loyalty Programmes
IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received to be allocated to the award credits and deferred over the period and in which award credit is fulfilled. The Group expects that this interpretation will have an impact on the consolidated financial statements.

3.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue
Passengers and cargo are recognised as revenue when the transportation is provided. Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities in the 'unearned revenue' account until recognised as revenue. Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

Revenues from aircraft charters are recognised on a straight-line basis over the term of the charters.

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

Income from claims is recognised in the income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain.

Revenues on goods sold and services provided represent the invoiced value of goods supplied or services provided.

3.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment is initially recorded at cost excluding the costs of day-to-day services and is subsequently stated at cost less accumulated depreciation and accumulated impairment.

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

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

Depreciation is provided on all property, plant and equipment, except on land at rates calculated to write off the cost less their estimated residual values on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated.

The estimated residual values and useful lives of the Group's assets for the calculation of depreciation are as follows:

Asset Type	Estimated Economic Life	Estimated Residual Value
Passenger aircraft	15 years	20%
Freighter aircraft	7 years	20%
Aircraft spare engines	15 years	20%
Aircraft spares	7 years	20%
Buildings	10 years	Nil
Furniture, vehicles, ground and office equipment	3-7 years	Nil
Catering plant and equipment	6-7 years	Nil
Ground handling equipment	6-7 years	Nil

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year the item is de-recognised.

The assets' residual value, useful lives and methods are reviewed and adjusted if appropriate, at each financial year end.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until the assets are 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.

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

3.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Aircrafts and engine overhaul costs
Major overhaul costs of owned aircrafts, engines and equipment are capitalised only when it is probable that future economic benefits associated with the items will flow and the cost can be reliably measured. Other costs are expensed when incurred.

Capitalised major overhaul costs are depreciated over the shorter of the period to the next major overhaul or useful life of the asset incurred.

Investment property
Advertisement billboards are considered as investment properties only when they are being held to earn rentals or for long term capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. The cost of property includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day-to-day servicing of an investment property.

Depreciation on advertisement billboards is calculated on a straight line basis over 10 years.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

Intangibles
Intangible assets acquired are measured on initial recognition at cost only when future economic benefits are probable. Cost includes the purchase price together with any directly attributable expenditure. Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Investment in associates
The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

3.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associate. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the consolidated income statement.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Available-for-sale investments
'Available-for-sale' investments are initially recognised at cost being the fair value of consideration given, on a trade date basis, when the Group becomes a party to the contractual provisions of the investment.

After initial recognition, available for sale investments are remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of equity until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the year. Dividends earned on investments are recognised in the consolidated income statement as "Dividend income" when the right to receive dividend has been established.

The fair value of investments that are actively traded in organised financial markets, is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. For investment in funds, fair value is determined by reference to net asset values provided by the fund administrators.

Due to the uncertain nature of cash flows arising from the Group's unquoted equity investments, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less provision for any impairment losses.

If an available-for-sale investment is inipaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. Reversals in respect of equity instruments classified as available- for-sale are not recognised in the consolidated income statement.

When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the consolidated income statement.

3.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories are valued on a first-in first-out basis and are stated at the lower of purchase cost and net realisable value. Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents
For the purpose of the cash flow statement, cash and cash equivalents consist of bank balances and cash, net of outstanding bank overdrafts, except for restricted funds arising from Government restrictions on funds for repatriation in certain outstation countries..

Term loans
Term loans are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, term loans are measured at amortized cost using the effective interest method, with any differences between the cost and final settlement values being recognized in the consolidated income statement over the period of loans. Instalments due within one year at amortised cost are shown as a current liability.

Leases
Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term or other systematic basis representative of the time pattern of the lease benefits.

Employees' terminal benefits
The Group provides for end of service benefits determined in accordance with the Group's policy based on employee's salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Group. Accordingly, the Group has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Qatari employees, the Group makes contributions to a Government Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Provisions
Provisions are recognised when the Group has an obligation (legal and constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Frequent flyer programme
Qatar Airways maintains a frequent flyer programme that provides a variety of rewards to programme members based on mileage credit for flights on Qatar Airways. Members can also accrue miles by utilising the services of non-airline programme participants. Miles accrued through utilising the services of programme partners are paid for by the participating partners and the resulting revenue is recorded as other operating income. The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is recognised as a current liability under provisions for frequent flyer programme.

3.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities
Financial assets:
A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities:
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments
The Group uses interest rate swap contracts to hedge its risk associated with interest rate fluctuations relating to the interest payments on the Group's term loan. These interest rate swap contracts are stated at fair market value. The Group classifies hedges as cash flow hedges where they hedge the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. The interest rate swap contracts have been classified as cash flow hedges and meet the conditions for special hedge accounting. The portion of the gain or loss from re-measuring the interest rate swap at fair value, that is determined to be an effective hedge, is recognised directly in equity as fair value reserve and the ineffective portion is recognised in the consolidated income statement. The fair value of the interest rate swap agreements is included in "assets" in case of favourable contracts and "liabilities" in case of unfavourable contracts.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualified for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated income statement.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

3.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

One of the subsidiaries is liable to Qatar income tax under the provisions of the Income Tax Law No. 11 of 1993. The tax liability of the Group is included under "accounts payable and accruals".

Fair values
For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

Unquoted investments for which fair values cannot be reliably measured are stated at cost.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates.

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4 . REVENUE

	2008 QR'000	*2007 QR'000 (Restated)*
Scheduled services:		
Passenger	9,246,758	6,459,523
Cargo	1,438,938	933,673
	10,685,696	7,393,196
Other revenue:		
Sale of duty free goods and beverages	653,917	502,771
Revenue from ground handling services	145,199	103,868
Revenue from aircraft charters	41,379	44,922
Reservation and travel agency revenue	37,955	28,192
In-flight catering and related service charges	13,830	10,694
Advertisement and promotional revenue	190,247	188,646
	1,082,527	879,093
	11,768,223	8,272,289

5 OTHER OPERATING INCOME

	2008 QR'000	*2007 QR'000 (Restated)*
Tax credit	37,056	34,989
Frequent flyer promotional income	25,184	17,278
Income from in-flight duty free	16,218	13,812
Commission income	2,534	1,560
Miscellaneous operating income	37,654	77,500
	118,646	145,139

6 OPERATING EXPENSES

	2008 QR'000	*2007 QR'000 (Restated)*
Fuel costs	3,970,073	2,584,596
Salaries, allowances and other benefits	1,693,326	1,121,557
Landing, ground handling and over flying charges	1,168,241	905,246
Depreciation (Notes 11 & 12)	931,296	635,426
Revenue commissions	541,235	417,666
Passenger services	537,125	399,194
Aircraft maintenance and insurance	405,266	378,581
Reservations, communications and revenue accounting	374,363	329,026
Cost of sales of duty free goods and beverages	360,457	278,089
Advertisement and promotions	302,113	263,481
Aircraft and engine operating lease rentals	264,981	235,245
Cost of flight and other catering services	156,037	119,384
Frequent flyer programme	51,930	36,026
Indirect tax expenses	44,099	33,917
Miscellaneous expenses	3,575	2,267
	10,804,117	7,739,701

7 OTHER INCOME

	2008 QR'000	*2007 QR'000 (Restated)*
Profit on sale of available-for-sale investments	354,385	-
Insurance claim received	109,311	-
Interest income	63,126	27,824
Rechargeable expenses recovered from related parties	56,201	41,242
Long outstanding liabilities no longer required written back	55,858	25,205
Airport development fee	32,352	24,524
Maintenance income	19,779	13,151
Car park income	14,991	12,374
Rental income	13,838	9,383
Dividend income	4,652	36,287
Miscellaneous income	29,945	22,970
	754,438	212,960

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2008 QR'000	*2007 QR'000 (Restated)*
Salaries, allowances and other benefits	535,596	373,874
Rental - office, vehicles, accommodation and equipment	86,446	59,497
Depreciation (Note 11 & 12)	58,958	52,161
Legal and consultancy fees	55,426	88,726
Bank charges	42,334	20,835
Stationery and publication materials	37,761	30,322
Repairs, maintenance and insurance	36,899	24,895
Management fees	30,033	31,008
Communication expenses	28,507	24,583
Travelling and deportation expenses	11,271	9,538
Write-off of departure control system project	8,056	3,406
Provision for doubtful debts (Note 17)	5,954	14,954
Miscellaneous expenses	77,430	64,463
	1,014,671	798,262

9 FINANCE COSTS

	2008 QR'000	*2007 QR'000 (Restated)*
Interest expenses	684,387	507,790
Ineffective portion of cash flow hedge	4,318	-
	688,705	507,790

10 INCOME TAX EXPENSE

The income tax expense relates to the income of two subsidiaries Lambrini Holding Ltd. registered in United Kingdom and Amadeus Qatar W.L.L. registered in Qatar.

11 PROPERTY, PLANT AND EQUIPMENT

	Aircraft QR'000	*Aircraft spare engines* QR'000	*Aircraft spares* QR'000	*Land and buildings* QR'000	*Furniture, vehicles, ground and office equipment* QR'000	*Catering plant and equipment* QR'000	*Ground handling equipment* QR'000	*Capital work in progress* QR'000	*Total* QR'000
Cost:									
At 1 April 2007 as reported	13,161,101	447,556	597,270	105,011	358,952	9,910	142,413	2,124,685	16,946,898
Restatement arising from consolidation of a subsidiary (Note 3.4)	-	-	-	-	3,978	-	-	-	3,978
At 1 April 2007 as restated	13,161,101	447,556	597,270	105,011	362,930	9,910	142,413	2,124,685	16,950,876
Additions	-	-	-	39,568	33,517	838	38,901	6,615,430	6,728,254
Foreign exchange adjustments	-	-	-	140	-	-	-	-	140
Transfers	2,820,052	426,023	279,100	88,111	76,540	-	17,218	(3,707,044)	-
Disposals including write offs	-	-	(8,694)	(4,061)	(6,743)	(268)	(344)	-	(20,110)
At 31 March 2008	15,981,153	873,579	867,676	228,769	466,244	10,480	198,188	5,033,071	23,659,160
Depreciation:									
At 1 April 2007 as reported	1,401,822	70,469	214,725	32,668	177,363	4,318	51,260	-	1,952,625
Restatement arising from changes in accounting policies (Note 3.3)	(70,251)	(1,281)	-	-	-	-	-	-	(71,532)
Restatement arising from consolidation of a subsidiary (Note 3.4)	-	-	-	-	1,081	-	-	-	1,081
At 1 April 2007 as restated	1,331,571	69,188	214,725	32,668	178,444	4,318	51,260	-	1,882,174
Provided during the year	759,501	61,188	63,146	9,553	69,678	1,525	24,373	-	988,964
Transfers/Reclassifications	(34,512)	-	-	1,293	(1,293)	-	-	-	(34,512)
Relating to disposals including write offs	-	-	(6,955)	(4,061)	(4,435)	(180)	(342)	-	(15,973)
At 31 March 2008	2,056,560	130,376	270,916	39,453	242,394	5,663	75,291	-	2,820,653
Net book values:									
At 31 March 2008	**13,924,593**	**743,203**	**596,760**	**189,316**	**223,850**	**4,817**	**122,897**	**5,033,071**	**20,838,507**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Aircraft QR'000	*Aircraft spare engines* QR'000	*Aircraft spares* QR'000	*Land and buildings* QR'000	*Furniture, vehicles, ground and office equipment* QR'000	*Catering plant and equipment* QR'000	*Ground handling equipment* QR'000	*Capital work in progress* QR'000	*Total* QR'000
Cost:									
At 1 April 2006 as reported	7,650,663	319,864	418,582	82,539	243,703	8,519	66,500	1,693,719	10,484,089
Restatement arising from consolidation of a subsidiary (Note 3.4)	-	-	-	-	2,720	-	-	-	2,720
At 1 April 2007 as restated	7,650,663	319,864	418,582	82,539	246,423	8,519	66,500	1,693,719	10,486,809
Additions (Restated)	-	-	-	2,096	50,671	1,863	32,938	6,380,161	6,467,729
Foreign exchange adjustments	-	-	-	1,420	-	-	-	-	1,420
Transfers	5,512,035	127,692	178,688	18,956	68,840	-	42,984	(5,949,195)	-
Disposals including write offs	(1,597)	-	-	-	(3,004)	(472)	(9)	-	(5,082)
At 31 March 2007 (Restated)	13,161,101	447,556	597,270	105,011	362,930	9,910	142,413	2,124,685	16,950,876
Depreciation:									
At 1 April 2006 as reported	879,080	47,565	167,114	23,923	121,915	3,234	34,024	-	1,276,855
Restatement arising from changes in accounting policies (Note 3.3)	(53,908)	73	-	-	-	-	-	-	(53,835)
Restatement arising from consolidation of a subsidiary (Note 3.4)	-	-	-	-	296	-	-	-	296
At 1 April 2006 as restated	825,172	47,638	167,114	23,923	122,211	3,234	34,024	-	1,223,316
Provided during the year (Restated)	532,416	21,550	48,104	8,745	57,856	1,367	17,245	-	687,283
Transfers/Reclassifications	(25,746)	-	(493)		429	-	-	-	(25,810)
Disposals including write offs	(271)	-	-	-	(2,052)	(283)	(9)	-	(2,615)
At 31 March 2007(Restated)	1,331,571	69,188	214,725	32,668	178,444	4,318	51,260	-	1,882,174
Net book values:									
At 31 March 2007 (Restated)	11,829,530	378,368	382,545	72,343	184,486	5,592	91,153	2,124,685	15,068,702

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment with a net book value of QR 13,733 million (2007: QR 11,621 million) is mortgaged as security for certain term loans.

The additions and transfers include capitalised borrowing costs of QR 35.4 million (2007: QR 99.7 million). A capitalisation rate of 100% has been used up to the date when substantially all the activities necessary to bring the qualifying asset for its intended use are complete.

Aircraft fleet
At 31 March 2008, the aircraft fleet comprised of 62 aircraft (2007: 58 aircraft) as follows:

Included in fixed assets:

	2008	*2007*
Airbus A319	2	2
Airbus A320	10	10
Airbus A321	4	2
Airbus A300	2	2
Airbus A330	24	21
Airbus A340	4	4
Boeing B777	2	-
Bombardier	2	2
	50	43

One Airbus A319 aircraft, thirteen A320/321 aircraft, twenty-three A330 aircraft, four A340 aircraft and two B777 aircraft are registered in the names of certain special purpose companies that have been set up to securitise the respective finance obligations for each aircraft. These aircraft have been reflected in the financial statements as fixed assets as the Company retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would for an asset registered in its own name. (Also refer to Note 23).

Under operating lease:

The Company also has the following aircraft under operating lease agreements which it operates:

	2008	*2007*
Airbus A320	2	2
Airbus A321	2	-
Airbus A300	2	7
Airbus A330	6	6
	12	15

12 INVESTMENT PROPERTIES

	Advertisement billboards QR' 000
Cost:	
At 1 April 2007 (Restated)	5,039
Additions	10,020
Disposals	(1,173)
At 31 March 2008	13,886
Depreciation:	
At 1 April 2007 (Restated)	704
Provided during the year	1,290
Relating to disposals	(267)
At 31 March 2008	1,727
Net book values:	
At 31 March 2008	**12,159**

	Advertisement billboards QR' 000 (Restated)
Cost:	
At 1 April 2006	3,248
Additions	1,791
At 31 March 2007	5,039
Depreciation:	
At 01 April 2007	400
Provided during the year	304
At 31 March 2007	704
Net book values:	
At 31 March 2007	4,335

Notes:

(i) Investment properties consist of advertisement billboards held by a subsidiary. These are carried at cost less accumulated depreciation and any impairment in value.

(ii) The fair value of investment properties as estimated by management amounts to QR 50 million. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

13 INTANGIBLES

	2008 QR'000	*2007 QR'000*
At the beginning of the year	63,188	63,188
Additions during the year	44,597	-
At the end of the year	107,785	63,188

Intangible assets represent slots acquired at London Heathrow airport, which establish the right to operate flights through that airport. These slots have an indefinite useful life as Qatar Airways has title to slots on a permanent basis and there is no foreseeable limit to the period over which the slots are expected to generate net cash flows for the Group. These slots have been reviewed and tested for impairment and no impairment has been determined based on these tests.

14 INVESTMENT IN AN ASSOCIATE

	Country of Incorporation	*Ownership*	*2008 QR'000*	*2007 QR'000*
Qatar Medical Insurance Company W.L.L.	Qatar	20%	14,000	14,000

Qatar Medical Insurance Company W.L.L
The Company's principal activity is to provide medical insurance cover. The Company is in a pre-operating stage.

15 AVAILABLE-FOR-SALE INVESTMENTS

	2008 QR'000	*2007 QR'000*
Quoted shares	90,761	576,404
Unquoted shares	36,778	24,047
	127,539	600,451

16 INVENTORIES

	2008 QR'000	*2007 QR'000*
Spare parts	164,125	117,521
Catering materials	105,941	67,215
Goods for resale and in-transit	89,281	68,602
Other supplies	55,960	47,758
	415,307	301,096

16 INVENTORIES (continued)

The movement in the provision for obsolete and slow moving inventories is as follows:

	2008 QR'000	*2007 QR'000*
At the beginning of the year	4,582	4,094
Provided during the year	389	488
At the end of the year	4,971	4,582

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008 QR'000	*2007 QR'000 (Restated)*
Trade accounts receivable	1,091,148	946,642
Prepaid expenses	139,151	71,705
Amounts due from related parties (Note 29)	247,718	165,232
Other receivables	183,233	164,568
Current portion of positive fair value of derivatives (Note 30)	-	30,403
	1,661,250	1,378,550

Included in the amounts due from related parties are the following balances:

	2008 QR'000	*2007 QR'000*
Doha International Airport	216,471	147,540
Directors, major shareholders and other key management personnel	49,090	50,257
Amiri Flight	15,479	-
Diwan Amiri	9,960	12,372
Amadeus International	7,235	5,106
	298,235	215,275
Less: Provision for doubtful debts	(50,517)	(50,043)
	247,718	165,232

At 31 March 2008, trade accounts receivable and amounts due from related parties amounting to QR 77.7 million (2007: QR 76.6 million) were impaired.

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

The movements in the provisions for impairment of trade accounts receivable and amounts due from related parties were as follows:

	2008 QR'000	*2007 QR'000 (Restated)*
At the beginning of the year as reported	73,258	62,248
Restatement arising from consolidation of a subsidiary (Note 3.4)	3,373	3,373
At the beginning of the year as restated	76,631	65,621
Charge for the year (Note 8)	5,954	14,954
Unused amounts reversed	(25)	-
Amounts written off	(4,856)	(3,944)
At the end of the year	77,704	76,631

At 31 March 2008, the ageing of unimpaired trade accounts receivable and amounts due from related parties is as follows:

			Past due but not impaired				
	Total QR	*Neither past due nor impaired QR*	*< 30 days QR*	*30 - 60 days QR*	*60 - 90 day QR*	*90 - 120 day QR*	*>120 days QR*
2008	**1,338,866**	**1,216,282**	**95,458**	**5,345**	**3,846**	**8,911**	**9,024**
2007	1,111,874	1,048,903	36,964	4,065	8,980	1,062	11,900

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and a vast majority of receivables are hence unsecured.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise of the following balance sheet items:

	2008 QR'000	*2007 QR'000 (Restated)*
Bank balances and cash	1,284,054	1,083,721
Bank overdrafts	(33,672)	(46,609)
	1,250,382	1,037,112
Less: Restricted short term call deposits	(3,740)	(9,596)
Included in the cash flow statement	1,246,642	1,027,516

The restricted short term call deposits represents call deposit accounts held in local currency in the Seychelles. These funds cannot be repatriated due to strict government policies on repatriation of local currencies.

19 SHARE CAPITAL

	2008 *QR'000*	*2007* *QR'000*
Authorised, issued and fully paid shares		
14,380,000 (2007 : 14,380,000) of QR 10 (2007 : QR 10) each	**143,800**	143,800

20 LEGAL RESERVE

As required by Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit of the Company for the year has been transferred to the legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the share capital.

The reserve is not normally available for distribution, except in the circumstances stipulated by the above Law.

21 FAIR VALUE RESERVE

	2008			2007		
	Cash flow hedges QR'000	*Available-for-sale investments QR'000*	*Total QR'000*	*Cash flow hedges QR'000*	*Available-for-sale investments QR'000*	*Total QR'000*
Balance at 1 April	131,472	(51,979)	79,493	181,041	362,608	543,649
Realised loss on sale of available-for-sale investments	-	51,979	51,979	-	-	-
Net unrealised gain (loss) on available-for-sale investments	-	26,930	26,930	-	(495,047)	(495,047)
Transfer to consolidated income statement on impairment of available-for-sale investments	-	-	-	-	80,460	80,460
Ineffective portion of cash flow hedge transferred to consolidated income statement (Note 9)	4,318	-	4,318	-	-	-
Net unrealised loss on cash flow hedges	(180,420)	-	(180,420)	(49,569)	-	(49,569)
	(44,630)	26,930	(17,700)	131,472	(51,979)	79,493

22 LOAN FROM THE GOVERNMENT OF QATAR

The loan is unsecured and interest free with no fixed repayment schedule, although management believes that the loan will have to be repaid when sufficient funds are available for settlement. The loan has been shown as a non-current liability as management does not intend to settle it within 12 months.

23 TERM LOANS

	2008 *QR'000*	*2007* *QR'000*
The term loans consist of:		
For pre-delivery payments for the purchase of aircraft and spare engines	1,880,001	455,325
For purchases of aircraft and spare engines (a)	13,299,276	11,887,506
For purchases of other assets	450,427	1,172,511
	15,629,704	13,515,342
Non current portion	12,220,139	11,034,406
Current portion	3,409,565	2,480,936
	15,629,704	13,515,342

All the term loans, except for a term loan amounting to QR 680 million (2007 : QR 920 million) which bears interest at fixed rates, bear interest at LIBOR/Qatar Central Bank base rate plus margins. Most of the loans are secured by mortgages over assets and/or guarantees given by the Government of the State of Qatar.

A series of structured arrangements were entered into by the Group whereby a number of special purpose companies (SPCs) were established for the purpose of purchasing the A319, A320, A321, A330, A340 and B777 aircrafts from Airbus Industries and The Boeing Company. Pursuant to the aircraft purchase agreement and assignment and delegation agreement, these SPCs took title to these aircraft and subsequently the Group entered into agreements with the SPCs to lease the above aircrafts. The SPCs entered into Aircraft Mortgage and Security Assignment Agreements with the Security Trustee mortgaging the aircraft and assigning all the rights relating to the aircraft to the Security Trustee. As the Group retains all risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would have for an asset registered in its own name, the assets (refer Note 11) and the liabilities relating to these assets have been included in these financial statements.

24 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	2008 *QR'000*	*2007* *QR'000* *(Restated)*
Provision at the beginning of the year as reported	127,209	92,808
Restatement arising from consolidation of a subsidiary (Note 3.4)	213	38
Provision at the beginning of the year as restated	127,422	92,846
Provided during the year	56,939	45,346
End of service benefits paid	(17,751)	(10,770)
	166,610	127,422

25 ACCOUNTS PAYABLE AND ACCRUALS

	2008 QR'000	*2007 QR'000 (Restated)*
Trade accounts and notes payable	972,876	783,658
Accrued expenses	871,205	700,615
Provisions	148,412	83,185
Amounts due to a related party (Note 29)	3,817	395
Current portion of negative fair value of derivatives (Note 30)	15,582	949
Tax payables	1,731	1,427
Other payables	160,074	162,637
	2,173,697	1,732,866

(a) Included in the amounts due to a related party are the following balances:

	2008 QR'000	*2007 QR'000*
Amadeus International	3,817	395

(b) The movement in the provisions is as follows:

	Maintenance provision QR'000	*Frequent flyer programme QR'000*	*Total QR'000*
At 1 April 2006 as reported	240,859	18,908	259,767
Restatement arising from changes in accounting policies (Note 3.3)	(188,584)	-	(188,584)
At 1 April 2006 as restated	52,275	18,908	71,183
Provided during the year	-	36,026	36,026
Less: Utilised during the year	(577)	(23,447)	(24,024)
At 31 March 2007	51,698	31,487	83,185
Provided during the year	47,128	51,930	99,058
Less: Utilised during the year	-	(33,831)	(33,831)
At 31 March 2008	**98,826**	**49,586**	**148,412**

26 CONTINGENT LIABILITIES

A previous General Sales Agent (GSA) of the Group has filed a lawsuit claiming QR 12.9 million for losses and damages suffered as a result of cancellation of the GSA agreement. The Group's lawyer is of the opinion that the Jordanian court has no jurisdiction to entertain the suit. The Group has filed an appeal and the appellate court has not yet heard the case. The court will go into the merits of the case only after deciding on territorial jurisdiction.

Lawsuits have been filed by four passengers of the Group claiming a total amount of QR 11.6 million for denied boarding and losses suffered due to lost baggage. These are insurance related claims and the amounts, if any, will be paid by the insurance company. The Group's lawyer is of the opinion that these claims will not give rise to a material liability for the Group.

At 31 March 2008, the Group had contingent liabilities in respect of performance bonds, letters of credit and letters of guarantee amounting to QR 86 million (2007: QR 101 million) arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

27 CAPITAL COMMITMENTS

(a) Commitments for the purchase of aircraft and engines

The total capital commitments for the purchase of aircraft and engines are as follows:

	2008 QR'000	*2007 QR'000*
Authorised and contracted	126,266,834	24,340,441
Authorised but not contracted	-	86,499,515

The delivery schedule of the aircraft is as follows:

Financial year	*Number of Aircraft*
2008 - 2009	7
Beyond 2008 - 2009	134
	141

(b) Investments

The Group's outstanding commitments towards its investments are as follows:

	2008 QR'000	*2007 QR'000*
Epicure Mezzanine Income Fund	-	6,371

(c) Intangibles

The capital commitment for the purchase of slots at London Heathrow airport at the balance sheet date amounted to QR 45 million.

(d) Other capital projects

	2008 QR'000	*2007 QR'000*
Other capital projects	1,033,703	420,007

(e) Others

At 31 March 2008, the Group had raised various orders amounting to QR 148.3 million (2007:QR 45.3 million) to purchase rotables, spares and other aircraft related items. The Group expects to receive these within three to six months. The estimates of other capital expenditure contracted for at the balance sheet date is QR 3.5 million (2007: QR 42 million).

28 COMMITMENTS UNDER OPERATING LEASES

The Group operates 12 (2007: 15) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2008 QR'000	*2007 QR'000*
Amounts payable:		
Within one year	226,999	236,970
After one year but not more than five years	527,990	581,927
More then five years	81,579	-
	836,568	818,897

29 RELATED PARTY DISCLOSURES

Related party transactions
Related parties represent the associated company and the non-consolidated subsidiary, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the income statement are as follows:

	2008 QR'000	*2007 QR'000*
Rechargeable expenses recovered from related parties	56,201	41,242

The loan from the Government of Qatar and amounts due from and due to related parties are disclosed in Notes 22, 17 and 25 respectively.

Compensation of key management personnel
The remuneration of directors and other members of key management during the year was as follows:

	2008 QR'000	*2007 QR'000*
Short-term benefits	10,485	8,152
Employees' end of service benefits	604	495
	11,089	8,647

30 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into 16 interest rate swap contracts effective from August 2004 to August 2015 in order to hedge against the interest rate risk of certain aircraft loans arising due to variable interest rates. Under the terms of the interest rate swap contracts, the Company pays fixed rates ranging from 3.365% to 4.336% plus a margin and receives floating LIBOR rates. The terms of the interest rate swap contracts have been negotiated to significantly match the terms of the commitments.

The table below shows the fair value of the interest rate swaps analysed by the term to maturity, which is equivalent to the market values, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The measurement of the fair values of interest rate swaps is recognized in equity as a fair value reserve.

At 31 March 2008			*Fair value by term to maturity*		
	Notional amount QR'000	*Fair value QR'000*	*Less than 1 year QR'000*	*More than 1 up to 5 years QR'000*	*Over 5 years QR'000*
Interest rate swaps	2,863,090	-	-	-	-
- positive fair value	-	-	-	-	-
- negative fair value	-	(48,948)	(15,582)	(30,355)	(3,011)

At 31 March 2007			*Fair value by term to maturity*		
	Notional amount QR'000	*Fair value QR'000*	*Less than 1year QR'000*	*More than 1 up to 5 years QR'000*	*Over 5 years QR'000*
Interest rate swaps	3,203,718	-	-	-	-
- positive fair value	-	135,708	30,403	81,433	23,872
- negative fair value	-	(4,236)	(949)	(2,542)	(745)

31 AGREEMENT ON THE MANAGEMENT, OPERATION AND MAINTENANCE OF DOHA INTERNATIONAL AIRPORT

On 1 June 2006, the Group entered into an agreement with the Civil Aviation Authority (CAA) to manage, operate and maintain Doha International Airport. In accordance with the agreement, revenues relating to the Doha International Airport operations amounting to QR 68 million (2007: QR 50 million) for the year have been included in other income.

32 FINANCIAL RISK MANAGEMENT

Objective and policies

The Group's principal financial liabilities comprise term loans, bank overdrafts, trade accounts payable and amounts due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade accounts receivable, amounts due from related parties and cash and bank balances, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risk arising from its sources of finance.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarised below:

32 FINANCIAL RISK MANAGEMENT (continued)

Market risk
Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates, equity prices and fuel prices will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Interest rate risk
The Group's financial assets and liabilities that are subject to interest rate risk comprise of bank deposits, term loans and bank overdrafts. At the reporting date the interest rate profile of the Group's interest bearing financial instruments were as follows:

	2008 *QR'000*	*2007* *QR'000*
Fixed interest rate instruments:		
Financial liabilities	(680,421)	(919,928)
Floating interest rate instruments:		
Financial assets	935,668	711,352
Financial liabilities	(14,982,955)	(12,642,023)
	(14,047,287)	(11,930,671)

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates and fixed interest instruments maturing within three months from the balance sheet date. To manage the risk of changes in floating interest rate in some of the Group's debts, the Group has entered into interest rate swaps as explained in Note 30. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.

The following table demonstrates the sensitivity of the income statement and equity to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the income statement and equity is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 March 2008. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	Profit (loss) -25b.p *QR'000*	*Equity -25 b. p* *QR'000*
Year ended 31 March 2008		
Variable rate instruments	(35,118)	-
Interest rate swaps	7,158	(122)
	27,960	(122)

	Profit (loss) +25b.p *QR'000*	*Equity +25 b. p* *QR'000*
Year ended 31 March 2007		
Variable rate instruments	(29,827)	-
Interest rate swaps	8,009	329
	(21,818)	329

32 FINANCIAL RISK MANAGEMENT (continued)

Equity price risk

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Changes in equity prices	*Effect on equity QR'000*
Year ended 2008		
Available-for-sale investments	**+5%**	**4,538**
Year ended 2007		
Available-for-sale investments	+5%	28,820

Fuel price risk

The airline industry is exposed to fluctuations in the price of jet fuel. The Group closely monitors the actual cost of fuel against forecasted costs. The following table demonstrates the sensitivity of the income statement to an increase of US$ 1 in the fuel prices, with all other variables held constant. The effect of decreases in fuel price is expected to be equal and opposite to the effect of the increases shown.

	Changes in fuel price US$/ Barrel US$	*Effect on profit QR'000*
Year ended 31 March 2008	**+1**	**(38,543)**
Year ended 31 March 2007	+1	(29,760)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of accounts receivable, bank balances, amounts due from related parties and derivatives.

The Group sells its tickets through appointed sales agents in each country in which it operates flights. Its five largest debtors account for 28% of outstanding trade accounts receivable at 31 March 2008 (2007: 32%).

The Group provides passenger and cargo transportation services to various parties. It is the Group's policy that all customers who wish to obtain credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the credit limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to the trade accounts receivable net of provision reflected at the reporting date was:

	2008 QR'000	*2007 QR'000*
Qatar	**284,888**	290,764
Other countries	**806,260**	655,878
	1,091,148	946,642

32 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)
With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments which are as follows:

	2008 *QR'000*	*2007* *QR'000*
Bank balances	1,191,129	999,946
Other financial assets	183,233	300,276
Amounts due from related parties	247,718	165,252
	1,622,080	1,465,454

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's own reserves, funds from the Government of Qatar and bank facilities. The Group's terms of sales require amounts to be paid within 30-45 days from the invoiced date.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2008 based on contractual undiscounted payments:

	On demand *QR'000*	*Less than 1 year* *QR'000*	*1 to 5 years* *QR'000*	*> 5 years* *QR'000*	*Total* *QR'000*
Year ended March 2008					
Bank overdrafts	33,672	-	-	-	33,672
Term loans	-	4,010,397	7,721,700	7,256,248	18,988,345
Loan from the Government of Qatar	-	-	-	5,520,104	5,520,104
Trade accounts and notes payable	-	972,876	-	-	972,876
Amounts due to a related party	-	3,817	-	-	3,817
Other financial liabilities	-	175,656	30,355	3,011	209,022
	33,672	5,162,746	7,752,055	12,779,363	25,727,836
Year ended 31 March 2007					
Bank overdrafts	46,609	-	-	-	46,609
Term loans	-	3,176,917	9,783,666	7,401,727	20,362,310
Loan from the Government of Qatar	-	-	-	2,818,201	2,818,201
Trade accounts and notes payable	-	783,658	-	-	783,658
Amounts due to a related party	-	395	-	-	395
Other financial liabilities	-	163,586	2,542	745	166,873
	46,609	4,124,556	9,786,208	10,220,673	24,178,046

32 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk
Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's foreign currency risk exposure arises from services offered and received by the Group in currencies other than the Group's functional currency.

The Group does not hedge its exposure to foreign currency on account of anticipated purchases of aircraft and spare parts. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk. The Group's exposure to currency risk is limited to currencies other than US Dollars and US Dollar pegged currencies.

Trade accounts payable includes an amount of QR 678 million (2007: QR 820 million) due in foreign currencies, mainly in US Dollars and Euro.

Trade accounts receivable includes an amount of QR 823.2 million (2007: QR 574.7 million) in foreign currencies, mainly in UAE Dirhams, US Dollars, Great Britain Pounds (GBP) and Euros.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, GBP and other foreign exchange rates, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets, liabilities. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown.

	Effect on profit	
	2008	*2007*
	+5%	*-5%*
	QR'000	*QR'000*
Euro	(71,884)	(3,305)
GBP	10,590	4,080
Other currencies	(12,592)	(25,432)
	(73,886)	(24,657)

Capital management
The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may issue new shares or obtain funds from the shareholder. No changes were made in the objectives, policies or processes during the year ended 31 March 2008 and 31 March 2007 except for certain funds drawn down from the Government of Qatar.

Capital includes share capital, legal reserve, and accumulated losses and is measured as a deficit of QR 1,004,553 thousand at 31 March 2008 (2007: deficit of QR 1,031,440 thousand). The shareholders have resolved to provide adequate funds when necessary to continue the operations of the Group as a going concern.

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses. Derivatives consist of interest rate swap contracts.

The fair values of the financial instruments, with the exception of certain available-for-sale investments and the loan from the Government of Qatar which are carried at cost (see Notes 15 and 22 respectively), are not materially different from their carrying values.

34 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of available-for-sale equity investments
The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of investments in associates
The Group accounts for its investments in associates under the cost method. In addition, the Group also makes an annual assessment whether any additional provisions are required for items that do not comprise the Group's net investment in the associate.

Impairment of intangibles
The Group determines whether intangibles are impaired at least on an annual basis. This requires an estimation of the value in use and fair value less cost to sell the assets. Estimating the value in use requires the Group to make an estimate of the expected future cash flows and to choose a suitable discount rate.

Provision for the frequent flyer program
The provision is based on miles outstanding valued at the incremental direct cost of providing the service. In arriving at the miles outstanding, an adjustment is made for miles which are not expected to be redeemed based on current trends. Incremental direct costs are arrived at based on the forecasted weighted average cost of the rewarded mix, i.e., redemptions of Qatar Airways services and on non-airline or other member airlines. These estimates are reviewed on an annual basis and the liability is suitably adjusted as appropriate.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

35 COMPARATIVE INFORMATION

The previously reported losses, equity, assets and liabilities have been restated as a result of charges in accounting policies and consolidation of the financial statement of a subsidiary as more explained in Notes 3.3 and 3.4 respectively.

These changes have been made to improve the quality of information presented.

Qatar Airways Q.C.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2009

Ernst & Young

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Qatar Airways Q.C.S.C.('the Company'), and its subsidiaries (together referred as the "Group") which comprise the consolidated balance sheet as at 31 March 2009 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity (deficiency of funds) for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 March 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR AIRWAYS Q.C.S.C. (continued)

Report on Legal and Other Requirements

Furthermore, in our opinion proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law except stipulated below or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. The losses incurred by the Group has created accumulated losses which exceeds 50% of the share capital as at 31 March 2009 and, as of that date, the Group's current liabilities exceeded its current assets by QR 553,944 thousand (2008: QR 4,150,664 thousand). The shareholders of the Company have resolved to continue the operations of the Group as adequate financial support will be made available to enable the Group to meet its liabilities as they fall due.

A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date: 8 September 2009
Doha

ERNST & YOUNG Doha

Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009 QR'000	2008 QR'000
Revenue	4	14,384,591	11,768,223
Other operating income	5	139,590	118,646
Operating expenses	6	(12,758,371)	(10,804,117)
GROSS PROFIT		1,765,810	1,082,752
Other income	7	370,703	754,438
Profit on disposal of investment properties		21,906	-
General and administrative expenses	8	(1,214,545)	(1,014,671)
Finance costs	9	(573,655)	(688,705)
Loss on disposal of plant and equipment		(247)	(2,300)
Gain (loss) on foreign currency exchange		2,482	(89,395)
Share of results of a joint venture	15	17,870	-
Impairment loss on available-for-sale investments	16	(618,604)	-
(LOSS) PROFIT BEFORE TAXATION		(228,280)	42,119
Income tax expense	10	(1,743)	(1,748)
(LOSS) PROFIT FOR THE YEAR		(230,023)	40,371
Attributable to:			
Shareholders of the parent		(251,125)	26,887
Minority interests		21,102	13,484
		(230,023)	40,371

The attached notes 1 to 35 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	Notes	2009 QR'000	2008 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	25,029,103	20,838,507
Investment properties	12	6,182	12,159
Intangibles	13	150,686	107,785
Investment in an associate	14	14,000	14,000
Interest in a joint venture	15	20,422	-
Available-for-sale investments	16	344,478	127,539
Positive fair value of derivatives	31	40,089	-
		25,604,960	21,099,990
Current assets			
Inventories	17	449,924	415,307
Accounts receivable and prepayments	18	2,048,867	1,657,433
Bank balances and cash	19	4,029,591	1,284,054
		6,528,382	3,356,794
TOTAL ASSETS		32,133,342	24,456,784
EQUITYAND LIABILITIES			
Equity (deficiency of funds) attributable to shareholders of the parent			
Share capital	20	143,800	143,800
Legal reserve	21	13,483	13,483
Shareholder advances	23	11,836,209	-
Fair value reserve	22	(1,611,605)	(17,700)
Accumulated losses		(1,412,961)	(1,161,836)
Foreign currency translation reserve		4,471	1,266
		8,973,397	(1,020,987)
Minority interests		44,796	30,094
Total equity (deficiency of funds)		9,018,193	(990,893)
Non-current liabilities			
Loan from the Government of Qatar	23	-	5,520,104
Non-current portion of term loans	24	14,732,241	12,220,139
Employees' end of service benefits	25	208,193	166,610
Negative fair value of derivatives	31	1,092,389	33,366
		16,032,823	17,940,219
Current liabilities			
Accounts payable and accruals	26	2,683,208	2,169,880
Unearned revenue		2,130,024	1,894,341
Bank overdrafts	19	85,484	33,672
Current portion of term loans	24	2,183,610	3,409,565
		7,082,326	7,507,458
Total liabilities		23,115,149	25,447,677
TOTAL EQUITY AND LIABILITIES		32,133,342	24,456,784

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 35 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2009

	Notes	2009 QR'000	2008 QR'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		(228,280)	42,119
Adjustments for:			
Depreciation	11 & 12	1,335,855	990,254
Share of result of a joint venture		(17,870)	-
Loss on disposal of plant and equipment		247	2,300
Profit on disposal of investment properties		(21,906)	-
Provision for obsolete and slow moving inventories	17	1,269	389
Provision for impairment of receivables-net of write-offs	18	2,114	1,073
Provision for employees' end of service benefits	25	58,633	56,939
Profit on disposal of available-for-sale investments	7	-	(354,385)
Movement in the provisions net of utilized amounts	26	(29,903)	65,227
Impairment loss on available-for-sale investments	22	618,604	-
Ineffective portion of cash flow hedges transferred to income statement		(3,557)	4,318
Interest and dividend income	7	(113,519)	(67,778)
Finance costs	9	573,655	688,705
Operating profit before working capital changes		2,175,342	1,429,161
Inventories		(35,886)	(114,595)
Receivables		33,992	(314,180)
Payables and unearned revenue		(207,209)	948,617
Cash from operations		1,966,239	1,949,003
Interest expense paid		(560,246)	(684,387)
Income tax paid		(1,745)	(1,444)
Employees' end of service benefits paid	25	(17,050)	(17,751)
Net cash from operating activities		1,387,198	1,245,421
INVESTING ACTIVITIES			
Movement in restricted short term deposits		(914,017)	5,856
Additions to property, plant and equipment		(5,527,300)	(6,762,766)
Additions to investment properties	12	(12,915)	(10,020)
Additions to intangibles	13	(42,901)	(44,597)
Additions to available-for-sale investments		(861,781)	(106,729)
Proceeds from disposal of investment properties		40,394	1,012,937
Proceeds from disposal of plant and equipment		1,006	2,742
Interest and dividend received		113,519	67,778
Investment in a joint venture		(2,552)	-
Net cash used in investing activities		(7,206,547)	(5,834,799)
FINANCING ACTIVITIES			
Proceeds from loans / shareholder advances		11,402,993	7,578,514
Repayment of loans		(3,800,741)	(2,762,251)
Dividend paid to minority interests		(6,400)	(7,600)
Net cash from financing activities		7,595,852	4,808,663
INCREASE IN CASH AND CASH EQUIVALENTS		1,776,503	219,285
Net foreign exchange difference		3,205	(159)
Cash and cash equivalents at the beginning of the year	19	1,246,642	1,027,516
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	19	3,026,350	1,246,642

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY OF FUNDS)

Year ended 31 March 2009

	Attributable to shareholders of the parent								
	Share capital QR'000	*Legal reserve QR'000*	*Shareholder advances QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Minority interests QR'000*	*Total equity QR'000*
Balance at 1 April 2008	143,800	13,483	-	(17,700)	(1,161,836)	1,266	(1,020,987)	30,094	(990,893)
Net movement in fair value of available-for-sale investments	-	-	-	(26,238)	-	-	(26,238)	-	(26,238)
Net movement in fair value of cash flow hedges	-	-	-	(1,567,667)	-	-	(1,567,667)	-	(1,567,667)
Net movement in foreign currency translation reserve	-	-	-	-	-	3,205	3,205	-	3,205
Total income and expense for the year directly recognised in equity	-	-	-	(1,593,905)	-	3,205	(1,590,700)	-	(1,590,700)
Loss for the year	-	-	-	-	(251,125)	-	(251,125)	21,102	(230,023)
Total income and expenses for the year	-	-	-	(1,593,905)	(251,125)	3,205	(1,841,825)	21,102	(1,820,723)
Loan from Government of Qatar converted to shareholder advances	-	-	5,520,104	-	-	-	5,520,104	-	5,520,104
Received during the year	-	-	6,316,105	-	-	-	6,316,105	-	6,316,105
Dividends paid	-	-	-	-	-	-	-	(6,400)	(6,400)
Balance at 31 March 2009	**143,800**	**13,483**	**11,836,209**	**(1,611,605)**	**(1,412,961)**	**4,471**	**8,973,397**	**44,796**	**9,018,193**

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY OF FUNDS) (continued)

Year ended 31 March 2009

	Attributable to shareholders of the parent							
	Share capital QR'000	*Legal reserve QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Minority interests QR'000*	*Total deficiency of funds QR'000*
Balance at 1 April 2007	143,800	10,794	79,493	(1,186,034)	1,286	(950,661)	24,210	(926,451)
Net movement in fair value of available-for-sale investments	-	-	78,909	-	-	78,909	-	78,909
Net movement in fair value of cash flow hedges	-	-	(176,102)	-	-	(176,102)	-	(176,102)
Net movement in foreign currency translation reserve	-	-	-	-	(20)	(20)	-	(20)
Total income and expense for the year directly recognised in equity	-	-	(97,193)	-	(20)	(97,213)	-	(97,213)
Profit for the year	-	-	-	26,887	-	26,887	13,484	40,371
Total income and expenses for the year	-	-	(97,193)	26,887	(20)	(70,326)	13,484	(56,842)
Transfer to legal reserve		2,689		(2,689)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(7,600)	(7,600)
Balance at 31 March 2008	143,800	13,483	(17,700)	(1,161,836)	1,266	(1,020,987)	30,094	(990,893)

The attached notes 1 to 35 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2009

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Airways Q.C.S.C. (the "Company") is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 30 November 1993 under Commercial Registration No. 16070 and commenced operations during January 1994. The Company's registered office is located at P.O. Box 22550, Doha, State of Qatar.

The main activities of the Company are:

- Commercial air-transportation which includes passenger, cargo, aircraft charters and related services.
- Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
- Trading in duty free goods at Doha International Airport;
- Distribution of certain beverages in Qatar;
- Public relations, advertising, marketing and promotional activities in Qatar; and
- Marketing, distribution, installation and maintenance of airline reservation and travel agency systems.

The consolidated financial statements of Qatar Airways Q.C.S.C. for the year ended 31 March 2009 were authorised for issue by the management representatives on 8 September 2009.

The consolidated financial statements for the year ended 31 March 2009 comprise the Company and its subsidiaries (together referred as the "Group").

The principal subsidiaries of the Group, incorporated in the consolidated financial statements are as follows:

Name of Subsidiary	Ownership	Country of incorporation
Qatar Media Company W.L.L	80%	Qatar
Amadeus Qatar W.L.L.	60%	Qatar
Lambrini Holding Ltd.	100%	United Kingdom
Oryx Holdings, Inc.	100%	United States of America

Qatar Media Company W.L.L.
The Company is engaged in providing services relating to public relations, advertising, marketing and promotional activities in Qatar.

Amadeus Qatar W.L.L.
The Company is engaged in activities relating to marketing, distribution, installation and maintenance of the Amadeus reservation and travel agency system to various travel agencies in Qatar.

Lambrini Holdings Ltd.
The Company, incorporated in Jersey, United Kingdom is principally engaged in holding real estate properties.

Oryx Holdings, Inc.
The Company, incorporated in Wilmington, Delaware is principally engaged in holding real estate properties.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company except for Amadeus Qatar W.L.L and Qatar Media Company W.L.L. of whose financial year ends on 31 December 2008, and all companies in the Group use consistent accounting policies.

2 GOING CONCERN

The Group reported a loss of QR 230,023 thousand for the year ended 31 March 2009. As a result of the current year and previous year losses, the accumulated losses as at 31 March 2009 exceed 50% of the Capital. During the year, the shareholders provided adequate financial support to continue the operations of the Group in the form of shareholder advances.

Article 46 of the Articles of Association of the Company requires that the Board of Directors shall convene an Extra-Ordinary General Assembly to decide whether the situation requires dissolution of the Company or to decrease its capital or to take any other suitable measures. In the Extra-Ordinary General Assembly dated 8 September 2009, the shareholders of the Company have resolved to continue the operations of the Company as adequate financial support will be made available to enable the Company to meet its liabilities as they fall due.

The consolidated financial statements have been prepared under the going concern concept due to the following facts:

(a) The shareholders have resolved in the Extraordinary General Assembly to continue with the operations of the Company; and

(b) The shareholders have resolved in the Extraordinary General Assembly to continue to make funds available to the Company to allow it to meet its liabilities as they fall due.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), and the applicable requirements of Qatar Commercial Companies Law No. 5 of 2002.

The consolidated financial statements have been presented in Qatari Riyals which is the functional currency of the Group and all values are rounded to the nearest thousand (QR'000) except where otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of quoted available-for-sale investments and derivative financial instruments.

3.2 BASIS OF CONSOLIDATION

Subsidiaries
Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Inter-company balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 BASIS OF CONSOLIDATION (continued)

Minority interests
Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Losses applicable to the minority in excess of the minority's interests are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover losses. Acquisitions of minority interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

The accounting policies adopted by the Group are consistent with those applied in the previous years.

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

The following IASB standards and interpretations have been issued but are not yet mandatory and have not yet been adopted by the Group.

IFRS 3 (Revised) Business combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements
The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without a loss of control) is accounted for an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 statement of cash flows, IAS 12 Income taxes, IAS 21 The effects of changes in Foreign Exchange rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3 (revised) and IAS 27 (revised) will affect future acquisitions or loss of the control and transactions with minority interests. The standard may be early applied. However, the Group does not intend to take advantage of this possibility.

IAS 23 (Revised) Borrowing Costs
The IASB issued amendment to IAS 23 in April 2007. The revised IAS 23 becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group expects that this interpretation will have no impact on the Group's financial statements as the Group has already adopted the policy of capitilising borrowing costs on qualifying assets.

IAS 1 (Revised) Presentation of Financial Statements
The revised standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces a statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in a two linked statements. The Group is still evaluating whether it will have one or two statements.

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (continued)

IAS 39 Financial instruments: Recognition and Measurement- Eligible Hedged Items
These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 January 2009. The amendment addresses the designation of one sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 13 "Customer loyalty programmes"
IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received allocated to the award credits and deferred over the period and that the award credit are fulfilled. The Group expects that adoption of this interpretation will have a material impact on the Group's financial statements.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue
Revenue from passengers and cargo is recognised as revenue when the transportation is provided. Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities in the 'unearned revenue' account until recognised as revenue. Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

Revenues from aircraft charters are recognised when the chartering services are provided.

Revenue from sales of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer and amount of revenue can be measured reliably.

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

Income from claims is recognised in the income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain.

Revenues on goods sold and services provided represent the invoiced value of goods supplied or services provided.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost and is subsequently stated at cost less accumulated depreciation and accumulated impairment.

Subsequent costs are included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow and the cost can be reliably measured. Other costs are charged to the consolidated income statement during the year in which they are incurred.

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

Land is not depreciated. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost less their estimated residual values on a straight-line basis over the estimated economic useful life of the assets.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

The estimated economic useful life and residual values of the Company's assets for the calculation of depreciation are as follows:

Asset Type	Estimated economic useful life	Estimated residual value
Passenger aircraft	15 years	20%
Freighter aircraft	7 years	20%
Aircraft spare engines	15 years	20%
Aircraft spares	7 years	20%
Buildings	10 years	Nil
Furniture, vehicles, ground and office equipment	3-7 years	Nil
Catering plant and equipment	6-7 years	Nil
Ground handling equipment	6-7 years	Nil

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year the item is de-recognised.

The assets' residual value, useful lives and method of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate,

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until the assets are 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.

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

Aircraft and engine overhaul costs
Major overhaul costs of owned aircraft, engines and equipment are capitalised only when it is probable that future economic benefits associated with the items will flow and the cost can be reliably measured. Other costs are expensed when incurred.

Capitalised major overhaul costs are depreciated over the shorter of the period to the next major overhaul or useful life of the asset incurred.

Manufacturers' credits
The Group receives credit 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 recognised as "other income" in the consolidated income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property
Advertisement billboards are considered as investment properties only when they are being held to earn rentals or for long term capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. The cost of investment property includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day-to-day servicing of an investment property.

Depreciation on advertisement billboards is calculated on a straight line basis over 10 years.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

Intangibles
Intangible assets acquired are measured on initial recognition at cost only when future economic benefits are probable. Cost includes the purchase price together with any directly attributable expenses. Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Investment in an associate
The Group's investment in an associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associate and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in an associate. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the consolidated income statement.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a joint venture
The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognizes its interest in the joint venture using the equity method. Under the equity method, the interest in a joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Losses in excess of the cost of the interest in a joint venture are recognised when the Group has incurred obligations on its behalf. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The reporting dates of the joint venture and the Group are identical and the joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Derecognition of financial assets and liabilities
Financial assets:
A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities:
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale investments
Available-for-sale investments are initially recognised at cost being the fair value of consideration given, on a trade date basis, when the Group becomes a party to the contractual provisions of the investment.

After initial recognition, available-for-sale investments are re-measured at fair value, with any resultant gain or loss directly recognised as a separate component of equity until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the year. Dividends earned on investments are recognised in the consolidated income statement when the right to receive dividend has been established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. For investment in funds, fair value is determined by reference to net asset values provided by the fund administrators.

Due to the uncertain nature of cash flows arising from the Group's unquoted equity investments, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less provision for any impairment losses.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated income statement.

When the investment is disposed off, the cumulative gain or loss previously recorded in equity is recognised in the consolidated income statement.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Inventories
Inventories are valued on a first-in first-out basis and are stated at the lower of purchase cost and net realisable value. Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
For the purpose of the cash flow statement, cash and cash equivalents consist of bank balances and cash, net of outstanding bank overdrafts, except for restricted funds due to the Government policy for repatriation.

Term loans
Term loans are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, term loans are measured at amortisied cost using the effective interest method, with any differences between the cost and final settlement values being recognised in the consolidated income statement over the period of loans. Instalments due within one year at amortised cost are shown as a current liability.

Employees' end of service benefits
The Group provides for end of service benefits determined in accordance with the Group's policy based on employee's salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Group. Accordingly, the Group has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Qatari employees, the Group makes contributions to a Government Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Provisions
Provisions are recognised when the Group has an obligation (legal and constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Frequent flyer programme
The Group maintains a frequent flyer programme that provides a variety of rewards to programme members based on mileage credit for flights on Qatar Airways. Members can also accrue miles by utilising the services of non-airline programme participants. Miles accrued through utilising the services of programme partners are paid for by the participating partners and the resulting revenue is recorded as other operating income. The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is recognised as provisions under current liabilities.

Derivative financial instruments
The Company uses derivative financial instruments such as interest rate swap contracts to hedge its risks associated with interest rates and WTI crude oil swap /option contracts to hedge its risks associated with jet-fuel price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair values of interest rate swap contracts are determined by reference to valuation reports provided by counterparties. The fair value of WTI crude oil swap /option contracts are determined by reference to the available market information and option/swap valuation methodology.

The fair values of WTI crude oil swap/option contracts are the mark-to-market values of these swap/option contracts.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedged item or transaction, the hedging instrument, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's (or transaction's) cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows, and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they are designated.

Derivatives are classified as fair value through profit and loss unless they qualify for hedge accounting.

Hedges which meet the criteria for hedge accounting are accounted for as cash flow hedges.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognized directly in the fair value reserve while the ineffective portion is recognised in the consolidated income statement.

Amounts taken to the fair value reserve are transferred to the consolidated income statement when the hedged transaction affects income statement, such as when a forecast sale or purchase occurs. If the hedged item is a non-financial asset or liability, the amounts taken to the fair value reserve are transferred to the initial carrying amount of the non-financial asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualified for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the balance sheet date and their income statements are translated at the average rate of exchange during the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

One of the subsidiaries is liable to Qatar income tax under the provisions of the Income Tax Law No. 11 of 1993. The tax liability of the Group is included under "accounts payable and accruals".

Leases
Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term or other systematic basis representative of the time pattern of the lease benefits.

Fair values
For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

Unquoted investments for which fair values cannot be reliably measured are stated at cost.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates.

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4 REVENUE

	2009 *QR'000*	*2008* *QR'000*
Scheduled services:		
Passenger	11,327,684	9,246,758
Cargo	1,687,890	1,438,938
	13,015,574	10,685,696
Other revenue:		
Sale of duty free goods and beverages	791,934	653,917
Advertisement and promotional revenue	286,146	190,247
Revenue from ground handling services	189,402	145,199
Revenue from aircraft charters	39,060	41,379
Reservation and travel agency revenue	38,239	37,955
In-flight catering and related service charges	24,236	13,830
	1,369,017	1,082,527
	14,384,591	11,768,223

5 OTHER OPERATING INCOME

	2009 QR'000	*2008 QR'000*
Tax release	44,787	37,056
Frequent flyer programme	39,458	25,184
Income from in-flight duty free	18,440	16,218
Commission income	2,149	2,534
Miscellaneous	34,756	37,654
	139,590	118,646

6 OPERATING EXPENSES

	2009 QR'000	*2008 QR'000*
Fuel costs	5,050,345	3,970,073
Salaries, allowances and other benefits	1,842,052	1,693,326
Landing, ground handling and over flying charges	1,345,428	1,168,241
Depreciation (Note 11)	1,241,070	931,296
Passenger services	560,988	537,125
Aircraft maintenance and insurance	511,710	405,266
Revenue commissions	499,452	541,235
Cost of sales of duty free goods and beverages	416,652	360,457
Reservations, communications and revenue accounting	389,641	374,363
Advertisement and promotions	376,145	302,113
Aircraft and engine operating lease rentals	253,509	264,981
Cost of in-flight and other catering services	162,409	156,037
Frequent flyer programme (Note 26)	53,517	51,930
Indirect tax	50,944	44,099
Miscellaneous	4,509	3,575
	12,758,371	10,804,117

7 OTHER INCOME

	2009 QR'000	*2008 QR'000*
Interest income	78,433	63,126
Rechargeable expenses recovered from related parties	59,738	56,201
Maintenance and development fee	58,940	52,132
Release of long outstanding liabilities and excess provisions	39,854	55,858
Dividend income from available-for-sale investments	35,086	4,652
Infrastructure facility income	33,243	28,829
Management fees	17,719	-
Insurance claim received	11,325	109,311
Miscellaneous	36,365	29,944
Profit on disposal of available-for-sale investments	-	354,385
	370,703	754,438

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 QR'000	*2008 QR'000*
Salaries, allowances and other benefits	**611,497**	535,596
Rental - office, vehicles, accommodation and equipment	**108,460**	86,446
Depreciation (Notes 11 & 12)	**94,785**	58,958
Legal and consultancy fees	**82,146**	55,426
Repairs, maintenance and insurance	**72,018**	36,899
Bank charges	**56,332**	42,334
Stationery and publication materials	**42,381**	37,761
Communication	**32,083**	28,507
Management fees	**19,246**	30,033
Travelling and deportation	**13,038**	11,271
Provision for impairment of receivables (Note 18)	**3,381**	5,954
Miscellaneous	**79,178**	77,430
Write-off of departure control system project	-	8,056
	1,214,545	1,014,671

9 FINANCE COSTS

	2009 QR'000	*2008 QR'000*
Interest expenses	**577,212**	684,387
Ineffective portion of cash flow hedge	**(3,557)**	4,318
	573,655	688,705

10 INCOME TAX EXPENSE

The income tax expense relates to the income of two subsidiaries Lambrini Holding Ltd, registered in the United Kingdom and Amadeus Qatar W.L.L, registered in the State of Qatar.

11 PROPERTY, PLANT AND EQUIPMENT

	Aircraft QR'000	*Aircraft spare engines QR'000*	*Aircraft spares QR'000*	*Land and buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant and equipment QR'000*	*Ground handling equipment QR'000*	*Capital work-in-progress QR'000*	*Total QR'000*
Cost:									
At 1 April 2008	15,981,153	873,579	867,676	228,769	466,244	10,480	198,188	5,033,071	23,659,160
Additions	-	-	-	79,887	47,774	368	18,655	5,380,522	5,527,206
Foreign exchange adjustments	-	-	-	88	6	-	-	-	94
Transfers	3,982,346	461,054	204,151	10,935	325,170	-	1,611	(4,985,267)	-
Disposals including write-offs	(3,370)	(3,517)	(344)	-	(3,848)	(69)	(557)	-	(11,705)
At 31 March 2009	19,960,129	1,331,116	1,071,483	319,679	835,346	10,779	217,897	5,428,326	29,174,755
Depreciation:									
At 1 April 2008	2,056,560	130,376	270,916	39,453	242,394	5,663	75,291	-	2,820,653
Provided during the year	950,909	113,731	116,737	13,559	110,760	1,644	28,111	-	1,335,451
Reclassifications	-	-	-	-	24	-	(24)	-	-
Relating to disposals including write-offs	(3,370)	(3,517)	(192)	-	(2,766)	(66)	(541)	-	(10,452)
At 31 March 2009	3,004,099	240,590	387,461	53,012	350,412	7,241	102,837	-	4,145,652
Net book values:									
At 31 March 2009	**16,956,030**	**1,090,526**	**684,022**	**266,667**	**484,934**	**3,538**	**115,060**	**5,428,326**	**25,029,103**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Aircraft QR'000	*Aircraft spare engines QR'000*	*Aircraft spares QR'000*	*Land and buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant and equipment QR'000*	*Ground handling equipment QR'000*	*Capital work-in-progress QR'000*	*Total QR'000*
Cost:									
At 1 April 2007	13,161,101	447,556	597,270	105,011	362,930	9,910	142,413	2,124,685	16,950,876
Additions	-	-	-	39,568	33,517	838	38,901	6,615,430	6,728,254
Foreign exchange adjustments	-	-	-	140	-	-	-	-	140
Transfers	2,820,052	426,023	279,100	88,111	76,540	-	17,218	(3,707,044)	-
Disposals including write-offs	-	-	(8,694)	(4,061)	(6,743)	(268)	(344)	-	(20,110)
At 31 March 2008	15,981,153	873,579	867,676	228,769	466,244	10,480	198,188	5,033,071	23,659,160
Depreciation:									
At 1 April 2007	1,331,571	69,188	214,725	32,668	178,444	4,318	51,260	-	1,882,174
Provided during the year	759,501	61,188	63,146	9,553	69,678	1,525	24,373	-	988,964
Transfers/reclassifications	(34,512)	-	-	1,293	(1,293)	-	-	-	(34,512)
Relating to disposals including write-offs	-		(6,955)	(4,061)	(4,435)	(180)	(342)	-	(15,973)
At 31 March 2008	2,056,560	130,376	270,916	39,453	242,394	5,663	75,291	-	2,820,653
Net book values:									
At 31 March 2008	13,924,593	743,203	596,760	189,316	223,850	4,817	122,897	5,033,071	20,838,507

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

The depreciation charge has been allocated in the consolidated income statement as follows:

	2009 QR'000	*2008 QR'000*
Operating expenses (Note 6)	1,241,070	931,296
General and administrative expenses	94,381	57,668
	1,335,451	988,964

Property, plant and equipment with a net book value of QR 17,256 million (2008: QR 13,733 million) is mortgaged as security for certain term loans.

The additions and transfers include capitalised borrowing costs of QR 26 million (2008: QR 35 million).A capitalisation rate of 100% has been used up to the date when substantially all the activities necessary to bring the qualifying asset for its intended use are complete.

Aircraft fleet
At 31 March 2009, the aircraft fleet comprised of 68 aircraft (2008: 62 aircraft) as follows:

Included in property, plant and equipment:

	2009	*2008*
Airbus A319	2	2
Airbus A320	10	10
Airbus A321	4	4
Airbus A300	2	2
Airbus A330	25	24
Airbus A340	4	4
Boeing B777	8	2
Bombardier	2	2
	57	50

One Airbus A319 aircraft, thirteen A320/321 aircraft, twenty-four A330 aircraft, four A340 aircraft and eight B777 aircraft are registered in the names of certain special purpose companies that have been set up to securitise the respective finance obligations for each aircraft. These aircraft have been reflected as assets in the financial statements as the Group retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would for an asset registered in its own name. (Also refer to Note 24).

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Under operating lease:

The Group also has the following aircraft under operating lease agreements:

	2009	*2008*
Airbus A320	1	2
Airbus A321	2	2
Airbus A300	2	2
Airbus A330	6	6
	11	12

The commitments under these operating leases are disclosed in Note 29.

12 INVESTMENT PROPERTIES

	Advertisement billboards	
	2009	*2008*
	QR' 000	*QR' 000*
Cost:		
At 1 April	**13,886**	5,039
Additions	**12,915**	10,020
Disposals	**(19,931)**	(1,173)
At 31 March	**6,870**	13,886
Depreciation:		
At 1 April	**1,727**	704
Provided during the year	**404**	1,290
Relating to disposals	**(1,443)**	(267)
At 31 March	**688**	1,727
Net book values:		
At 31 March	**6,182**	12,159

Notes:

(i) Investment properties consist of advertisement billboards held by a subsidiary. These are carried at cost less accumulated depreciation and any impairment in value.

(ii) The fair value of investment properties as estimated by the subsidiary's management amounts to QR 50 million (2008 -QR 50 million). The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

13 INTANGIBLES

	2009 QR'000	*2008 QR'000*
At 1 April	107,785	63,188
Additions during the year	42,901	44,597
At 31 March	150,686	107,785

Intangible assets represent slots acquired at London Heathrow airport, which establish the right to operate flights through that airport. These slots have an indefinite useful life as the Group has title to slots on a permanent basis and there is no foreseeable limit to the period over which the slots are expected to generate net cash flows for the Group. These slots have been reviewed and tested for impairment and the Group has not noted any impairment as of the balance sheet date.

14 INVESTMENT IN AN ASSOCIATE

	Country of Incorporation	*Ownership*	*2009 QR'000*	*2008 QR'000*
Qatar Medical Insurance Company W.L.L.	Qatar	20%	14,000	14,000

The Company's principal activity is to provide medical insurance cover. The Company has not commenced its commercial operations as of the balance sheet date.

15 INTEREST IN A JOINT VENTURE

The Group has a 51% interest in Q Media Decaux, a jointly controlled entity which is involved in advertising and marketing activities in the State of Qatar. The following table illustrates the summarised financial information of the Group's interest in the joint venture:

	2009 QR '000	*2008 QR '000*
Share of the joint venture's balance sheet:		
Assets	61,308	-
Liabilities	(40,886)	-
Net assets	20,422	-
Share of the joint venture's profit before tax:		
Profit before tax	17,870	-

16 AVAILABLE-FOR-SALE INVESTMENTS

	2009 QR'000	*2008 QR'000*
Quoted shares	310,803	90,761
Unquoted shares	5,000	2,500
Investment in mutual funds	28,675	34,278
	344,478	127,539

	2009 QR'000	*2008 QR'000*
At cost	962,390	100,609
Net gain from fair value adjustments (Note 22)	692	26,930
Impairment losses	(618,604)	-
	344,478	127,539

17 INVENTORIES

	2009 QR'000	*2008 QR'000*
Spare parts	217,960	164,125
Goods for resale and in-transit	103,014	89,281
Catering materials	82,542	105,941
Other supplies	46,408	55,960
	449,924	415,307

Movements in the provision for obsolete and slow moving inventories are as follows:

	2009 QR'000	*2008 QR'000*
At 1 April	4,971	4,582
Provided during the year	1,269	389
At 31 March	6,240	4,971

18 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009 QR'000	*2008 QR'000*
Trade accounts receivable (net)	**1,073,126**	1,101,108
Current portion of positive fair value of derivatives (Note 31)	**427,540**	-
Prepaid expenses	**85,676**	139,151
Amounts due from related parties (Note 30)	**59,785**	233,941
Other receivables	**402,740**	183,233
	2,048,867	1,657,433

Included in the amounts due from related parties are the following balances:

	2009 QR'000	*2008 QR'000*
Directors, major shareholders and other key management personnel	**48,041**	49,090
Qatar Media Decaux	**36,873**	-
Amiri Flight	**21,314**	15,479
Doha International Airport	-	216,471
Amadeus International	**1,138**	3,418
	107,366	284,458
Less: Provision for impairment	**(47,581)**	(50,517)
	59,785	233,941

At 31 March 2009, trade accounts receivable and amounts due from related parties amounting to QR 80 million (2008: QR 78 million) were impaired. The other classes of financial assets do not contain impaired assets.

The movements in the provisions for impairment of trade accounts receivable and amounts due from related parties were as follows:

	2009 QR'000	*2008 QR'000*
At 1 April	**77,704**	76,631
Charge for the year (Note 8)	**3,381**	5,954
Unused amounts reversed	-	(25)
Amounts written off	**(1,267)**	(4,856)
At 31 March	**79,818**	77,704

18 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

At 31 March 2009, the ageing of unimpaired financial assets is as follows:

			Past due but not impaired				
	Total *QR'000*	*Neither past due nor impaired* *QR'000*	*< 30 days* *QR'000*	*30 – 60 days* *QR'000*	*61 – 90 days* *QR'000*	*91 – 120 days* *QR'000*	*>120 days* *QR'000*
2009	**1,963,191**	**1,772,393**	**68,409**	**29,460**	**21,156**	**31,212**	**40,561**
2008	1,518,282	1,395,698	95,458	5,345	3,846	8,911	9,024

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and a vast majority of receivables are hence unsecured.

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise of the following balance sheet amounts:

	2009 *QR'000*	*2008* *QR'000*
Bank balances and cash	**4,029,591**	1,284,054
Bank overdrafts	**(85,484)**	(33,672)
	3,944,107	1,250,382
Less: Restricted bank balances	**(917,757)**	(3,740)
	3,026,350	1,246,642

Included in the restricted bank balances are deposit accounts amounting to QR 330,000 (2008: QR 3,740,000) held in Seychelles currency in Seychelles. These funds cannot be repatriated due to strict government policies on repatriation of local currencies. The remaining balances are held against margin deposits against WTI crude oil swap /option contracts.

20 SHARE CAPITAL

	2009 *QR'000*	*2008* *QR'000*
Authorised, issued and fully paid shares 14,380,000 shares (2008: 14,380,000) of QR 10 (2008: QR 10) each	**143,800**	143,800

21 LEGAL RESERVE

As required by Qatar Commercial Companies' Law No. 5 of 2002 and the Group's Articles of Association, 10% of the profit of the Group for the year has been transferred to the legal reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the share capital. No transfer has been made during the year as the Group incurred a loss.

The reserve is not normally available for distribution, except in the circumstances stipulated by the above Law.

22 FAIR VALUE RESERVE

	2009			2008		
	Cash flow hedges QR'000	*Available-for-sale investments QR'000*	*Total QR'000*	*Cash flow hedges QR'000*	*Available-for-sale investments QR'000*	*Total QR'000*
Balance at 1 April	**(44,630)**	**26,930**	**(17,700)**	131,472	(51,979)	79,493
Realised loss on sale of available-for-sale investments	-	-	-	-	51,979	51,979
Net unrealised (loss) gain on available-for-sale investments	-	**(644,842)**	**(644,842)**	-	26,930	26,930
Transfer to income statement on impairment of available-for-sale investments	-	**618,604**	**618,604**	-	-	-
Net unrealised loss on cash flow hedges	**(1,568,428)**	-	**(1,568,428)**	(180,420)	-	(180,420)
Ineffective portion of cash flow hedge transferred to income statement	**761**	-	**761**	4,318	-	4,318
Balance at 31 March	**(1,612,297)**	**692**	**(1,611,605)**	(44,630)	26,930	(17,700)

23 SHAREHOLDER ADVANCES AND LOAN FROM THE GOVERNMENT OF QATAR

The loan from the Government of Qatar is non interest bearing as has no specific repayment terms. During the year, the loan from the Government of Qatar was converted to shareholder advances and treated as part of equity as the settlement of this amount is neither planned nor likely to occur in the foreseeable future. These shareholder advances are repayable at the option of the Company and will be converted to share capital in the long term.

24 TERM LOANS

	2009 QR'000	*2008 QR'000*
The term loans consist of:		
For pre-delivery payments for the purchase of aircraft and spare engines	**276,434**	1,880,001
For purchases of aircraft and spare engines	**16,037,974**	13,299,276
For purchases of other assets	**601,443**	450,427
	16,915,851	15,629,704
Presented in the consolidated balance sheet as follows:		
Non-current portion	**14,732,241**	12,220,139
Current portion	**2,183,610**	3,409,565
	16,915,851	15,629,704

All the term loans, except for a term loan amounting to QR 517 million (2008: QR 680 million) which bears interest at fixed rates, bear interest at LIBOR/Qatar Central Bank base rate plus margins. Most of the loans are secured by mortgages over assets and/or guarantees given by the Government of the State of Qatar.

A series of structured arrangements were entered into by the Group whereby a number of special purpose companies (SPCs) were established for the purpose of purchasing the A319, A320, A321, A330, A340 and B777 aircraft from Airbus Industries and The Boeing Company. Pursuant to the aircraft purchase agreement and assignment and delegation agreement, these SPCs took title to these aircraft and subsequently the Group entered into agreements with the SPCs to lease the above aircraft. The SPCs entered into Aircraft Mortgage and Security Assignment Agreements with the Security Trustee mortgaging the aircraft and assigning all the rights relating to the aircraft to the Security Trustee. As the Group retains all risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would have for an asset registered in its own name, the assets (refer Note 11) and the liabilities relating to these assets have been included in these consolidated financial statements.

25 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	2009 QR'000	*2008 QR'000*
Provision as at 1 April	**166,610**	127,422
Provided during the year	**58,633**	56,939
End of service benefits paid	**(17,050)**	(17,751)
Provision as at 31 March	**208,193**	166,610

26 ACCOUNTS PAYABLE AND ACCRUALS

	2009 QR'000	*2008 QR'000*
Trade accounts payable	**644,605**	972,876
Current portion of negative fair value of derivatives (Note 31)	**988,298**	15,582
Accrued expenses	**639,981**	743,984
Interest payable	**140,630**	127,221
Provisions (a)	**118,509**	148,412
Amounts due to related parties (b) (Note 30)	**11,834**	-
Tax payable	**1,729**	1,731
Other payables	**137,622**	160,074
	2,683,208	2,169,880

(a) Movements in the provisions are as follows:

	Maintenance provision QR'000	*Frequent flyer programme QR'000*	*Total QR'000*
At 1 April 2007	51,698	31,487	83,185
Provided during the year	47,128	51,930	99,058
Less: Utilised during the year	-	(33,831)	(33,831)
At 31 March 2008	98,826	49,586	148,412
Provided during the year	109,742	53,517	163,259
Less: Utilised during the year	(156,037)	(37,125)	(193,162)
At 31 March 2009	**52,531**	**65,978**	**118,509**

(b) Included in the amounts due to related party are the following balances:

	2009 QR'000	*2008 QR'000*
Doha International Airport	**11,834**	-

27 CONTINGENT LIABILITIES

(a) A previous General Sales Agent (GSA) of the Company has filed a lawsuit claiming QR 9,294,110 for losses and damages suffered as a result of termination of the GSA agreement. The date of the hearing has not been fixed and the Company's lawyer is of the opinion that the claim will not give rise to a material liability for the Group.

(b) Lawsuits have been filed by four passengers of the Company claiming QR 4,050,770 for denied boarding in to the aircraft and degrading of confirmed booking from business class to economy class. These are insurance related claims and the amounts, if any, will be paid by the insurance company. The Company's lawyer is of the opinion that the claim will not give rise to a material liability for the Group.

(c) A contractor has filed a lawsuit claiming QR 12,027,864 relating to upgrade works in the Doha International Airport. The civil court has appointed technical expert, who is due to submit his report to the court. Based on the facts, the Company's lawyer is of the opinion that the claim will not give rise to a material liability for the Group.

(d) At 31 March 2009, the Group had contingent liabilities in respect of performance bonds, letters of credit and letters of guarantee amounting to QR 1,182 million (2008: QR 86 million) arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

28 CAPITAL COMMITMENTS

(a) Commitments for the purchase of aircraft and engines

The total capital commitments for the purchase of aircraft and engines are as follows:

	2009 QR'000	*2008 QR'000*
Authorised and contracted	124,306,783	126,266,834

The delivery schedule of the aircraft is as follows:

Financial year	*Number of Aircraft*
2009 – 2010	14
Beyond 2009 - 2010	146
	160

(b) Other capital projects

	2009 QR'000	*2008 QR'000*
Other capital projects	12,425,813	1,033,703

(c) Others

At 31 March 2009, the Group had raised various orders amounting to QR 82 million (2008:QR 148 million) to purchase rotables, spares and other aircraft related items. The Group expects to receive these within three to six months.

29 COMMITMENTS UNDER OPERATING LEASES

The Group operates 11 (2008: 12) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2009 QR'000	*2008 QR'000*
Amounts payable:		
Within one year	**203,133**	226,999
After one year but not more than five years	**380,947**	527,990
More than five years	**16,017**	81,579
	600,097	836,568

30 RELATED PARTY DISCLOSURES

Related party transactions
Related parties represent the associated company and the non-consolidated subsidiary, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated income statement are as follows:

	2009 QR'000	*2008 QR'000*
Rechargeable expenses recovered from related parties	**59,738**	56,201
Other income	**81,643**	68,377

Related party balance
The loan from the Government of Qatar and amounts due from and due to related parties are disclosed in Notes 23, 18 and 26 respectively.

Compensation of key management personnel
The remuneration of directors and other members of key management during the year was as follows:

	2009 QR'000	*2008 QR'000*
Short-term benefits	**16,550**	10,485
Employees' end of service benefits	**1,053**	604
	17,603	11,089

31 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Interest rate swaps
The Group has entered into interest rate swap contracts effective from August 2004 to August 2015 in order to hedge against the interest rate risk arising from certain loans arising due to variable interest rates. Under the terms of the interest rate swap contracts, the Group pays fixed rates ranging from 3.365% to 4.336% plus a margin and receives floating LIBOR rates. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and borrowings.

Fuel hedging contracts
The Group's earnings are affected by changes in the price of jet fuel. The Group's strategy for managing the risk on fuel price, as defined by the management, aims to provide the Group with protection against sudden and significant increases in jet fuel prices. In meeting these objectives, the fuel risk management programme allows for the judicious use of approved instruments such as swaps and options with approved counterparties and within approved credit limits.

The Group manages this fuel price risk by using commodity swaps and commodity option contracts and hedging up to 3 years forward using a right mix of these instruments. A change in price of one US Dollar per barrel of jet fuel affects the Group's annual fuel costs by QR 43 million (assuming no change in volume of fuel consumed).

Derivative financial instruments included in the balance sheet are as follows:

	2009 QR'000	*2008 QR'000*
Assets		
Fuel hedging contracts	467,629	-
Interest rate swap contracts	-	-
Gross positive fair value	467,629	-
Presented in the balance sheet as:		
Current portion (Note 18)	427,540	-
Non-current portion	40,089	-
	467,629	-
Liabilities		
Fuel hedging contracts	1,967,875	-
Interest rate swap contracts	112,812	48,948
Gross negative fair value	2,080,687	48,948
Presented in the balance sheet as:		
Current portion (Note 26)	988,298	15,582
Non-current portion	1,092,389	33,366
	2,080,687	48,948

32 AGREEMENT ON THE MANAGEMENT, OPERATION AND MAINTENANCE OF DOHA INTERNATIONAL AIRPORT

On 1 June 2006, the Group entered into an agreement with the Civil Aviation Authority (CAA) to manage, operate and maintain Doha International Airport. In accordance with the agreement, revenues relating to the Doha International Airport operations amounting to QR 82 million (2008: QR 68 million) for the year have been included in other income.

33 FINANCIAL RISK MANAGEMENT

Objective and policies
The Group operates globally and generates revenue in various currencies. The Group's airline operations carry certain financial and commodity risks, including the effects of changes in jet fuel prices, foreign currency exchange rates, interest rates and the market value of its investments. The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance. The Group's policy is to use derivatives to hedge specific exposures.

The Group's principal financial liabilities comprise loans, bank overdrafts, trade accounts payable ,amounts due to related parties and derivative financial instruments. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade accounts receivable, amounts due from related parties and cash and bank balances, which arise directly from its operations.

As derivatives are used for the purpose of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenues or costs being hedged. Moreover, counterparty credit risk is generally restricted to any hedging gain from time to time, and not the principal amount hedged. Therefore the possibility of a material loss arising in the event of non-performance by counterparty is considered to be unlikely.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The management periodically reviews and approves the Group's financial risk management policies which are summarised below:

Market risk
Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates, equity prices and fuel prices will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Interest rate risk
The Group's financial assets and liabilities that are subject to interest rate risk comprise of bank deposits, term loans and bank overdrafts. At the balance sheet date, the interest rate profile of the Group's interest bearing financial instruments were as follows:

	2009	*2008*
	QR'000	*QR'000*
Fixed interest rate instruments:		
Financial liabilities	(516,890)	(680,421)
Floating interest rate instruments:		
Financial assets	3,316,661	935,668
Financial liabilities	(16,361,674)	(14,982,955)
	(13,045,013)	(14,047,287)

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates. To manage the risk of changes in floating interest rate in some of the Group's loans, the Group has entered into interest rate swaps which are explained in Note 31. As per the terms of the interest rate swap agreements, the Group will pay fixed interest rate and receive a floating interest rate.

The following table demonstrates the sensitivity of the consolidated income statement and equity to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated income statement and equity is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 March 2009. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

33 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

	Effect on profit (loss) +25bps QR'000	*Effect on equity +25 bps QR'000*
Year ended 31 March 2009		
Variable rate instruments	(32,613)	-
Interest rate swaps	6,277	(282)
	(26,336)	(282)

	Profit (loss) +25b.p QR'000	*Equity +25 b. p QR'000*
Year ended 31 March 2008		
Variable rate instruments	(35,118)	-
Interest rate swaps	7,158	(122)
	(27,960)	(122)

Equity price risk

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite impact on the income statement as a result of impairment.

	Changes in equity prices	*Effect on equity QR'000*
Year ended 2009		
Available-for-sale investments	**+5%**	**16,974**
Year ended 2008		
Available-for-sale investments	+5%	6,252

Jet fuel price risk

The jet fuel price risk sensitivity analysis is based on the assumption that all other factors, such as fuel surcharge and uplifted fuel volume, remain constant. The fuel hedging sensitivity analysis is based on contracts that are still outstanding as at balance sheet date and assumes that all jet fuel hedges are highly effective. Under these assumptions, the effect of increase in both jet fuel and crude oil prices by one US Dollar per barrel, the sensitivity of profit and equity is as follows:

	Changes in fuel price US$/ Barrel QR'000	*Effect on profit QR'000*	*Effect on equity QR'000*
Year ended 31 March 2009	**+1**	**(43,075)**	**(15,002)**

33 FINANCIAL RISK MANAGEMENT (continued)

The effect of decrease in both jet fuel and crude oil prices, each by one US Dollar per barrel is expected to be equal and opposite to the effect of the increase shown above.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of trade accounts receivable, bank balances, amounts due from related parties and derivatives.

The Group sells its tickets through appointed sales agents in each country in which it operates flights. Its five largest debtors account for 27% of outstanding trade accounts receivable as at 31 March 2009 (2008: 31%).

The Group provides passenger and cargo transportation services to various parties. It is the Group's policy that all customers who wish to obtain credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the credit limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to the trade accounts receivable net of provision reflected at the reporting date was:

	2009 *QR'000*	*2008* *QR'000*
Qatar	**333,261**	294,848
Other countries	**739,865**	806,260
	1,073,126	1,101,108

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as follows:

	2009 *QR'000*	*2008* *QR'000*
Bank balances	**4,027,561**	1,191,129
Other financial assets	**402,740**	183,233
Amounts due from related parties	**59,785**	233,941
	4,490,086	1,608,303

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts with reputed banks.

33 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade accounts receivable and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's own reserves, funds from the Government of Qatar and bank facilities. The Group's terms of sales require amounts to be paid within 30-45 days from the invoice date.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2009 based on contractual undiscounted payments:

	On demand QR'000	*Less than 1 year QR'000*	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2009					
Bank overdrafts	**85,484**	-	-	-	**85,484**
Term loans	-	**2,444,014**	**7,892,318**	**7,710,891**	**18,047,223**
Trade accounts and notes payable	-	**644,605**	-	-	**644,605**
Amounts due to a related party	-	**11,834**	-	-	**11,834**
Interest rate swaps	-	**108,322**	**299,843**	**25,311**	**433,476**
Jet fuel contracts	-	**971,606**	**996,269**		**1,967,875**
Other financial liabilities	-	**278,251**	-	-	**278,251**
	85,484	**4,458,632**	**9,188,430**	**7,736,202**	**21,468,748**

	On demand QR'000	*Less than 1 year QR'000*	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2008					
Bank overdrafts	33,672	-	-	-	33,672
Term loans	-	4,010,397	7,721,700	7,256,248	18,988,345
Loan from the Government of Qatar	-	-	-	5,520,104	5,520,104
Trade accounts and notes payable	-	972,876	-	-	972,876
Interest rate swaps	-	110,414	382,641	52,239	545,294
Other financial liabilities	-	160,074	-	-	160,074
	33,672	5,253,761	8,104,341	12,828,591	26,220,365

33 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following table shows the gross undiscounted cash flows of interest rate swaps:

	Less than 1 year QR'000	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2009				
Inflows	65,943	262,312	22,183	350,438
Outflows	(108,322)	(299,843)	(25,311)	(433,476)
Net	(42,379)	(37,531)	(3,128)	(83,038)
At 31 March 2008				
Inflows	103,106	268,658	39,922	411,686
Outflows	(110,414)	(382,641)	(52,239)	(545,294)
Net	(7,308)	(113,983)	(12,317)	(133,608)

Foreign currency risk
Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's foreign currency risk exposure arises from services offered and received by the Group in currencies other than the Group's functional currency.

As the Qatari Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent a significant currency risk. The Group's exposure to currency risk is limited to currencies other than US Dollar and US Dollar pegged currencies.

Trade accounts payable includes an amount of QR 459 million (2008: QR 678 million) due in foreign currencies, mainly in US Dollar and Euro.

Trade accounts receivable includes an amount of QR 734 million (2008: QR 823million) in foreign currencies, mainly in UAE Dirham, US Dollar, Great Britain Pound and Euro.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, GBP and other foreign exchange rates, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets and liabilities. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown.

	Effect on profit	
	2009 +5% QR'000	*2008 +5% QR'000*
Euro	(64,870)	(72,092)
GBP	3,031	2,696
Other currencies	(3,903)	(12,856)
	(65,742)	(82,252)

33 FINANCIAL RISK MANAGEMENT (continued)

Capital management
The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may issue new shares or obtain funds from the shareholder. No changes were made in the objectives, policies or processes during the year ended 31 March 2009 and 31 March 2008.

Capital includes share capital, legal reserve, and accumulated losses and is measured as a deficit of QR 1,255,678 thousand at 31 March 2009 (2008: deficit of QR 1,004,553 thousand). The shareholders have resolved to provide adequate funds when necessary to continue the operations of the Group as a going concern.

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses. Derivatives consist of interest rate swap contracts and fuel hedging contracts.

The fair values of jet fuel swap contracts are the mark-to-market values of these contracts. The fair values of WTI crude oil option/swap contracts are determined by reference to available market information. As the Company hedges its jet fuel requirements in WTI OIL NYMEX and that the majority of the Company's fuel uplifts are in US Dollar, the WTI price (2009: US$ 49.66 bbl) is used as the input for market fuel price to the valuation model. Consequently, the annualised volatility (2009: 48%) of the jet fuel swap and option contracts are also estimated with daily NYMEX price.

The fair values of WTI crude oil swap contracts are also determined by reference to available market information and are the mark-to-market values of these swap contracts.

The fair values of interest rate swaps have been derived from the counter party valuations at the balance sheet date.

The fair values of the financial instruments, with the exception of certain available-for-sale investments which are carried at cost (see Notes 16), are not materially different from their carrying values.

35 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of available-for-sale equity investments
The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of trade accounts receivable and amounts due to related parties
An estimate of the collectible amount of trade accounts receivable and amounts due to related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

35 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of investments in associates
The Group accounts for its investments in associates under the cost method. In addition, the Group also makes an annual assessment whether any additional provisions are required for items that do not comprise the Group's net investment in the associate.

Impairment of intangibles
The Group determines whether intangibles are impaired at least on an annual basis. This requires an estimation of the value in use and fair value less cost to sell the assets. Estimating the value in use requires the Group to make an estimate of the expected future cash flows and to choose a suitable discount rate.

Provision for the frequent flyer program
The provision is based on miles outstanding valued at the incremental direct cost of providing the service. In arriving at the miles outstanding, an adjustment is made for miles which are not expected to be redeemed based on current trends. Incremental direct costs are arrived at based on the forecasted weighted average cost of the rewarded mix, i.e., redemptions of Qatar Airways services and on non-airline or other member airlines. These estimates are reviewed on an annual basis and the liability is suitably adjusted as appropriate.

Economic useful lives of property, plant and equipment
The Group's management estimates the economic useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and economic useful lives annually and future depreciation charges are adjusted where management believes the economic useful lives differ from previous estimates.

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated
Revenue	4	14,119,428	14,267,168
Other operating income	5	131,420	139,590
Operating expenses	6	(12,338,092)	(12,742,382)
GROSS PROFIT		1,912,756	1,664,376
Other income	7	625,891	370,703
General and administrative expenses	8	(1,389,012)	(1,214,141)
Finance costs	9	(421,844)	(573,655)
Loss on disposal of property, plant and equipment		(528)	(247)
Profit on disposal of investment properties		-	21,906
Gain on foreign currency exchange		44	2,482
Share of results of a joint venture	14	20,908	17,870
Impairment loss on available-for-sale investments	15	(2,180)	(618,604)
PROFIT (LOSS) BEFORE TAXATION		746,035	(329,310)
Income tax expense	10	(138)	(1,743)
PROFIT (LOSS) FOR THE YEAR		745,897	(331,053)
Attributable to:			
Equity holders of the parent		747,427	(352,155)
Non-controlling interests		(1,530)	21,102
		745,897	(331,053)

The attached notes 1 to 37 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated
Profit (loss) for the year		745,897	(331,053)
Net gain (loss) on available-for-sale investments	22	182,559	(26,238)
Net gain (loss) on cash flow hedges	22	1,504,469	(1,567,667)
Exchange difference on translation of foreign operations		(4,334)	3,205
Other comprehensive income (expenses) for the year		1,682,694	(1,590,700)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		2,428,591	(1,921,753)
Attributable to:			
Equity holders of the parent		2,430,121	(1,942,855)
Non-controlling interests		(1,530)	21,102
		2,428,591	(1,921,753)

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated	As at 1 April 2008 QR'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	11	28,089,626	25,035,285	20,850,666
Intangibles	12	150,686	150,686	107,785
Investment in an associate	13	14,000	14,000	14,000
Interest in a joint venture	14	41,330	20,422	-
Available-for-sale investments	15	524,857	344,478	127,539
Derivative financial instruments	32	-	40,089	-
		28,820,499	25,604,960	21,099,990
Current assets				
Inventories	16	537,491	449,924	415,307
Accounts receivable and prepayments	17	2,006,340	1,621,327	1,657,483
Derivative financial instruments	32	422,822	427,540	-
Cash and short term deposits	18	8,506,266	4,029,591	1,284,054
		11,472,919	6,528,382	3,356,794
TOTAL ASSETS		40,293,418	32,133,342	24,456,784
EQUITY AND LIABILITIES				
Equity (deficiency of funds) attributable to shareholders of the parent				
Share capital	19	143,800	143,800	143,800
Legal reserve	20	71,900	13,483	13,483
Shareholder advances	21	16,300,080	11,836,209	-
Fair value reserve	22	75,423	(1,611,605)	(17,700)
Accumulated losses		(1,003,435)	(1,692,445)	(1,340,290)
Foreign currency translation reserve		137	4,471	1,266
		15,587,905	8,693,913	(1,199,441)
Non-controlling interests		38,466	44,796	30,094
Total equity (deficiency of funds)		15,626,371	8,738,709	(1,169,347)
Non-current liabilities				
Loan from the government of Qatar	21	-	-	5,520,104
Non-current portion of term loans	23	15,740,358	14,732,241	12,220,139
Employees' end of service benefits	24	266,570	208,193	166,610
Retention payable	25	18,547	-	-
Deferred revenue	26	369,650	345,460	228,040
Derivative financial instruments	32	73,730	1,092,389	33,366
		16,468,855	16,378,283	18,168,259

Continued...

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated	As at 1 April 2008 QR'000 Restated
Current liabilities				
Accounts payable and accruals	27	2,399,478	1,628,934	2,104,712
Passenger and cargo sales advance		2,662,018	2,130,024	1,894,341
Derivative financial instruments	32	457,071	988,298	15,582
Bank overdrafts	18	70,169	85,484	33,672
Current portion of term loans	23	2,609,456	2,183,610	3,409,565
		8,198,192	7,016,350	7,457,872
Total liabilities		24,667,047	23,394,633	25,626,131
TOTAL EQUITY AND LIABILITIES		40,293,418	32,133,342	24,456,784

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 37 form part of these consolidated financial statements.

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Australian Securities & Investments Commission

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
027362738

Form 405
Corporations Act 2001
601CK(1), 601CT, 601CV, 100(1)(d),
Class Order (CO 03/823), Class Order (CO 06/68)

Statement to verify financial statements of a foreign company

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm/organisation
BDO (NSW-VIC) PTY LTD

Contact name/position description

ASIC registered agent number (if applicable)
4065

Telephone number
02 92865555

Postal address or DX address
LEVEL 19, 2 MARKET STREET, SYDNEY, NSW, 2000

RECEIVED
26 OCT 2010
ASIC
SSC

1 Details of foreign company

Company name
QATAR AIRWAYS

ARBN
105 742 916

Place of incorporation
DOHA, STATE OF QATAR

Financial year ended
3 1 / 0 3 / 1 0
[D D] [M M] [Y Y]

Annual general meeting held (leave blank if not applicable)
[ ] [ ] / [ ] [ ] / [ ] [ ]
[D D] [M M] [Y Y]

2 Details of registered office in Australia

Registered office in Australia

At the office of, C/- (if applicable)

Office, unit, level

LEVEL 3

Street number and Street name

350 COLLINS STREET

Suburb/City

MELBOURNE

State/Territory

VIC

Postcode

3000

Does the company occupy the premises?

☑ Yes

☐ No

If no, name of occupier?

☐ Occupier's consent (Select box to indicate the statement below is correct)

The occupier of the premises has consented in writing to the use of the specified address as the address of the registered office of the company and has not withdrawn that consent.

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

☐☐/☐☐/☐☐ [D D] [M M] [Y Y]

3 Details of registered office in place of incorporation

If no registered office, provide the address of the principal place of business in place of incorporation.

At the office of, C/- (if applicable)

Office, unit, level

QATAR AIRWAYS TOWER

Street number and Street name

AIRPORT ROAD

Suburb/City

DOHA

State/Territory

Postcode

Country

QATAR

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

☐☐/☐☐/☐☐ [D D] [M M] [Y Y]

4 Details of local agents

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company*.

Provide details of all current local agents and any former local agents that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Family name: LEE

Given names: CHONG KHEONG JARED

OR

Company name:

ACN/ABN:

The address must be in Australia.

Office, unit, level: QATAR AIRWAYS

Street number and Street name: LEVEL 3, 350 COLLINS STREET

Suburb/City: MELBOURNE

State/Territory: VIC

Postcode: 3000

Change of name of local agent

Has the name of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of this local agent

Date of change of name: [D D] / [M M] / [Y Y]

Former name:

☑ No

Change of address of local agent

Has the address of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D] / [M M] / [Y Y]

☑ No

Cessation of local agent

Has this previously appointed local agent ceased?

☐ Yes

If yes, provide the date of cessation: [D D] / [M M] / [Y Y]

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company*.

☑ No

If you need to provide details of additional local agents, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL ABDULLA

Given names: DR HUSSAIN ALI

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 14 AL ATAA STREET

Suburb/City: WAKRA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/57 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☑ Yes

If yes, provide the date of change of the address: 11/10/10 [D D]/[M M]/[Y Y]

☐ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL BAKER

Given names: AKBAR ABBAS

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 2 HILAL STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 25/07/60 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL NOAIMI

Given names: ABDUL AZIZ MOHAMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 19 MERAIKH STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/53 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH HAMAD BIN JASSIM BIN JABOR

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: 2 AL WAJBA

Street number and Street name: RAYAN STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 10/01/59 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D] [M M] [Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☑ Yes

If yes, provide the date of change of the address: 11/10/10 [D D] [M M] [Y Y]

☐ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D] [M M] [Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH HAMAD BIN ADBULA BIN KHALIFA

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 10 AL RAYAN ROAD

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 25/08/81 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☑ Yes

If yes, provide the date of change of the address: 11/10/10 [D D]/[M M]/[Y Y]

☐ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH MOHAMED BIN FAHED BIN MOHAMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: AL RAYAN - AL WAJBA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/58 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☐ Yes

☑ No

If no, provide the date of appointment: 03/06/10 [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☐ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D]/[M M]/[Y Y]

☐ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☐ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: KAMAL

Given names: YOUSEF HUSSEIN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 12 DAFNA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/48 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D] [M M] [Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D] [M M] [Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: REA

Given names: JOHN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: D RING ROAD

Street number and Street name: AL FARDAN GARDENS

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): NEWTONNABBEY

(state/country): UNITED KINGDOM

Date of birth: 22/04/52 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☑ Yes

If yes, provide the date of change of the address: 11/10/10 [D D]/[M M]/[Y Y]

☐ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

6 Financial statements

The following financial statements must be lodged (as required by s601CK)

- Balance sheet made up to the end of the financial year
- Profit and loss statement for the last financial year
- Cash flow statement for the last financial year

An auditor's report must be provided if the company holds an Australian financial services licence. Otherwise, submit an auditor's report if one is required to be prepared in place of origin.

Provide any other documents that the company is required to prepare in its place of origin.

If the foreign company is the holder of an Australian financial services licence:

Are you relying on Class Order [CO 03/823]?

☐ Yes
☐ No

Class Order (CO 03/823) *Relief from licensing, accounting and audit requirements for foreign authorised deposit–taking institutions* grants an exemption to foreign authorised deposit–taking institutions (foreign ADIs) who hold an Australian financial services licence from the financial reporting requirements of Division 6 of Part 7.8 on the condition that the foreign entity lodges the financial statements required by s601CK(1) and lodges an auditor's report on those financial statements.

Are you relying on Class Order [CO 06/68]?

☐ Yes
☐ No

Class Order (06/68) *Conditional relief for foreign licensees from financial reporting and record keeping obligations* grants a similar exemption to foreign licensees (other than foreign ADIs).

Signature

Tick boxes that apply, complete the details and sign and date the form.

Name

LEE, CHONG KHEONG JARED

Capacity

☐ Director of the foreign company
☐ Secretary of the foreign company
☑ Duly appointed local agent of the foreign company
☐ Director or secretary of a company which has been duly appointed as local agent of the foreign company

I verify that:

- the copies annexed to this form are true copies of the documents required to be lodged under s601CK(1) of the *Corporations Act 2001* and
- the information in this form is true and complete.

Signature

Date signed

[1][4]/[1][0]/[1][0]
[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For help or more information

Telephone 1300 300 630
Email info.enquiries@asic.gov.au
Web www.asic.gov.au

17th November 2010

Australian Securities & Investments Commission
PO Box 4000
GIPPSLAND MAIL CENTRE
VIC 3841

Dear Sir or Madam,

Qatar Airways
ARBN 105 742 916

I confirm that the company Qatar Airways Q.C.S.C. and Qatar Airways are the same company.

Yours sincerely,

Chong Kheong Jared Lee
Duly appointed Local Agent

Level 3, 350 Collins St, Melbourne VIC 3000, Australia · Phone: +61 (0)3 8676-6400, Fax: +61 (0)3 9642-5049
ARBN 105 742 916 ABN 18 105 742 916
www.qatarairways.com
QATAR AIRWAYS (Q.C.S.C.)

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated
Revenue	4	14,119,428	14,267,168
Other operating income	5	131,420	139,590
Operating expenses	6	(12,338,092)	(12,742,382)
GROSS PROFIT		1,912,756	1,664,376
Other income	7	625,891	370,705
General and administrative expenses	8	(1,389,012)	(1,214,141)
Finance costs	9	(421,844)	(575,655)
Loss on disposal of property, plant and equipment		(528)	(247)
Profit on disposal of investment properties		-	21,906
Gain on foreign currency exchange		44	2,482
Share of results of a joint venture	14	20,908	17,870
Impairment loss on available-for-sale investments	15	(2,180)	(618,604)
PROFIT (LOSS) BEFORE TAXATION		746,035	(329,310)
Income tax expense	10	(138)	(1,743)
PROFIT (LOSS) FOR THE YEAR		745,897	(331,053)
Attributable to:			
Equity holders of the parent		747,427	(352,155)
Non-controlling interests		(1,530)	21,102
		745,897	(331,053)

The attached notes 1 to 37 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated
Profit (loss) for the year		745,897	(331,053)
Net gain (loss) on available-for-sale investments	22	182,559	(26,238)
Net gain (loss) on cash flow hedges	22	1,504,469	(1,567,667)
Exchange difference on translation of foreign operations		(4,334)	3,205
Other comprehensive income (expenses) for the year		1,682,694	(1,590,700)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		2,428,591	(1,921,753)
Attributable to:			
Equity holders of the parent		2,430,121	(1,942,855)
Non-controlling interests		(1,530)	21,102
		2,428,591	(1,921,753)

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated	As at 1 April 2008 QR'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	11	28,089,626	25,035,285	20,850,666
Intangibles	12	150,686	150,686	107,785
Investment in an associate	13	14,000	14,000	14,000
Interest in a joint venture	14	41,330	20,422	-
Available-for-sale investments	15	524,857	344,478	127,539
Derivative financial instruments	32	-	40,089	-
		28,820,499	25,604,960	21,099,990
Current assets				
Inventories	16	537,491	449,924	415,307
Accounts receivable and prepayments	17	2,006,340	1,621,327	1,652,433
Derivative financial instruments	32	422,822	427,540	-
Cash and short term deposits	18	8,506,266	4,029,591	1,284,054
		11,472,919	6,528,382	3,356,794
TOTAL ASSETS		40,293,418	32,133,342	24,456,784
EQUITY AND LIABILITIES				
Equity (deficiency of funds) attributable to shareholders of the parent				
Share capital	19	143,800	143,800	143,800
Legal reserve	20	71,900	13,483	13,483
Shareholder advances	21	16,300,080	11,836,209	-
Fair value reserve	22	75,423	(1,611,605)	(17,700)
Accumulated losses		(1,003,435)	(1,692,445)	(1,340,290)
Foreign currency translation reserve		137	4,471	1,266
		15,587,905	8,693,913	(1,199,441)
Non-controlling interests		38,466	44,796	30,094
Total equity (deficiency of funds)		15,626,371	8,738,709	(1,169,347)
Non-current liabilities				
Loan from the government of Qatar	21	-	-	5,520,104
Non-current portion of term loans	23	15,740,358	14,732,241	12,220,139
Employees' end of service benefits	24	266,570	208,193	166,610
Retention payable	25	18,547	-	-
Deferred revenue	26	369,650	345,460	228,040
Derivative financial instruments	32	73,730	1,092,389	33,366
		16,468,855	16,378,283	18,168,259

Continued...

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated	As at 1 April 2008 QR'000 Restated
Current liabilities				
Accounts payable and accruals	27	2,399,478	1,628,934	2,104,712
Passenger and cargo sales advance		2,662,018	2,130,024	1,894,341
Derivative financial instruments	32	457,071	988,298	15,582
Bank overdrafts	18	70,169	85,484	33,672
Current portion of term loans	23	2,609,456	2,183,610	3,409,565
		8,198,192	7,016,350	7,457,872
Total liabilities		24,667,047	23,394,633	25,626,131
TOTAL EQUITY AND LIABILITIES		40,293,418	32,133,342	24,456,784

H.E. Sheikh Hamad Bin Jassim Bin Jaber Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2010

	Notes	2010 QR'000	2009 QR'000 Restated
OPERATING ACTIVITIES			
Profit (loss) before taxation		746,035	(329,310)
Adjustments for:			
Depreciation	11	1,680,553	1,335,855
Share of result of a joint venture	14	(20,908)	(17,870)
Loss (profit) on disposal of property, plant and equipment		528	(21,659)
Allowance for obsolete and slow-moving inventories	16	360	1,269
Allowance for impairment of receivables	8 & 17	9,131	5,381
Provision for employees' end of service benefits	24	70,931	58,633
Movements in the provisions net of utilized amounts	27	(15,395)	(46,295)
Impairment loss on available-for-sale investments	15	2,180	618,604
Interest and dividend income	7	(378,426)	(113,519)
Finance costs	9	421,844	573,655
Operating profit before working capital changes		2,516,833	2,062,744
Inventories		(87,927)	(35,886)
Receivables		(331,567)	32,725
Payables		1,430,776	(89,787)
Cash from operations		3,528,115	1,969,796
Finance costs paid		(490,968)	(563,803)
Income tax paid		(1,729)	(1,745)
Employees' end of service benefits paid	24	(12,554)	(17,050)
Net cash from operating activities		3,022,864	1,387,198
INVESTING ACTIVITIES			
Movement in restricted deposits		917,757	(914,017)
Additions to property, plant and equipment	11	(4,767,507)	(5,540,121)
Additions to intangibles	12	-	(42,901)
Additions to available-for-sale investments		-	(861,781)
Proceeds from disposal of property, plant and equipment		28,955	41,400
Interest and dividend received		315,849	113,519
Investment in a joint venture		-	(2,552)
Net cash used in investing activities		(3,504,946)	(7,206,453)
FINANCING ACTIVITIES			
Proceeds from loans / shareholder advances		8,634,664	11,402,993
Repayment of loans		(2,736,831)	(3,800,741)
Dividend paid to non-controlling interests.		(4,800)	(6,400)
Net cash from financing activities		5,893,033	7,595,852
INCREASE IN CASH AND CASH EQUIVALENTS		5,410,951	1,776,597
Net foreign exchange difference		(1,204)	3,111
Cash and cash equivalents at 1 April	18	3,026,350	1,246,642
CASH AND CASH EQUIVALENTS AT 31 MARCH	18	8,436,097	3,026,350

The attached notes 1 to 37 form part of these consolidated financial statements.

Qatar Airways
India Operations
(A Registered Foreign Company)

SCHEDULE OF FINANCIAL INFORMATION

31 March 2010



QATAR AIRWAYS – INDIA OPERATIONS
AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying Schedule of financial information of Qatar Airways – India Operations ("the Company") comprising of the Statement of Financial Position, the Statement of Comprehensive Income and the related notes thereto as of and for the year ended 31 March 2010 (the "Schedule"). This Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying Schedule of financial information presents fairly, in all material respects, the financial position of the Company as of 31 March 2010 and the results of its operations for the year then ended, in accordance with International Financial Reporting Standards.



A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date: 23 December 2010
Doha

Qatar Airways (India Operations)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	*2010* *INR'000*	*2009* *INR'000*
Revenue	3	**6,472,929**	6,250,445
Other operating income		**1,064**	223
Operating expenses	4	**(7,279,238)**	(6,649,229)
OPERATING LOSS		**(805,245)**	(398,561)
Other income		**3,956**	3,041
General and administrative expenses	5	**(761,028)**	(1,062,264)
Loss on foreign currency exchange		**(4,934)**	(8,049)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(1,567,251)**	(1,465,833)

QATAR AIRWAYS
Bldg Bhavan, Ground Floor
Nariman Point, Mumbai 21 India

The attached notes 1 to 10 form part of these schedule.

STATEMENT OF FINANCIAL POSITION
At 31 March 2010

	Notes	2010 INR'000	2009 INR'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	127,767	128,336
		127,767	128,336
Current assets			
Accounts receivable and prepayments	7	669,267	463,712
Cash and bank balances		163,973	111,928
		833,240	575,640
TOTAL ASSETS		961,007	703,976
HEAD OFFICE FUNDS AND LIABILITIES			
Head Office funds			
Head Office account		341,484	230,595
Total Head Office funds		341,484	230,595
Non-current liabilities			
Employees' end of service benefits		10,782	7,345
		10,872	7,345
Current liabilities			
Accounts payable and accruals	8	586,793	445,127
Bank overdrafts		21,948	20,909
		608,741	466,036
TOTAL LIABILITIES		619,523	473,381
TOTAL HEAD OFFICE FUNDS AND LIABILITIES		961,007	703,976

Henry Moses
Country Manager - India

QATAR AIRWAYS * Rang Bhavan, Ground Floor * Nariman Point, Mumbai 21 India *

For Kulkarni and Khanolkar
Chartered Accountants

P.M.Parulekar
(P.M.Parulekar)
Partner

KULKARNI & KHANOLKAR
(REGISTERED)
CHARTERED ACCOUNTANTS,
BELL BUILDING,
SIR PHIROZSHAH MEHTA ROAD,
FORT, MUMBAI-400 001.

The attached notes 1 to 10 form part of these schedule.

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

This schedule of financial information (the "Schedule") represents the activities of India operations of Qatar Airways Q.C.S.C., (the "Parent") which is a Qatari Closed Shareholding Company designated as the national airline of the State of Qatar. The Company is registered in India as a foreign Company (referred to as the "Company") under the Companies Act No 1 of 1956 and registered office is located at Ground Floor, Bajaj Bhawan, in Mumbai, Maharashtra. India

The schedule of financial information represents the activities of Qatar Airways in India and presents specific revenues, costs and expenses related to its operations in India.

The Company is engaged in air transportation including passenger, cargo and related services.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Schedule of financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The schedule of financial information has been presented in INR rounded to the nearest thousand (INR'000).

The schedule of financial information is prepared under the historical cost convention.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year and used by the Parent in preparing its consolidated financial statements for the year ended 31 March 2010. The significant accounting policies which are relevant to the India operations are extracted and included in Note 2.3.

2.3 Summary of significant accounting policies

Revenue
Revenue from passengers and cargo is recognised when the transportation is provided. Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities until recognised as revenue. Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

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

Income from claims is recognised in the income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost and is subsequently stated at cost less accumulated depreciation and accumulated impairment.

Subsequent costs are included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost can be reliably measured. Other costs are charged to the income statement during the year in which they are incurred.

Land is not depreciated. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost less their estimated residual values on a straight-line basis over the estimated economic useful life of the assets.



2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The estimated economic useful lives of the Company's assets for the calculation of depreciation are as follows:

Asset Type	Estimated economic useful life	Estimated residual value
Furniture, vehicles and office equipment	3-7 years	Nil

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

The assets' residual value, useful lives and method of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are subsequently 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.

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



2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either
  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Employees' end of service benefits

The Company provides for end of service benefits determined in accordance with the Company's policy based on employee's salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Company. Accordingly, the Company has no expectation of settling its employees' terminal benefits obligation in the near term.

Accounts payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.



3. REVENUE

	2010 INR'000	*2009 INR'000*
Passengers	**4,179,494**	3,960,076
Cargo	**2,293,435**	2,290,369
	6,472,929	6,250,445

4 OPERATING EXPENSES

	2010 INR'000	*2009 INR'000*
Fuel costs	**1,714,321**	1,548,580
Landing, ground handling and over flying charges	**1,279,171**	1,155,843
Advertising and sales promotion	**229,309**	236,753
Passenger services	**166,087**	155,168
Aircraft maintenance and insurance	**10,164**	3,400
Revenue commissions	**9,867**	-
Head office Charges	**3,870,319**	3,549,485
	7,279,238	6,649,229

5. GENERAL AND ADMINISTRATIVE EXPENSES

	2010 INR'000	*2009 INR'000*
Staff costs	**188,987**	238,137
Rental- office, vehicle and equipment	**38,431**	47,865
Other administrative expenses	**23,518**	23,530
Depreciation	**17,855**	13,911
Communication	**8,087**	7,951
Repairs, maintenance and insurance	**6,788**	3,722
Bank charges and commissions	**6,405**	2,683
Legal and consultancy fees	**2,893**	4,216
Stationery and publication materials	**2,448**	1,929
Travelling	**2,213**	2,102
Head office charges	**463,403**	716,218
	761,028	1,062,264

QATAR AIRWAYS
Bajaj Bhavan, Ground Floor,
Nariman Point, Mumbai-21, India

6. PROPERTY, PLANT & EQUIPMENT

	Land	*Motor Vehicles*	*Furniture & Fittings*	*Computers& Software*	*Equipment*	*Capital working progress*	*Total*
	INR'000	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*
Cost:							
At 1 April 2009	55,233	18,795	60,155	19,735	9,991	878	164,787
Additions	-	927	3,561	1,224	803	11,289	17,804
Disposals	-	(655)	(1,235)	(3,796)	(518)	-	(6,204)
At 31 March 2010	55,233	19,067	62,481	17,163	10,276	12,167	176,387
Depreciation:							
At 1 April 2009	-	7,937	12,192	12,551	3,769	-	36,449
Charge for the year	-	3,574	9,916	2,893	1,472	-	17,855
Disposals	-	(618)	(791)	(3,782)	(493)	-	(5,684)
At 31 March 2010	-	10,893	21,317	11,662	4,748	-	48,620
Net carrying amounts:							
At 31 March 2010	**55,233**	**8,174**	**41,164**	**5,501**	**5,528**	**12,167**	**127,767**



6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	*Motor Vehicles*	*Furniture & Fittings*	*Computers& Software*	*Equipment*	*Capital working progress*	*Total*
	INR'000	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*
Cost:							
At 1 April 2008	55,233	12,637	21,341	17,410	7,320	-	113,941
Additions	-	6,158	38,814	2,485	2,745	878	51,080
Disposals	-	-	-	(160)	(74)	-	(234)
At 31 March 2009	55,233	18,795	60,155	19,735	9,991	878	164,787
Depreciation:							
At 1 April 2008	-	4,463	5,762	9,880	2,646	-	22,751
Charge for the year	-	3,474	6,430	2,819	1,188	-	13,911
Disposals	-	-	-	(148)	(65)	-	(213)
At 31 March 2009	-	7,937	12,192	12,551	3,769	-	36,449
Net carrying amounts:							
At 31 March 2009	**55,233**	**10,858**	**47,963**	**7,184**	**6,222**	**878**	**128,338**



7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010 *INR'000*	*2009* *INR'000*
Accounts receivables	**540,795**	363,766
Prepayments and deposits	**127,570**	98,339
Other receivables	**902**	1,607
	669,267	463,712

8. ACCOUNTS PAYABLE AND ACCRUALS

	2010 *INR'000*	*2009* *INR'000*
Trade accounts payable	**80,768**	75,933
Accrued expenses	**327,141**	236,913
Other payables	**178,884**	132,281
	586,793	445,127,

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, payables, and accrued expenses. The fair values of the financial instruments are not materially different from their carrying values.

10. KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were INR'000 540,795 and no provision for doubtful debts was made. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.



CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2011

	Notes	2011 QR'000	2010 QR'000
Revenue	4	19,414,457	14,121,451
Other operating income	5	180,000	131,420
Operating expenses	6	(17,663,070)	(12,340,115)
OPERATING PROFIT		1,931,387	1,912,756
Other income	7	672,534	625,891
General and administrative expenses	8	(1,524,906)	(1,389,012)
Finance costs	9	(350,650)	(421,844)
Loss on disposal of property, plant and equipment		(26,208)	(528)
Gain on disposal of an investment in a subsidiary	11	144,682	-
(Loss) Gain on foreign currency exchange		(47,391)	44
Share of results of a joint venture		-	20,908
Impairment loss on available-for-sale investments	14	-	(2,180)
PROFIT BEFORE TAXATION		799,448	746,035
Income tax expense	10	(34)	(138)
PROFIT FOR THE YEAR		799,414	745,897
Attributable to:			
Equity holders of the parent		799,023	747,427
Non-controlling interests		391	(1,530)
		799,414	745,897

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2011

	Notes	2011 QR'000	2010 QR'000
Profit for the year		799,414	745,897
Net gain on available-for-sale investments	22	2,582	182,559
Net gain on cash flow hedges	22	721,302	1,504,469
Exchange difference on translation of foreign operations		248	(4,334)
Other comprehensive income for the year		724,132	1,682,694
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,523,546	2,428,591
Attributable to:			
Equity holders of the parent		1,523,155	2,430,121
Non-controlling interests		391	(1,530)
		1,523,546	2,428,591

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2011

	Notes	2011 QR'000	2010 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	29,752,566	28,089,626
Intangibles	13	150,686	150,686
Derivative financial instruments	33	86,189	-
Interest in a joint venture	11	-	41,330
Available-for-sale investments	14	527,439	524,857
		30,516,880	28,806,499
Current assets			
Inventories	15	620,792	537,491
Accounts receivable and prepayments	16	2,324,620	2,020,340
Derivative financial instruments	33	579,887	422,822
Short term deposits	17	5,426,427	-
Cash and cash equivalents	17	6,056,793	8,506,266
		15,008,519	11,486,919
TOTAL ASSETS		45,525,399	40,293,418
EQUITY AND LIABILITIES			
Share capital	18	143,800	143,800
Capital reserve	19	1,643,816	-
Legal reserve	20	16,371,980	71,900
Shareholder advances	21	4,345,271	16,300,080
Fair value reserve	22	799,307	75,423
Furniture, fixtures and equipment reserve	23	781	-
Accumulated losses		(205,193)	(1,003,435)
Foreign currency translation reserve		385	137
Equity attributable to shareholders of the parent		23,100,147	15,587,905
Non-controlling interests		(2,664)	38,466
Total equity		23,097,483	15,626,371
Non-current liabilities			
Non-current portion of term loans	24	13,664,060	15,740,358
Employees' end of service benefits	25	357,038	266,570
Retention payable	26	19,092	18,547
Unredeemed frequent flyer liabilities	27	448,132	369,650
Derivative financial instruments	33	39,731	73,730
		14,528,053	16,468,855

Continued...

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2011

	Notes	2011 QR'000	2010 QR'000
Current liabilities			
Accounts payable and accruals	28	2,775,820	2,399,478
Sales in advance of carriage		2,806,701	2,662,018
Derivative financial instruments	33	13,022	457,071
Bank overdrafts	17	147,873	70,169
Current portion of term loans	24	2,156,447	2,609,456
		7,899,863	8,198,192
Total liabilities		22,427,916	24,667,047
TOTAL EQUITY AND LIABILITIES		45,525,399	40,293,418

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 39 form part of these consolidated financial statements.

Australian Securities &
Investments Commission

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
028056110

Form 405
Corporations Act 2001
601CK(1), 601CT, 601CV, 100(1)(d),
Class Order (CO 03/823), Class Order (CO 06/68)

Statement to verify financial statements of a foreign company

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Lodgement details

Who should ASIC contact if there is a query about this form?

RECEIVED
29 FEB 2012
ASIC
SSC

Firm/organisation
BDO (NSW-VIC) PTY LTD

Contact name/position description

ASIC registered agent number (if applicable)
4065

Telephone number
02 92865555

Postal address or DX address
LEVEL 19, 2 MARKET STREET, SYDNEY, NSW, 2000

1 Details of foreign company

Company name
QATAR AIRWAYS Q.C.S.C.

ARBN
105 742 916

Place of incorporation
DOHA, STATE OF QATAR

Financial year ended
3 1 / 0 3 / 1 1
[D D] [M M] [Y Y]

Annual general meeting held (leave blank if not applicable)
[D D] [M M] [Y Y]

2 Details of registered office in Australia

Registered office in Australia

At the office of, C/- (if applicable)

Office, unit, level
LEVEL 3

Street number and Street name
350 COLLINS STREET

Suburb/City
MELBOURNE

State/Territory
VIC

Postcode
3000

Does the company occupy the premises?

☑ Yes

☐ No

If no, name of occupier?

☐ Occupier's consent (Select box to indicate the statement below is correct)
The occupier of the premises has consented in writing to the use of the specified address as the address of the registered office of the company and has not withdrawn that consent.

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

☐☐/☐☐/☐☐
[D D] [M M] [Y Y]

3 Details of registered office in place of incorporation

If no registered office, provide the address of the principal place of business in place of incorporation.

At the office of, C/- (if applicable)

Office, unit, level
QATAR AIRWAYS TOWER

Street number and Street name
AIRPORT ROAD

Suburb/City
DOHA

State/Territory

Postcode

Country
QATAR

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

☐☐/☐☐/☐☐
[D D] [M M] [Y Y]

4 Details of local agents

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company.*

Provide details of all current local agents and any former local agents that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Family name: OBEID

Given names: ROULA

OR

Company name:

ACN/ABN:

The address must be in Australia.

Office, unit, level:

Street number and Street name: 46 NEVIS STREET

Suburb/City: CAMBERWELL

State/Territory: VIC

Postcode: 3124

Change of name of local agent

Has the name of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of this local agent

Date of change of name: ☐☐/☐☐/☐☐ [D D] [M M] [Y Y]

Former name:

☑ No

Change of address of local agent

Has the address of this previously appointed local agent changed since it was last notified to ASIC?

☑ Yes

If yes, provide the date of change of the address

1 7 / 0 2 / 1 2 [D D] [M M] [Y Y]

☐ No

Cessation of local agent

Has this previously appointed local agent ceased?

☐ Yes

If yes, provide the date of cessation.

☐☐/☐☐/☐☐ [D D] [M M] [Y Y]

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company.*

☑ No

If you need to provide details of additional local agents, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL ABDULLA

Given names: DR HUSSAIN ALI

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: GOVERNMENT OF THE STATE OF QATAR

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/57 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL BAKER

Given names: AKBAR ABBAS

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 2 HILAL STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 25/07/60 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D] [M M] [Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D] [M M] [Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL NOAIMI

Given names: ABDUL AZIZ MOHAMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 19 MERAIKH STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/53 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH HAMAD BIN JASSIM BIN JABOR

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: QATAR AIRWAYS TOWER

Street number and Street name: AIRPORT ROAD

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 10/01/59 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

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5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH HAMAD BIN ABDULLAH

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: QATAR AIRWAYS TOWER, AIRPORT ROAD

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 25/08/81 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D] [M M] [Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D] [M M] [Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH MOHAMED BIN FAHED BIN MOHAMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: AL RAYAN - AL WAJBA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/58 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

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5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: KAMAL

Given names: YOUSEF HUSSEIN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 12 DAFNA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/48 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: REA

Given names: JOHN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: D RING ROAD AL FARDAN GARDENS

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): NEWTONNABBEY

(state/country): UNITED KINGDOM

Date of birth: 22/04/52 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

6 Financial statements

The following financial statements must be lodged (as required by s601CK)

- Balance sheet made up to the end of the financial year
- Profit and loss statement for the last financial year
- Cash flow statement for the last financial year

An auditor's report must be provided if the company holds an Australian financial services licence. Otherwise, submit an auditor's report if one is required to be prepared in place of origin.

Provide any other documents that the company is required to prepare in its place of origin.

If the foreign company is the holder of an Australian financial services licence:

Are you relying on Class Order [CO 03/823]?

☐ Yes
☐ No

Class Order (CO 03/823) *Relief from licensing, accounting and audit requirements for foreign authorised deposit-taking institutions* grants an exemption to foreign authorised deposit-taking institutions (foreign ADIs) who hold an Australian financial services licence from the financial reporting requirements of Division 6 of Part 7.8 on the condition that the foreign entity lodges the financial statements required by s601CK(1) and lodges an auditor's report on those financial statements.

Are you relying on Class Order [CO 06/68]?

☐ Yes
☐ No

Class Order (06/68) *Conditional relief for foreign licensees from financial reporting and record keeping obligations* grants a similar exemption to foreign licensees (other than foreign ADIs).

Signature

Tick boxes that apply, complete the details and sign and date the form.

Name
ROULA OBEID

Capacity

☐ Director of the foreign company
☐ Secretary of the foreign company
☑ Duly appointed local agent of the foreign company
☐ Director or secretary of a company which has been duly appointed as local agent of the foreign company

I verify that:

- the copies annexed to this form are true copies of the documents required to be lodged under s601CK(1) of the *Corporations Act 2001* and
- the information in this form is true and complete.

Signature

Date signed
2 1 / 0 2 / 1 2
[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For help or more information
Telephone 1300 300 630
Email info.enquiries@asic.gov.au
Web www.asic.gov.au

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2011

	Notes	2011 QR'000	2010 QR'000
Revenue	4	19,414,457	14,121,451
Other operating income	5	180,000	131,420
Operating expenses	6	(17,663,070)	(12,340,115)
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Attributable to:			
Equity holders of the parent		799,023	747,427
Non-controlling interests		391	(1,530)
		799,414	745,897

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Notes	2011 QR'000	2010 QR'000
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Non-controlling interests		391	(1,530)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2011

	Notes	2011 QR'000	2010 QR'000
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Non-current assets			
Property, plant and equipment	12	29,752,566	28,089,626
Intangibles	13	150,686	150,686
Derivative financial instruments	33	86,189	-
Interest in a joint venture	11	-	41,330
Available-for-sale investments	14	527,439	524,857
		30,516,880	28,806,499
Current assets			
Inventories	15	620,792	537,491
Accounts receivable and prepayments	16	2,324,620	2,020,340
Derivative financial instruments	33	579,887	422,822
Short term deposits	17	5,426,427	-
Cash and cash equivalents	17	6,056,793	8,506,266
		15,008,519	11,486,919
TOTAL ASSETS		45,525,399	40,293,418
EQUITY AND LIABILITIES			
Share capital	18	143,800	143,800
Capital reserve	19	1,643,816	-
Legal reserve	20	16,371,980	71,900
Shareholder advances	21	4,345,271	16,300,080
Fair value reserve	22	799,307	75,423
Furniture, fixtures and equipment reserve	23	781	-
Accumulated losses		(205,193)	(1,003,435)
Foreign currency translation reserve		385	137
Equity attributable to shareholders of the parent		23,100,147	15,587,905
Non-controlling interests		(2,664)	38,466
Total equity		23,097,483	15,626,371
Non-current liabilities			
Non-current portion of term loans	24	13,664,060	15,740,358
Employees' end of service benefits	25	357,038	266,570
Retention payable	26	19,092	18,547
Unredeemed frequent flyer liabilities	27	448,132	369,650
Derivative financial instruments	33	39,731	73,730
		14,528,053	16,468,855

Continued...

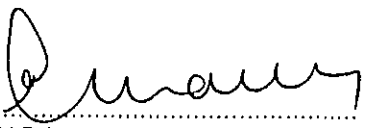
The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2011

	Notes	2011 QR'000	2010 QR'000
Current liabilities			
Accounts payable and accruals	28	2,775,820	2,399,478
Sales in advance of carriage		2,806,701	2,662,018
Derivative financial instruments	33	13,022	457,071
Bank overdrafts	17	147,873	70,169
Current portion of term loans	24	2,156,447	2,609,456
		7,899,863	8,198,192
Total liabilities		22,427,916	24,667,047
TOTAL EQUITY AND LIABILITIES		45,525,399	40,293,418



H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)



Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2011

	Notes	2011 QR'000	2010 QR'000
OPERATING ACTIVITIES			
Profit before taxation		799,448	746,035
Adjustments for:			
Depreciation	12	1,986,732	1,680,553
Share of result of a joint venture		-	(20,908)
Loss on disposal of property, plant and equipment		26,208	528
Gain on disposal of an investment in a subsidiary	11	(144,682)	-
Allowance for obsolete and slow-moving inventories	15	2,741	360
Allowance for impairment of receivables	8 & 16	-	5,730
Provision for employees' end of service benefits	25	111,321	70,931
Movements in the provisions net of utilised amounts	28	(7,426)	(15,395)
Impairment loss on available-for-sale investments	14	-	2,180
Interest and dividend income	7	(428,250)	(378,426)
Finance costs	9	350,650	421,844
Operating profit before working capital changes		2,696,742	2,513,432
Inventories		(86,042)	(87,927)
Receivables		(568,342)	(328,166)
Payables and sales in advance for carriage		803,560	1,430,776
Cash from operations		2,845,918	3,528,115
Finance costs paid		(378,210)	(490,968)
Income tax paid		(159)	(1,729)
Employees' end of service benefits paid	25	(19,321)	(12,554)
Net cash from operating activities		2,448,228	3,022,864
INVESTING ACTIVITIES			
Movement in restricted deposits		(200)	917,757
Movement in short term deposits		(5,426,427)	-
Additions to property, plant and equipment		(2,271,172)	(4,767,507)
Proceeds from disposal of property, plant and equipment		109,829	28,955
Net proceeds from disposal of an investment in a subsidiary	11	209,398	-
Interest and dividend received		457,714	315,849
Net cash used in investing activities		(6,920,858)	(3,504,946)
FINANCING ACTIVITIES			
Shareholder advances		4,345,271	4,463,871
Proceeds from loans		4,858,805	4,170,793
Repayment of loans		(7,258,399)	(2,736,831)
Dividend paid to non-controlling interests		-	(4,800)
Net cash from financing activities		1,945,677	5,893,033
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,526,953)	5,410,951
Net foreign exchange difference		(424)	(1,204)
Cash and cash equivalents at 1 April	17	8,436,097	3,026,350
CASH AND CASH EQUIVALENTS AT 31 MARCH	17	5,908,720	8,436,097

Supplemental information on significant non-cash transaction:

Investing activity:
Additions to property, plant and equipment amounting to QR 3,914,988 thousands (Refer Note 12) include an amount of QR 1,643,816 thousands representing the value of non-monetary contributions by the Government of the State of Qatar.

The attached notes 1 to 39 form part of these consolidated financial statements.

Qatar Airways

India Operations
(A Registered Foreign Company)

SCHEDULE OF FINANCIAL INFORMATION

31 March 2011

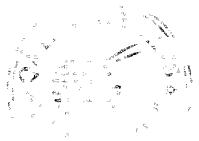
QATAR AIRWAYS – INDIA OPERATIONS
AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying Schedule of financial information of Qatar Airways – India Operations ("the Company") comprising of the Statement of Financial Position, the Statement of Comprehensive Income and the related notes thereto as of and for the year ended 31 March 2011 (the "Schedule"). This Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying Schedule of financial information presents fairly, in all material respects, the financial position of the Company as of 31 March 2011 and the results of its operations for the year then ended, in accordance with International Financial Reporting Standards.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236



Date: XX September 2011
Doha

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	*2011* ***INR'000***	*2010* *INR'000*
Revenue	3	**10341882**	6472929
Other operating income		**2020**	1064
Operating expenses	4	**(11496355)**	(7279238)
OPERATING LOSS		**(1152453)**	(805245)
Other income		**7407**	3956
General and administrative expenses	5	**(961063)**	(761028)
Loss on disposal of property, plant and equipment		**(586.)**	-
Loss on foreign currency exchange		**(21249.)**	(4934)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(2127944)**	(1567251)



The attached notes 1 to 10 form part of these schedule.

STATEMENT OF FINANCIAL POSITION
At 31 March 2011

	Notes	*2011* *INR'000*	*2010* *INR '000*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**136472**	127767
		136472	127767
Current assets			
Accounts receivable and prepayments	7	**710528**	669267
Cash and bank balances		**89996**	163973
		800524	833240
TOTAL ASSETS		**936996**	961007
HEAD OFFICE (DEFICIT) FUNDS AND LIABILITIES			
Head Office (deficit) funds			
Head Office account		**(3616)**	341484
Total Head Office (deficit) funds		**(3616)**	341484
Non-current liabilities			
Employees' end of service benefits		**16149**	10782
		16149	10782
Current liabilities			
Accounts payable and accruals	8	**877015**	586793
Bank overdrafts		**47448**	21948
		924463	608741
TOTAL LIABILITIES		**940612**	619523
TOTAL HEAD OFFICE (DEFICIT) FUNDS AND LIABILITIES		**936996**	961007

.....
Henry Moses
Country Manager -India

For Kulkarni and Khanolkar
Chartered Accountants

P.M. Parulekar

.....
(P.M. Parulekar)
Partner

KULKARNI & KHANOLKAR
(REGISTERED)
CHARTERED ACCOUNTANTS,
BELL BUILDING,
SIR PHIROZSHAH MEHTA ROAD,
FORT, MUMBAI-400 001.

The attached notes 1 to 10 form part of these schedule.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

This schedule of financial information (the "Schedule") represents the activities of India operations of Qatar Airways Q.C.S.C., (the "Parent") which is a Qatari Closed Shareholding Company designated as the national airline of the State of Qatar. The Company is registered in India as a foreign Company (referred to as the "Company") under the Companies Act No 1 of 1956 and registered office is located at Ground Floor, Bajaj Bhawan, in Mumbai, Maharashtra, India

The schedule of financial information represents the activities of Qatar Airways in India and presents specific revenues, costs and expenses related to its operations in India.

The Company is engaged in air transportation including passenger, cargo and related services.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Schedule of financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The schedule of financial information has been presented in Qatari Riyals, which is the functional and presentation currency of the Parent and all values are rounded to the nearest thousand (QR'000) except where otherwise indicated.

The schedule of financial information is prepared under the historical cost convention.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year and used by the Parent in preparing its consolidated financial statements for the year ended 31 March 2011. The significant accounting policies which are relevant to the India operations are extracted and included in Note 2.3.

2.3 Summary of significant accounting policies

Revenue
Revenue from passengers and cargo is recognised when the transportation is provided. Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities until recognised as revenue. Unused flight documents are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

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

Income from claims is recognised in the income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost and is subsequently stated at cost less accumulated depreciation and accumulated impairment.

Subsequent costs are included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost can be reliably measured. Other costs are charged to the income statement during the year in which they are incurred.

Land is not depreciated. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost less their estimated residual values on a straight-line basis over the estimated economic useful life of the assets.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The estimated economic useful lives of the Company's assets for the calculation of depreciation are as follows:

Asset Type	Estimated economic useful life	Estimated residual value
Furniture, vehicles and office equipment	3-7 years	Nil

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

The assets' residual value, useful lives and method of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are subsequently 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.

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either
  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Accounts receivable

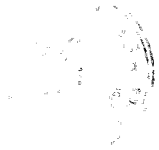
Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Employees' end of service benefits

The Company provides for end of service benefits determined in accordance with the Company's policy based on employee's salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Company. Accordingly, the Company has no expectation of settling its employees' terminal benefits obligation in the near term.

Accounts payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.



3 REVENUE

	2011 INR'000	*2010 INR'000*
Passengers	**6804131**	4179494
Cargo	**3537751**	2293435
	10341882	6472929

4 OPERATING EXPENSES

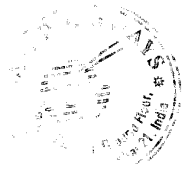
	2011 INR'000	*2010 INR'000*
Fuel costs	**2656260**	1714321
Landing, ground handling and over flying charges	**1719638**	1279171
Advertising and sales promotion	**394164**	229309
Revenue commissions	**330418**	166087
Passenger services	**144253**	10164
Aircraft maintenance and insurance	**14054**	9867
Head office Charges	**6237569**	3870319
	11496356	7279238

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2011 INR'000	*2010 INR'000*
Staff costs	**237541**	188987
Rental- office, vehicle and equipment	**57013**	38431
Depreciation	**22646**	23518
Bank charges and commissions	**21187**	17855
Other administrative expenses	**19017**	8087
Communication	**9390**	6788
Repairs, maintenance and insurance	**3978**	6405
Travelling	**2731**	2893
Stationery and publication materials	**2344**	2448
Legal and consultancy fees	**1721**	2213
Head office charges	**583496**	463403
	961064	761028

6 PROPERTY, PLANT & EQUIPMENT

	Land	*Motor Vehicles*	*Furniture & Fittings*	*Computers & Software*	*Equipment*	*Capital working progress*	*Total*
	INR'000	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*
Cost:							
At 1 April 2010	55703	19229	63011	17308	10363	12270	177885
Additions	-	-	-	-	-	28058	28058
Transfers from CWIP	-	5674	26574	3616	1147	(37011)	-
Transfers from Head Office	-	-	4489	436	-	-	4926
Disposals	-	(1334)	(1484)	(2619)	(349)	-	(5786)
At 31 March 2011	55703	23568	92590	18742	11161	3317	205081
Depreciation:							
At 1 April 2010	-	10986	21498	11759	4788	-	49032
Charge for the year	-	3990	12719	3454	2482	-	22646
Transfers	-	-	1122	312	-	-	1434
Disposals	-	(1122)	(499)	(2606)	(274)	-	(4502)
At 31 March 2011	-	13854	34841	12919	6996	-	68610
Net carrying amounts:							
At 31 March 2011	55703	**9714**	**57749**	**5823**	**4165**	**3317**	**136472**



6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	*Motor Vehicles*	*Furniture & Fittings*	*Computers& Software*	*Equipment*	*Capital working progress*	*Total*
	INR''000	*INR''000*	*INR''000*	*INR''000*	*INR''000*	*INR''000*	*INR''000*
Cost:							
At 1 April 2009	55703	18954	60667	19902	10076	885	166188
Additions	-	935	3591	1235	811	11385	17957
Disposals	-	(661)	(1247)	(3828)	(524)	-	(6260)
At 31 March 2010	55703	19228	63011	17309	10363	12270	177885
Depreciation:							
At 1 April 2009	-	8006	12295	12657	3803	-	36762
Charge for the year	-	3604	10001	2918	1484	-	18007
Disposals	-	(624)	(798)	(3816)	(499)	-	(5736)
At 31 March 2010	-	10986	21498	11759	4788	-	49033
Net carrying amounts:							
At 31 March 2010	55703	**9490**	**41513**	**5550**	**5575**	**12270**	**128852**

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 INR'000	*2010 INR'000*
Accounts receivables	**675587**	540795
Prepayments and deposits	**33507**	127570
Other receivables	**1434**	902
	710528	669267

8 ACCOUNTS PAYABLE AND ACCRUALS

	2011 INR'000	*2010 INR'000*
Trade accounts payable	**50952**	80768
Accrued expenses	**486791**	327141
Other payables	**339271**	178884
	877014	586793

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, payables, and accrued expenses. The fair values of the financial instruments are not materially different from their carrying values.

10 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were *INR*'000 675,587. (2010: *INR*'000 540,795) and no allowance for impairment was made. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

END



Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	Notes	2012 QR'000	2011 QR'000
Revenue	4	24,607,565	19,414,457
Other operating income	5	243,968	180,000
Operating expenses	6	(23,727,068)	(17,663,070)
OPERATING PROFIT		1,124,465	1,931,387
Other income	7	731,520	676,458
General and administrative expenses	8	(1,849,372)	(1,528,830)
Finance costs	9	(328,381)	(350,650)
Loss on disposal of property, plant and equipment		(25,335)	(26,208)
Gain on disposal of an investment in a subsidiary	11	-	144,682
Gain on bargain purchase from the acquisition of an associate	14	193,321	-
Share of loss from an associate	14	(41,721)	-
Loss on foreign currency exchange		(74,340)	(47,391)
(LOSS)/ PROFIT BEFORE TAXATION		(269,843)	799,448
Income tax expense	10	(160)	(34)
(LOSS)/ PROFIT FOR THE YEAR		(270,003)	799,414
Attributable to:			
Equity holders of the parent		(269,998)	799,023
Non-controlling interests		(5)	391
		(270,003)	799,414

The attached notes 1 to 39 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2012

	Notes	2012 QR'000	2011 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	30,442,435	29,752,566
Intangibles	13	235,076	150,686
Investment in an associate	14	580,218	-
Available-for-sale investments	15	528,584	527,439
Derivative financial instruments	34	30,964	86,189
		31,817,277	30,516,880
Current assets			
Inventories	16	754,178	620,792
Accounts receivable and prepayments	17	3,170,335	2,324,620
Derivative financial instruments	34	94,334	579,887
Short term deposits	18	9,725,087	5,426,427
Cash and cash equivalents	18	2,215,338	6,056,793
		15,959,272	15,008,519
TOTAL ASSETS		47,776,549	45,525,399
EQUITY AND LIABILITIES			
Share capital	19	143,800	143,800
Capital reserve	20	1,643,816	1,643,816
Legal reserve	21	16,371,980	16,371,980
Shareholder advances	22	7,297,719	4,345,271
Fair value reserve	23	162,978	799,307
Furniture, fixtures and equipment reserve	24	2,410	781
Accumulated losses		(476,820)	(205,193)
Foreign currency translation reserve		291	385
Equity attributable to shareholders of the parent		25,146,174	23,100,147
Non-controlling interests		(2,669)	(2,664)
Total equity		25,143,505	23,097,483
Non-current liabilities			
Non-current portion of term loans	25	11,203,880	13,664,060
Employees' end of service benefits	26	472,528	357,038
Non-current portion of retention payable	27	3,125	19,092
Unredeemed frequent flyer liabilities	28	525,812	448,132
Derivative financial instruments	34	57,745	39,731
		12,263,090	14,528,053

Continued...

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2012

	Notes	2012 QR'000	2011 QR'000
Current liabilities			
Accounts payable and accruals	29	2,839,083	2,774,571
Sales in advance of carriage		3,657,523	2,806,701
Deferred credits		538,376	1,249
Derivative financial instruments	34	93,734	13,022
Current portion of term loans	25	3,191,605	2,156,447
Bank overdrafts	18	49,633	147,873
		10,369,954	7,899,863
Total liabilities		22,633,044	22,427,916
TOTAL EQUITY AND LIABILITIES		47,776,549	45,525,399

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 39 form part of these consolidated financial statements.

Australian Securities &
Investments Commission

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
028327439

Form 405
Corporations Act 2001
601CK(1), 601CT, 601CV, 100(1)(d),
Class Order (CO 03/823), Class Order (CO 06/68)

Statement to verify financial statements of a foreign company

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm/organisation
GRANT THORNTON AUSTRALIA LIMITED

Contact name/position description

ASIC registered agent number (if applicable)
4065

Telephone number

Postal address or DX address
LEVEL 17, 383 KENT STREET, SYDNEY, NSW, 2000

RECEIVED
- 8 FEB 2013
ASIC
SSC

1 Details of foreign company

Company name
QATAR AIRWAYS (Q.C.S.C.)

ARBN
105 742 916

Place of incorporation
DOHA, STATE OF QATAR

Financial year ended
3 1 / 0 3 / 1 2
[D D] [M M] [Y Y]

Annual general meeting held (leave blank if not applicable)
0 6 / 0 8 / 1 2
[D D] [M M] [Y Y]

2 Details of registered office in Australia

Registered office in Australia

At the office of, C/- (if applicable)

Office, unit, level

GROUND FLOOR

Street number and Street name

350 COLLINS STREET

Suburb/City

MELBOURNE

State/Territory

VIC

Postcode

3000

Does the company occupy the premises?

☑ Yes

☐ No

If no, name of occupier?

☐ Occupier's consent (Select box to indicate the statement below is correct)

The occupier of the premises has consented in writing to the use of the specified address as the address of the registered office of the company and has not withdrawn that consent.

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

☐☐/☐☐/☐☐ [D D] [M M] [Y Y]

3 Details of registered office in place of incorporation

If no registered office, provide the address of the principal place of business in place of incorporation.

At the office of, C/- (if applicable)

Office, unit, level

QATAR AIRWAYS TOWER

Street number and Street name

AIRPORT ROAD, PO BOX 22550

Suburb/City

DOHA

State/Territory

Postcode

Country

QATAR

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

☐☐/☐☐/☐☐ [D D] [M M] [Y Y]

4 Details of local agents

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company.*

Provide details of all current local agents and any former local agents that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Family name: OBEID

Given names: ROULA

OR

Company name:

ACN/ABN:

The address must be in Australia.

Office, unit, level:

Street number and Street name: 46 NEVIS STREET

Suburb/City: CAMBERWELL

State/Territory: VIC

Postcode: 3124

Change of name of local agent

Has the name of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of this local agent

Date of change of name: [D D] / [M M] / [Y Y]

Former name:

☑ No

Change of address of local agent

Has the address of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D] / [M M] / [Y Y]

☑ No

Cessation of local agent

Has this previously appointed local agent ceased?

☐ Yes

If yes, provide the date of cessation.

[D D] / [M M] / [Y Y]

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company.*

☑ No

If you need to provide details of additional local agents, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

Roula K

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL ABDULLA

Given names: DR HUSSAIN ALI

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 14 AL ATTA STREET, WAKRA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/57 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☑ No

Agrees K

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL NOAIMI

Given names: ABDUL AZIZ MOHAMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 19 MERAIKH STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/53 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL BAKER

Given names: AKBAR

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 2 HILAL STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 25/07/80 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

Akbar

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH HAMAD BIN JASSIM BIN JABOR

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 2 AL WAJBA, RAYAN STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 1 0 / 0 1 / 5 9 [D D] / [M M] / [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D] / [M M] / [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D] / [M M] / [Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D] / [M M] / [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D] / [M M] / [Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH HAMAD BIN ABDULLAH BIN KHALIFA

Company name (if applicable)

ACN/ARBN (if applicable)

If the director is an individual, give their usual residential address.

Office, unit, level

Street number and Street name: 10 AL RAYAN ROAD

Suburb/City: DOHA

State/Territory

Postcode

Country (if not Australia): QATAR

Place of birth (town/city)

(state/country): QATAR

Date of birth: 25/08/81 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

Abaes K

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: KAMAL

Given names: YOUSEF HUSSEIN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: E. HILAL

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/48 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH MOHAMED BIN FAHED BIN MOHAMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: AL RAYAN - AL WAJBA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/58 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: REA

Given names: JOHN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: D RING ROAD

Street number and Street name: AL FARDAN GARDENS

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): NEWTONNABBEY

(state/country): UNITED KINGDOM

Date of birth: 22/04/52 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

6 Financial statements

The following financial statements must be lodged (as required by s601CK)

- Balance sheet made up to the end of the financial year
- Profit and loss statement for the last financial year
- Cash flow statement for the last financial year

An auditor's report must be provided if the company holds an Australian financial services licence. Otherwise, submit an auditor's report if one is required to be prepared in place of origin.

Provide any other documents that the company is required to prepare in its place of origin.

If the foreign company is the holder of an Australian financial services licence:

Are you relying on Class Order [CO 03/823]?

☐ Yes
☐ No

Class Order (CO 03/823) *Relief from licensing, accounting and audit requirements for foreign authorised deposit-taking institutions* grants an exemption to foreign authorised deposit-taking institutions (foreign ADIs) who hold an Australian financial services licence from the financial reporting requirements of Division 6 of Part 7.8 on the condition that the foreign entity lodges the financial statements required by s601CK(1) and lodges an auditor's report on those financial statements.

Are you relying on Class Order [CO 06/68]?

☐ Yes
☐ No

Class Order (06/68) *Conditional relief for foreign licensees from financial reporting and record keeping obligations* grants a similar exemption to foreign licensees (other than foreign ADIs).

Signature

Tick boxes that apply, complete the details and sign and date the form.

Name

OBEID , ROULA

Capacity

☐ Director of the foreign company
☐ Secretary of the foreign company
☑ Duly appointed local agent of the foreign company
☐ Director or secretary of a company which has been duly appointed as local agent of the foreign company

I verify that:

- the copies annexed to this form are true copies of the documents required to be lodged under s601CK(1) of the *Corporations Act 2001* and
- the information in this form is true and complete.

Signature

Date signed

1 8 / 1 2 / 1 2
[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For help or more information
Telephone 1300 300 630
Email info.enquiries@asic.gov.au
Web www.asic.gov.au

Agaas

Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	Notes	2012 QR'000	2011 QR'000
Revenue	4	**24,607,565**	19,414,457
Other operating income	5	**243,968**	180,000
Operating expenses	6	**(23,727,068)**	(17,663,070)
OPERATING PROFIT		**1,124,465**	1,931,387
Other income	7	**731,520**	676,458
General and administrative expenses	8	**(1,849,372)**	(1,528,830)
Finance costs	9	**(328,381)**	(350,650)
Loss on disposal of property, plant and equipment		**(25,335)**	(26,208)
Gain on disposal of an investment in a subsidiary	11	**-**	144,682
Gain on bargain purchase from the acquisition of an associate	14	**193,321**	-
Share of loss from an associate	14	**(41,721)**	-
Loss on foreign currency exchange		**(74,340)**	(47,391)
(LOSS)/ PROFIT BEFORE TAXATION		**(269,843)**	799,448
Income tax expense	10	**(160)**	(34)
(LOSS)/ PROFIT FOR THE YEAR		**(270,003)**	799,414
Attributable to:			
Equity holders of the parent		**(269,998)**	799,023
Non-controlling interests		**(5)**	391
		(270,003)	799,414

The attached notes 1 to 39 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2012

	Notes	2012 QR'000	2011 QR'000
(Loss)/Profit for the year		(270,003)	799,414
Net unrealised gain on available-for-sale investments	23	1,117	2,582
Net (loss)/gain on cash flow hedges		(638,188)	721,302
Exchange difference on translation of foreign operations		(94)	248
Share of an associate's unrealised gain on cash flow hedges	23	2,381	-
Share of an associate's changes in other reserve	23	(1,639)	-
Other comprehensive (loss)/income for the year		(636,423)	724,132
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(906,426)	1,523,546
Attributable to:			
Equity holders of the parent		(906,421)	1,523,155
Non-controlling interests		(5)	391
		(906,426)	1,523,546

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2012

	Notes	2012 QR'000	2011 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	30,442,435	29,752,566
Intangibles	13	235,076	150,686
Investment in an associate	14	580,218	-
Available-for-sale investments	15	528,584	527,439
Derivative financial instruments	34	30,964	86,189
		31,817,277	30,516,880
Current assets			
Inventories	16	754,178	620,792
Accounts receivable and prepayments	17	3,170,335	2,324,620
Derivative financial instruments	34	94,334	579,887
Short term deposits	18	9,725,087	5,426,427
Cash and cash equivalents	18	2,215,338	6,056,793
		15,959,272	15,008,519
TOTAL ASSETS		47,776,549	45,525,399
EQUITY AND LIABILITIES			
Share capital	19	143,800	143,800
Capital reserve	20	1,643,816	1,643,816
Legal reserve	21	16,371,980	16,371,980
Shareholder advances	22	7,297,719	4,345,271
Fair value reserve	23	162,978	799,307
Furniture, fixtures and equipment reserve	24	2,410	781
Accumulated losses		(476,820)	(205,193)
Foreign currency translation reserve		291	385
Equity attributable to shareholders of the parent		25,146,174	23,100,147
Non-controlling interests		(2,669)	(2,664)
Total equity		25,143,505	23,097,483
Non-current liabilities			
Non-current portion of term loans	25	11,203,880	13,664,060
Employees' end of service benefits	26	472,528	357,038
Non-current portion of retention payable	27	3,125	19,092
Unredeemed frequent flyer liabilities	28	525,812	448,132
Derivative financial instruments	34	57,745	39,731
		12,263,090	14,528,053

Continued...

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2012

	Notes	2012 QR'000	2011 QR'000
Current liabilities			
Accounts payable and accruals	29	**2,839,083**	2,774,571
Sales in advance of carriage		**3,657,523**	2,806,701
Deferred credits		**538,376**	1,249
Derivative financial instruments	34	**93,734**	13,022
Current portion of term loans	25	**3,191,605**	2,156,447
Bank overdrafts	18	**49,633**	147,873
		10,369,954	7,899,863
Total liabilities		**22,633,044**	22,427,916
TOTAL EQUITY AND LIABILITIES		**47,776,549**	45,525,399

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2012

	Notes	2012 QR'000	2011 QR'000
OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(269,843)	799,448
Adjustments for:			
Depreciation	12	2,029,619	1,986,732
Loss on disposal of property, plant and equipment		25,335	26,208
Gain on disposal of an investment in a subsidiary	11	-	(144,682)
Provision for obsolete and slow-moving inventories	16	1,482	3,696
Allowance for impairment of receivables	8 & 17	5,315	-
Gain on bargain purchase from acquisition of an associate	14	(193,321)	
Share of loss from an associate	14	41,721	
Provision for employees' end of service benefits	26	143,366	111,321
Movement in the provisions net of utilised amounts	29 (b)	18,219	(7,426)
Interest and dividend income	7	(376,889)	(428,250)
Finance costs	9	328,381	350,650
Operating profit before working capital changes		1,753,385	2,697,697
Inventories		(134,868)	(86,997)
Receivables		(836,293)	(568,342)
Payables and sales in advance for carriage		1,502,554	803,560
Cash from operations		2,284,778	2,845,918
Finance costs paid		(333,793)	(378,210)
Income tax paid		(36)	(159)
Employees' end of service benefits paid	26	(27,876)	(19,321)
Net cash from operating activities		1,923,073	2,448,228
INVESTING ACTIVITIES			
Investment in an associate	14	(427,876)	-
Movement in restricted deposits		-	(200)
Movement in short term deposits		(4,298,660)	(5,426,427)
Additions to property, plant and equipment	12	(2,749,305)	(2,271,172)
Purchase of available for sale investments		(28)	-
Purchase of intangible assets		(84,390)	-
Proceeds from disposal of property, plant and equipment		4,401	109,829
Net proceeds from disposal of an investment in a subsidiary		-	209,398
Interest and dividend received		362,156	457,714
Net cash used in investing activities		(7,193,702)	(6,920,858)
FINANCING ACTIVITIES			
Shareholder advances		2,952,447	4,345,271
Proceeds from loans		6,992,563	4,858,805
Repayment of loans		(8,417,584)	(7,258,399)
Net cash from financing activities		1,527,426	1,945,677
DECREASE IN CASH AND CASH EQUIVALENTS		(3,743,203)	(2,526,953)
Net foreign exchange difference		(12)	(424)
Cash and cash equivalents at 1 April		5,908,720	8,436,097
CASH AND CASH EQUIVALENTS AT 31 MARCH	18	2,165,505	5,908,720

Supplemental information on significant non cash transaction

Investing activity:
Additions to property, plant and equipment during 2011 amounting to QR 3,915 million (Refer Note 12) include an amount of QR 1,644 million representing the value of non-monetary contributions by the Government of State of Qatar.

The attached notes 1 to 39 form part of these consolidated financial statements.

Qatar Airways
India Operations
(A Registered Foreign Company)

SCHEDULE OF FINANCIAL INFORMATION

31 March 2012

QATAR AIRWAYS – INDIA OPERATIONS
AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying Schedule of financial information of Qatar Airways – India Operations ("the Company") comprising of the Statement of Financial Position, the Statement of Comprehensive Income and the related notes thereto as of and for the year ended 31 March 2012 (the "Schedule"). This Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying Schedule of financial information presents fairly, in all material respects, the financial position of the Company as of 31 March 2012 and the results of its operations for the year then ended, in accordance with International Financial Reporting Standards.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 30 September 2012
Doha

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2012

	Notes	*2012* ***INR'000***	*2011* *INR'000*
Revenue	3	**14270746**	10341882
Other operating income		**-**	2020
Operating expenses	4	**(16686341)**	(11496355)
OPERATING LOSS		**(2415595)**	(1152453)
Other income		**15423**	7407
General and administrative expenses	5	**(1257034)**	(961063)
Loss on disposal of property, plant and equipment		**(1118)**	(586)
Gain/(Loss) on foreign currency exchange		**1774**	(21249)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3656550)**	(2127944)

The attached notes 1 to 11 form part of these schedule.

STATEMENT OF FINANCIAL POSITION
At 31 March 2012

	Notes	*2012* ***INR'000***	*2011* *INR'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**169805**	136472
		169805	136472
Current assets			
Accounts receivable and prepayments	7	**1843020**	710528
Cash and bank balances		**142480**	89996
		1985500	800524
TOTAL ASSETS		**2155305**	936996
HEAD OFFICE FUNDS (DEFICIT) AND LIABILITIES			
Head Office funds (deficit)			
Head Office account		**1193359**	(3616)
Total Head Office funds (deficit)		**1193359**	(3616)
Non-current liabilities			
Employees' end of service benefits		**21905**	16149
		21905	16149
Current liabilities			
Accounts payable and accruals	8	**897419**	877015
Bank overdrafts		**42622**	47448
		940041	924463
TOTAL LIABILITIES		**961946**	940612
TOTAL HEAD OFFICE FUNDS (DEFICIT) AND LIABILITIES		**2155305**	936996

For Kulkarni and Khanolkar
Chartered Accountants

P.M. Parulekar

(P.M. Parulekar)
Partner

KULKARNI & KHANOLKAR
(REGISTERED)
CHARTERED ACCOUNTANTS,
BELL BUILDING,
SIR PHIROZSHAH MEHTA ROAD,
FORT, MUMBAI-400 001.

Henry Moses
Country Manager -India

The attached notes 1 to 11 form part of these schedule.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

This schedule of financial information (the "Schedule") represents the activities of India operations of Qatar Airways Q.C.S.C., (the "Parent") which is a Qatari Closed Shareholding Company designated as the national airline of the State of Qatar. The Company is registered in India as a foreign Company (referred to as the "Company") under the Companies Act No 1 of 1956 and registered office is located at Ground Floor, Bajaj Bhawan, in Mumbai, Maharashtra, India

The schedule of financial information represents the activities of Qatar Airways in India and presents specific revenues, costs and expenses related to its operations in India.

The Company is engaged in air transportation including passenger, cargo and related services.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Schedule of financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The schedule of financial information has been presented in Qatari Riyals, which is the functional and presentation currency of the Parent and all values are rounded to the nearest thousand (QR'000) except where otherwise indicated.

The schedule of financial information is prepared under the historical cost convention.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year and used by Qatar Airways in preparing its consolidated financial statements for the year ended 31 March 2012. The significant accounting policies which are relevant to the India operations are extracted and included in Note 2.3.

2.3 Summary of significant accounting policies

Revenue
Revenue from passengers and cargo is recognised when the transportation is provided. Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities until recognised as revenue. Unused flight documents are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

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

Income from claims is recognised in the income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain.

Property, plant and equipment
Property, plant and equipment is initially recorded at cost and is subsequently stated at cost less accumulated depreciation and accumulated impairment.

Subsequent costs are included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost can be reliably measured. Other costs are charged to the income statement during the year in which they are incurred.

Land is not depreciated. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost less their estimated residual values on a straight-line basis over the estimated economic useful life of the assets.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The estimated economic useful lives of the Company's assets for the calculation of depreciation are as follows:

Asset Type	Estimated economic useful life	Estimated residual value
Furniture, vehicles and office equipment	3-7 years	Nil

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

The assets' residual value, useful lives and method of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are subsequently 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.

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either
  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Employees' end of service benefits

The Company provides for end of service benefits determined in accordance with the Company's policy based on employee's salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Company. Accordingly, the Company has no expectation of settling its employees' terminal benefits obligation in the near term.

Accounts payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

3 REVENUE

	2012 INR'000	*2011 INR'000*
Passengers	**9527931**	6804131
Cargo	**4742815**	3537751
	14270746	10341882

4 OPERATING EXPENSES

	2012 INR'000	*2011 INR'000*
Fuel costs	**4580539**	2656260
Landing, ground handling and over flying charges	**2250763**	1719638
Advertising and sales promotion	**625940**	394164
Revenue commissions	**296066**	330418
Passenger services	**226957**	144253
Aircraft maintenance and insurance	**24378**	14054
Other operating expenses	**182**	-
Head office Charges	**8681517**	6237569
	16686342	11496356

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 INR'000	*2011 INR'000*
Staff costs	**310092**	237541
Rental- office, vehicle and equipment	**85091**	57013
Depreciation	**30105**	22646
Bank charges and commissions	**40639**	21187
Other administrative expenses	**25272**	19017
Communication	**10771**	9390
Repairs, maintenance and insurance	**9178**	3978
Travelling	**3646**	2731
Stationery and publication materials	**2543**	2344
Legal and consultancy fees	**3059**	1721
Head office charges	**736638**	283496
	1257034	961064

7

6 PROPERTY, PLANT & EQUIPMENT

	Land	*Motor Vehicles*	*Furniture & Fittings*	*Computers & Software*	*Equipment*	*Capital working progress*	*Total*
	INR'000	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*
Cost:							
At 1 April 2011	55703	23568	92590	18742	11161	3317	205081
Additions	-	-	-	-	-	47163	47163
Transfers from CWIP	-	6035	27116	13621	2752	(49524)	-
Transfers from Head Office	-	-	1243	391	-	-	1634
Disposals	-	(2738)	(7111)	(2962)	(587)	-	(13397)
At 31 March 2012	55703	26865	113838	29792	13326	956	240481
Depreciation:							
At 1 April 2011	-	13854	34841	12919	6996	-	68610
Charge for the year	-	4415	18720	5029	1942	-	30105
Reclassification	-	-	1662	(740)	(922)	-	-
Disposals	-	(2738)	(5448)	(2920)	(517)	-	(11623)
At 31 March 2012	-	15531	49775	14288	7499	-	87092
Net carrying amounts:							
At 31 March 2012	**55703**	**11334**	**64063**	**15504**	**5827**	**956**	**153389**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	*Motor Vehicles*	*Furniture & Fittings*	*Computers & Software*	*Equipment*	*Capital working progress*	*Total*
	INR'000	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*	*INR'000*
Cost:							
At 1 April 2010	55703	19229	63011	17308	10363	12270	177885
Additions	-	-	-	-	-	28058	28058
Transfers from CWIP	-	5674	26574	3616	1147	(37011)	-
Transfers from Head Office	-	-	4489	436	-	-	4926
Disposals	-	(1334)	(1484)	(2619)	(349)	-	(5786)
At 31 March 2011	55703	23568	92590	18742	11161	3317	205081
Depreciation:							
At 1 April 2010	-	10986	21498	11759	4788	-	128852
Charge for the year	-	3990	12719	3454	2482	-	22646
Transfers	-	-	1122	312	-	-	1434
Disposals	-	(1122)	(499)	(2606)	(274)	-	(4502)
At 31 March 2011	-	13854	34841	12919	6996	-	68610
Net carrying amounts:							
At 31 March 2011	55703	9714	57749	5823	4165	3317	136472

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 ***INR'000***	*2011* *INR'000*
Accounts receivables	**1621693**	675587
Prepayments and deposits	**207818**	33507
Other receivables	**13509**	1434
	1843020	710528

8 ACCOUNTS PAYABLE AND ACCRUALS

	2012 ***INR'000***	*2011* *INR'000*
Trade accounts payable	**90651**	50952
Accrued expenses	**503395**	486791
Other payables	**303373**	339271
	897419	877014

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, payables, and accrued expenses. The fair values of the financial instruments are not materially different from their carrying values.

10 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were INR'000 16,21,693 (2011: INR'000 7,56,853) and no allowance for impairment was made. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

11 COMPARATIVE FIGURES

Corresponding figures for 2011 have been reclassified in order to conform with the presentation for the current period. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit.

	2011 INR'000	*As previously reported*	*As reclassified*
Statement of financial position			
Amount receivables in respect of other charges due carrier	**1247**	As part of Other payables in Accounts payable and accruals	As part of Head Office Current Account
Agent's commission and withholding tax payable	**3317**	As part of Head Office Current Account	As part of Other payables in Accounts payable and accruals

END

Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2013

	Notes	2013 QR'000	2012 QR'000
Revenue	4	27,508,644	24,615,926
Other operating income	5	277,965	238,557
Operating expenses	6	(27,282,703)	(23,729,168)
OPERATING PROFIT		503,906	1,125,315
Other income	7	893,655	731,520
General and administrative expenses	8	(2,071,164)	(1,850,222)
Finance costs	9	(262,205)	(328,381)
Gain (loss) on disposal of property, plant and equipment		1,563,681	(25,335)
Impairment loss on property, plant and equipment	11	(11,739)	-
Impairment loss on assets classified as held for sale	11(e)	(108,857)	-
Gain on bargain purchase from the acquisition of an associate	13	-	193,321
Share of loss from an associate	13	(44,774)	(41,721)
Loss on disposal of investment in an associate	13	(106,826)	-
Loss on foreign currency exchange		(190,080)	(74,340)
PROFIT (LOSS) BEFORE TAXATION		165,597	(269,843)
Income tax expense	10	(66)	(160)
PROFIT (LOSS) FOR THE YEAR		165,531	(270,003)
Attributable to:			
Equity holders of the parent		165,258	(269,998)
Non-controlling interests		273	(5)
		165,531	(270,003)

The attached notes 1 to 38 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	Notes	2013 QR'000	2012 QR'000
Profit (loss) for the year		165,531	(270,003)
Other Comprehensive Income			
Net unrealised (loss) gain on available-for-sale investments	22	(12,193)	1,117
Net gain (loss) on cash flow hedges	22	18,908	(638,188)
Exchange difference on translation of foreign operations		(546)	(94)
Share of an associate's unrealised gain on cash flow hedges	13 & 22	12,846	2,381
Share of an associate's changes in other reserves	13 & 22	632	(1,639)
Reclassification of share of unrealised gain on cash flow hedges of an associate disposed during the year	13 & 22	(15,227)	-
Reclassification of share of other reserves of an associate disposed during the year	13 & 22	1,007	-
Other comprehensive income (loss) for the year		5,427	(636,423)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		170,958	(906,426)
Attributable to:			
Equity holders of the parent		170,685	(906,421)
Non-controlling interests		273	(5)
		170,958	(906,426)

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2013

	Notes	2013 QR'000	2012 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	28,008,969	30,442,435
Intangibles	12	235,076	235,076
Investment in an associate	13	-	580,218
Available-for-sale investments	14	516,396	528,584
Derivative financial instruments	33	2,291	30,964
		28,762,732	31,817,277
Current assets			
Inventories	15	872,449	754,178
Accounts receivable and prepayments	16	2,696,484	3,089,441
Derivative financial instruments	33	21,177	94,334
Short term deposits	17	6,937,482	9,725,087
Cash and cash equivalents	17	6,309,432	2,165,705
		16,837,024	15,828,745
Assets classified as held for sale	11(e)	36,415	-
TOTAL ASSETS		45,636,171	47,646,022
EQUITY AND LIABILITIES			
Equity			
Share capital	18	143,800	143,800
Capital reserve	19	1,643,816	1,643,816
Legal reserve	20	16,371,980	16,371,980
Shareholder advances	21	8,316,722	7,297,719
Fair value reserve	22	168,951	162,978
Furniture, fixtures and equipment reserve	23	3,876	2,410
Accumulated losses		(313,028)	(476,820)
Foreign currency translation reserve		(255)	291
Equity attributable to shareholders of the parent		26,335,862	25,146,174
Non-controlling interests		(2,396)	(2,669)
Total equity		26,333,466	25,143,505
Non-current liabilities			
Non-current portion of term loans	24	8,288,842	11,203,880
Employees' end of service benefits	25	576,055	472,528
Credits received from suppliers	28 (c)	44,994	70,581
Non-current portion of retention payable	26	13,937	3,125
Unredeemed frequent flyer liabilities	27	500,689	525,812
Derivative financial instruments	33	12,212	57,745
		9,436,729	12,333,671

Continued...

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2013

	Notes	2013 QR'000	2012 QR'000
Current liabilities			
Accounts payable and accruals	28	3,903,221	2,839,083
Sales in advance of carriage		3,892,204	3,576,629
Credits received from suppliers	28 (c)	75,081	467,795
Derivative financial instruments	33	17,871	93,734
Current portion of term loans	24	1,977,599	3,191,605
		9,865,976	10,168,846
Total liabilities		19,302,705	22,502,517
TOTAL EQUITY AND LIABILITIES		45,636,171	47,646,022

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 38 form part of these consolidated financial statements.

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Form 405
Corporations Act 2001
601CK(1), 601CT, 601CV, 100(1)(d),
Class Order (CO 03/823), Class Order (CO 06/68)

Statement to verify financial statements of a foreign company

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Lodgement details

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Who should ASIC contact if there is a query about this form?

Firm/organisation
GRANT THORNTON AUSTRALIA LIMITED

Contact name/position description

ASIC registered agent number (if applicable)
4065

Telephone number

Postal address or DX address
LEVEL 17, 383 KENT STREET, SYDNEY, NSW, 2000

1 Details of foreign company

Company name
QATAR AIRWAYS (Q.C.S.C.)

ARBN
105 742 916

Place of incorporation
DOHA, STATE OF QATAR

Financial year ended
31 / 03 / 13
[D D] [M M] [Y Y]

Annual general meeting held (leave blank if not applicable)
[D D] [M M] [Y Y]

2 Details of registered office in Australia

Registered office in Australia

At the office of, C/- (if applicable)

Office, unit, level

GROUND FLOOR

Street number and Street name

350 COLLINS STREET

Suburb/City

MELBOURNE

State/Territory

VIC

Postcode

3000

Does the company occupy the premises?

☑ Yes

☐ No

If no, name of occupier?

☐ Occupier's consent (Select box to indicate the statement below is correct)

The occupier of the premises has consented in writing to the use of the specified address as the address of the registered office of the company and has not withdrawn that consent.

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

☐☐/☐☐/☐☐ [D D] [M M] [Y Y]

3 Details of registered office in place of incorporation

If no registered office, provide the address of the principal place of business in place of incorporation.

At the office of, C/- (if applicable)

Office, unit, level

QATAR AIRWAYS TOWER

Street number and Street name

AIRPORT ROAD, PO BOX 22550

Suburb/City

DOHA

State/Territory

Postcode

Country

QATAR

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

☐☐/☐☐/☐☐ [D D] [M M] [Y Y]

4 Details of local agents

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company.*

Provide details of all current local agents and any former local agents that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Family name: RADWANSKI

Given names: ADAM

OR

Company name:

ACN/ABN:

The address must be in Australia.

Office, unit, level: APT 1609

Street number and Street name: 229 TOORAK ROAD

Suburb/City: SOUTH YARRA

State/Territory: VIC

Postcode: 3141

Change of name of local agent

Has the name of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of this local agent

Date of change of name: [D D] / [M M] / [Y Y]

Former name:

☑ No

Change of address of local agent

Has the address of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D] / [M M] / [Y Y]

☑ No

Cessation of local agent

Has this previously appointed local agent ceased?

☑ Yes

If yes, provide the date of cessation: 16 / 07 / 13 [D D] / [M M] / [Y Y]

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company.*

☐ No

If you need to provide details of additional local agents, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL ABDULLA

Given names: DR HUSSAIN ALI

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: 14 AL ATTA STREET

Street number and Street name: WAKRA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/57 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

→ If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

→ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

→ If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☑ Yes

→ If yes, provide the date of cessation

16/07/13 [D D]/[M M]/[Y Y]

☐ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL BAKER

Given names: AKBAR ABBAS SAIDEEN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: HOUSE NO. 3

Street number and Street name: QARTAJA STREET

Suburb/City: HILAL, DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 25/07/60 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☑ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name: 16/07/13 [D D] [M M] [Y Y]

Former name: AKBAR AL BAKER

☐ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☑ Yes

└ If yes, provide the date of change of the address

16/07/13 [D D] [M M] [Y Y]

☐ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D] [M M] [Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL EMADI

Given names: ALI ASAD ABDULRAHMAN SHAREEF

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: HOUSE NO.30, AL SOUR STREET

Suburb/City: AIN KHALID, DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 13/01/69 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☐ Yes

☑ No

If no, provide the date of appointment: 16/07/13 [D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D] [M M] [Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D] [M M] [Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL MOHANNADI

Given names: ISSA MOHAMED LAHDAN AL HASSAN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: HOUSE NO. 133

Street number and Street name: SAHA 50, AL DAFNA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 15/01/73 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☐ Yes

☑ No

If no, provide the date of appointment: 16/07/13 [D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D] [M M] [Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D] [M M] [Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL-NOAIMI

Given names: ABDUL AZIZ MOHAMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 19 MERAIKH STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/53 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

→ If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

→ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

→ If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☑ Yes

→ If yes, provide the date of cessation

16/07/13 [D D]/[M M]/[Y Y]

☐ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL SULAITI

Given names: JASSEM SAIF AHMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: HOUSE NO. 34

Street number and Street name: ABDULLA BIN AL AAS STREET

Suburb/City: AL MAMOURA, DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 01/01/63 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☐ Yes

☑ No

If no, provide the date of appointment: 16/07/13 [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D]/[M M]/[Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: ABDUL RAHMAN KHALIFA ABDUL AZIZ JASSIM

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: HOUSE NO. 300

Street number and Street name: KHALIFA STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 01/01/70 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☐ Yes

☑ No

If no, provide the date of appointment: 16/07/13 [D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D] [M M] [Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation: [D D] [M M] [Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH HAMAD BIN JASSIM BIN JABOR

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: 2 AL WAJBA

Street number and Street name: RAYAN STREET

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 10/01/59 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name [D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address [D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☑ Yes

└ If yes, provide the date of cessation 16/07/13 [D D]/[M M]/[Y Y]

☐ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH HAMAD BIN ABDULLAH BIN KHALIFA

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: 10 AL RAYAN ROAD

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 25/08/81 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☑ Yes

If yes, provide the date of cessation: 16/07/13 [D D]/[M M]/[Y Y]

☐ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: SHEIKH MOHAMED BIN FAHED BIN MOHAMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: AL RAYAN - AL WAJBA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/58 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☑ Yes

If yes, provide the date of cessation: 16/07/13 [D D]/[M M]/[Y Y]

☐ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: KAMAL

Given names: YOUSEF HUSSEIN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: E. HILAL

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): DOHA

(state/country): QATAR

Date of birth: 01/01/48 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment: [D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name: [D D]/[M M]/[Y Y]

Former name:

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☑ Yes

If yes, provide the date of cessation: 16/07/13 [D D]/[M M]/[Y Y]

☐ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: REA

Given names: JOHN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: D RING ROAD

Street number and Street name: AL FARDAN GARDENS

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city): NEWTONNABBEY

(state/country): UNITED KINGDOM

Date of birth: 22/04/52 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D] [M M] [Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☑ Yes

└ If yes, provide the date of cessation

16/07/13 [D D] [M M] [Y Y]

☐ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

6 Financial statements

The following financial statements must be lodged (as required by s601CK)

- Balance sheet made up to the end of the financial year
- Profit and loss statement for the last financial year
- Cash flow statement for the last financial year

An auditor's report must be provided if the company holds an Australian financial services licence. Otherwise, submit an auditor's report if one is required to be prepared in place of origin.

Provide any other documents that the company is required to prepare in its place of origin.

If the foreign company is the holder of an Australian financial services licence:

Are you relying on Class Order [CO 03/823]?

☐ Yes
☐ No

Class Order (CO 03/823) *Relief from licensing, accounting and audit requirements for foreign authorised deposit-taking institutions* grants an exemption to foreign authorised deposit-taking institutions (foreign ADIs) who hold an Australian financial services licence from the financial reporting requirements of Division 6 of Part 7.8 on the condition that the foreign entity lodges the financial statements required by s601CK(1) and lodges an auditor's report on those financial statements.

Are you relying on Class Order [CO 06/68]?

☐ Yes
☐ No

Class Order (06/68) *Conditional relief for foreign licensees from financial reporting and record keeping obligations* grants a similar exemption to foreign licensees (other than foreign ADIs).

Signature

Tick boxes that apply, complete the details and sign and date the form.

Name

RADWANSKI, ADAM

Capacity

☐ Director of the foreign company
☐ Secretary of the foreign company
☑ Duly appointed local agent of the foreign company
☐ Director or secretary of a company which has been duly appointed as local agent of the foreign company

I verify that:

- the copies annexed to this form are true copies of the documents required to be lodged under s601CK(1) of the *Corporations Act 2001* and
- the information in this form is true and complete.

Signature

Date signed

[1][1]/[1][2]/[1][5]
[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For help or more information

Telephone 1300 300 630
Email info.enquiries@asic.gov.au
Web www.asic.gov.au

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2013

	Notes	2013 QR'000	2012 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	28,008,969	30,442,435
Intangibles	12	235,076	235,076
Investment in an associate	13	-	580,218
Available-for-sale investments	14	516,396	528,584
Derivative financial instruments	33	2,291	30,964
		28,762,732	31,817,277
Current assets			
Inventories	15	872,449	754,178
Accounts receivable and prepayments	16	2,696,484	3,089,441
Derivative financial instruments	33	21,177	94,334
Short term deposits	17	6,937,482	9,725,087
Cash and cash equivalents	17	6,309,432	2,165,705
		16,837,024	15,828,745
Assets classified as held for sale	11(e)	36,415	-
TOTAL ASSETS		45,636,171	47,646,022
EQUITY AND LIABILITIES			
Equity			
Share capital	18	143,800	143,800
Capital reserve	19	1,643,816	1,643,816
Legal reserve	20	16,371,980	16,371,980
Shareholder advances	21	8,316,722	7,297,719
Fair value reserve	22	168,951	162,978
Furniture, fixtures and equipment reserve	23	3,876	2,410
Accumulated losses		(313,028)	(476,820)
Foreign currency translation reserve		(255)	291
Equity attributable to shareholders of the parent		26,335,862	25,146,174
Non-controlling interests		(2,396)	(2,669)
Total equity		26,333,466	25,143,505
Non-current liabilities			
Non-current portion of term loans	24	8,288,842	11,203,880
Employees' end of service benefits	25	576,055	472,528
Credits received from suppliers	28 (c)	44,994	70,581
Non-current portion of retention payable	26	13,937	3,125
Unredeemed frequent flyer liabilities	27	500,689	525,812
Derivative financial instruments	33	12,212	57,745
		9,436,729	12,333,671

Continued...

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2013

	Notes	2013 QR'000	2012 QR'000
Current liabilities			
Accounts payable and accruals	28	3,903,221	2,839,083
Sales in advance of carriage		3,892,204	3,576,629
Credits received from suppliers	28 (c)	75,081	467,795
Derivative financial instruments	33	17,871	93,734
Current portion of term loans	24	1,977,599	3,191,605
		9,865,976	10,168,846
Total liabilities		19,302,705	22,502,517
TOTAL EQUITY AND LIABILITIES		45,636,171	47,646,022

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani
(Chairman)

Akbar Al Baker
(Chief Executive Officer)

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2013

	Notes	2013 QR'000	2012 QR'000
Revenue	4	27,508,644	24,615,926
Other operating income	5	277,965	238,557
Operating expenses	6	(27,282,703)	(23,729,168)
OPERATING PROFIT		503,906	1,125,315
Other income	7	893,655	731,520
General and administrative expenses	8	(2,071,164)	(1,850,222)
Finance costs	9	(262,205)	(328,381)
Gain (loss) on disposal of property, plant and equipment		1,563,681	(25,335)
Impairment loss on property, plant and equipment	11	(11,739)	-
Impairment loss on assets classified as held for sale	11(e)	(108,857)	-
Gain on bargain purchase from the acquisition of an associate	13	-	193,321
Share of loss from an associate	13	(44,774)	(41,721)
Loss on disposal of investment in an associate	13	(106,826)	-
Loss on foreign currency exchange		(190,080)	(74,340)
PROFIT (LOSS) BEFORE TAXATION		165,597	(269,843)
Income tax expense	10	(66)	(160)
PROFIT (LOSS) FOR THE YEAR		165,531	(270,003)
Attributable to:			
Equity holders of the parent		165,258	(269,998)
Non-controlling interests		273	(5)
		165,531	(270,003)

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2013

	Notes	2013 QR'000	2012 QR'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		165,597	(269,843)
Adjustments for:			
Depreciation	11(a)	2,938,204	2,029,619
(Gain) Loss on disposal of property, plant and equipment		(1,563,681)	25,335
Loss on disposal of investment in an associate	13	106,826	-
Provision for obsolete and slow-moving inventories	15	3,543	1,482
Allowance for impairment of receivables	8 & 16 (c)	6,594	5,315
Impairment loss on assets classified as held for sale	11(c)	108,857	-
Impairment loss on property, plant and equipment	11	11,739	-
Gain on bargain purchase from acquisition of an associate	13	-	(193,321)
Share of loss from an associate	13	44,774	41,721
Provision for employees' end of service benefits	25	142,548	143,366
Movement in the provision for maintenance - net of utilised amounts	28 (b)	(14,612)	18,219
Interest and dividend income	7	(452,638)	(376,889)
Finance costs	9	262,205	328,381
Operating profit before working capital changes		1,759,956	1,753,385
Inventories		(139,898)	(134,868)
Receivables		377,966	(917,187)
Payables and sales in advance for carriage		975,228	1,583,448
Cash from operations		2,973,252	2,284,778
Finance costs paid		(276,276)	(333,793)
Income tax paid		(168)	(36)
Employees' end of service benefits paid	25	(39,021)	(27,876)
Net cash from operating activities		2,657,787	1,923,073
INVESTING ACTIVITIES			
Purchase price consideration	13	-	(427,876)
Movement in short-term deposits		2,787,605	(1,298,660)
Additions to property, plant and equipment	11	(3,722,755)	(1,749,305)
Purchase of available-for-sale investments		(5)	(28)
Purchase of intangible assets		-	(84,390)
Proceeds from disposal of property, plant and equipment		4,642,259	4,401
Net proceeds from disposal of investment in an associate	13	427,876	-
Interest and dividend received		461,035	362,156
Net cash from (used in) investing activities		4,596,015	(2,193,702)
FINANCING ACTIVITIES			
Shareholder advances		1,019,003	2,952,447
Proceeds from loans		4,196,949	3,992,563
Repayment of loans		(8,325,993)	(5,417,584)
Net cash (used in) from financing activities		(3,110,041)	1,527,426
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,143,761	(2,743,203)
Net foreign exchange difference		(34)	(12)
Cash and cash equivalents at 1 April		2,165,505	4,908,720
CASH AND CASH EQUIVALENTS AT 31 MARCH	17	6,309,232	2,165,505

The attached notes 1 to 38 form part of these consolidated financial statements.

Australian Securities & Investments Commission

Australian Securities & Investments Commission
029164234

Form 405
Corporations Act 2001
601CK(1), 601CT, 601CV, 100(1)(d),
Class Order (CO 03/823), Class Order (CO 06/68)

Statement to verify financial statements of a foreign company

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm/organisation
GRANT THORNTON AUSTRALIA LIMITED

Contact name/position description

ASIC registered agent number (if applicable)
4065

Telephone number

Postal address or DX address
LEVEL 17, 383 KENT STREET, SYDNEY, NSW, 2000

1 Details of foreign company

Company name
QATAR AIRWAYS (Q.C.S.C.)

ARBN
105 742 916

Place of incorporation
DOHA, STATE OF QATAR

Financial year ended
3 1 / 0 3 / 1 4
[D D] [M M] [Y Y]

Annual general meeting held (leave blank if not applicable)
[D D] [M M] [Y Y]

2 Details of registered office in Australia

Registered office in Australia

At the office of, C/- (if applicable)

Office, unit, level
GROUND FLOOR

Street number and Street name
350 COLLINS STREET

Suburb/City
MELBOURNE

State/Territory
VIC

Postcode
3000

Does the company occupy the premises?

☑ Yes

☐ No

If no, name of occupier?

☐ Occupier's consent (Select box to indicate the statement below is correct)
The occupier of the premises has consented in writing to the use of the specified address as the address of the registered office of the company and has not withdrawn that consent.

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

[D D] / [M M] / [Y Y]

3 Details of registered office in place of incorporation

If no registered office, provide the address of the principal place of business in place of incorporation.

At the office of, C/- (if applicable)

Office, unit, level
QATAR AIRWAYS TOWER

Street number and Street name
AIRPORT ROAD, PO BOX 22550

Suburb/City
DOHA

State/Territory

Postcode

Country
QATAR

Late fees may apply so refer to the Guide for information about lodgement periods.

Has this address previously been notified to ASIC?

☑ Yes

☐ No

If no, provide date of change of address

[D D] / [M M] / [Y Y]

4 Details of local agents

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company*.

Provide details of all current local agents and any former local agents that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Family name: RADWANSKI

Given names: ADAM

OR

Company name:

ACN/ABN:

The address must be in Australia.

Office, unit, level: UNIT 1609

Street number and Street name: 229 TOORAK ROAD

Suburb/City: SOUTH YARRA

State/Territory: VIC

Postcode: 3141

Change of name of local agent

Has the name of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of this local agent

Date of change of name: [D D] / [M M] / [Y Y]

Former name:

☑ No

Change of address of local agent

Has the address of this previously appointed local agent changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address: [D D] / [M M] / [Y Y]

☑ No

Cessation of local agent

Has this previously appointed local agent ceased?

☐ Yes

If yes, provide the date of cessation: [D D] / [M M] / [Y Y]

The appointment of a new local agent can only be notified to ASIC on a Form 404 *Notification of change to agent of a foreign company*.

☑ No

If you need to provide details of additional local agents, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL BAKER

Given names: AKBAR ABBAS SAIDEEN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: HOUSE NO. 3

Street number and Street name: QARTAJA STREET

Suburb/City: HILAL, DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 25/07/60 [D D] / [M M] / [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D] / [M M] / [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D] / [M M] / [Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D] / [M M] / [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D] / [M M] / [Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL EMADI

Given names: ALI ASAD ABDULRAHMAN SHAREEF

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level:

Street number and Street name: HOUSE NO.30, AL SOUR STREET

Suburb/City: AIN KHALID, DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 03/01/69 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D] [M M] [Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D] [M M] [Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL MOHANNADI

Given names: ISSA MOHAMED LAHDAN AL HASSAN

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: HOUSE NO. 133

Street number and Street name: SAHA 50, AL DAFNA

Suburb/City: DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 15/01/73 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL SULAITI

Given names: JASSEM SAIF AHMED

Company name (if applicable):

ACN/ARBN (if applicable):

If the director is an individual, give their usual residential address.

Office, unit, level: HOUSE NO. 34

Street number and Street name: ABDULLA BIN AL AAS STREET

Suburb/City: AL MAMOURA, DOHA

State/Territory:

Postcode:

Country (if not Australia): QATAR

Place of birth (town/city):

(state/country): QATAR

Date of birth: 01/01/63 [D D]/[M M]/[Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

└ If no, provide the date of appointment

[D D]/[M M]/[Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D]/[M M]/[Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D]/[M M]/[Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D]/[M M]/[Y Y]

☑ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

5 Details of directors

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name: AL THANI

Given names: ABDUL RAHMAN KHALIFA ABDUL AZIZ JASSIM

Company name (if applicable)

ACN/ARBN (if applicable)

If the director is an individual, give their usual residential address.

Office, unit, level: HOUSE NO. 300

Street number and Street name: KHALIFA STREET

Suburb/City: DOHA

State/Territory

Postcode

Country (if not Australia): QATAR

Place of birth (town/city)

(state/country): QATAR

Date of birth: 01/01/70 [D D] [M M] [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☑ Yes

☐ No

If no, provide the date of appointment

[D D] [M M] [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D] [M M] [Y Y]

Former name

☑ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

If yes, provide the date of change of the address

[D D] [M M] [Y Y]

☑ No

Cessation of director

Has the director ceased?

☐ Yes

If yes, provide the date of cessation

[D D] [M M] [Y Y]

☑ No

5 Continued... **Details of additional directors**

Provide details of all directors, including those whose appointment has not previously been notified to ASIC. Also include details of any directors that have ceased but whose cessation has not been notified to ASIC. Late fees may apply so refer to the Guide for information about lodgement periods.

Enter family and given names. If the director is a company, provide the name of the company and the ACN or ARBN.

Family name

Given names

Company name (if applicable)

ACN/ARBN (if applicable)

If the director is an individual, give their usual residential address.

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

Place of birth (town/city)

(state/country)

Date of birth

[D D] / [M M] / [Y Y]

Appointment of director

Have you previously notified ASIC of the appointment of this director?

☐ Yes

☐ No

└ If no, provide the date of appointment

[D D] / [M M] / [Y Y]

Change of name of director

Has the name of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of name and the former name of the director

Date of change of name

[D D] / [M M] / [Y Y]

Former name

☐ No

Change of address

Has the address of this director changed since it was last notified to ASIC?

☐ Yes

└ If yes, provide the date of change of the address

[D D] / [M M] / [Y Y]

☐ No

Cessation of director

Has the director ceased?

☐ Yes

└ If yes, provide the date of cessation

[D D] / [M M] / [Y Y]

☐ No

If you need to provide details of additional directors, use copies of this page and submit as part of your lodgement. See Guide for how to provide additional information.

6 Financial statements

The following financial statements must be lodged (as required by s601CK)

- Balance sheet made up to the end of the financial year
- Profit and loss statement for the last financial year
- Cash flow statement for the last financial year

An auditor's report must be provided if the company holds an Australian financial services licence. Otherwise, submit an auditor's report if one is required to be prepared in place of origin.

Provide any other documents that the company is required to prepare in its place of origin.

If the foreign company is the holder of an Australian financial services licence:

Are you relying on Class Order [CO 03/823]?

☐ Yes
☐ No

Class Order (CO 03/823) *Relief from licensing, accounting and audit requirements for foreign authorised deposit-taking institutions* grants an exemption to foreign authorised deposit-taking institutions (foreign ADIs) who hold an Australian financial services licence from the financial reporting requirements of Division 6 of Part 7.8 on the condition that the foreign entity lodges the financial statements required by s601CK(1) and lodges an auditor's report on those financial statements.

Are you relying on Class Order [CO 06/68]?

☐ Yes
☐ No

Class Order (06/68) *Conditional relief for foreign licensees from financial reporting and record keeping obligations* grants a similar exemption to foreign licensees (other than foreign ADIs).

Signature

Tick boxes that apply, complete the details and sign and date the form.

Name

RADWANSKI, ADAM

Capacity

☐ Director of the foreign company
☐ Secretary of the foreign company
☑ Duly appointed local agent of the foreign company
☐ Director or secretary of a company which has been duly appointed as local agent of the foreign company

I verify that:

- the copies annexed to this form are true copies of the documents required to be lodged under s601CK(1) of the *Corporations Act 2001* and
- the information in this form is true and complete.

Signature

Date signed

☐☐/☐☐/☐☐
[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For help or more information

Telephone 1300 300 630
Email info.enquiries@asic.gov.au
Web www.asic.gov.au

Qatar Airways Q.C.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2014

Building a better working world

Ernst & Young - (Qatar Branch)
P.O. Box 164
Burj Al Gassar, 24th floor
Majlis Al Taawon Street, Onaiza
West Bay
Doha, State of Qatar

Tel: +974 4457 4111
Fax: +974 4441 4649
doha@qa.ey.com
ey.com/mena

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF QATAR AIRWAYS Q.C.S.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Qatar Airways Q.C.S.C. ("the Company") and its subsidiaries (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF QATAR AIRWAYS Q.C.S.C. (CONTINUED)

Report on Legal and Other Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company, an inventory count has been conducted in accordance with established principles and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material effect on the business of the Group or on its financial position.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 11 November 2014
Doha

Qatar Airways Q.C.S.C.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Notes	2014 QR'000	2013 QR'000
Revenue	3	**30,359,102**	27,508,644
Other operating income	4	**281,616**	277,965
Operating expenses	5	**(29,852,911)**	(27,282,703)
OPERATING PROFIT		**787,807**	503,906
Other income	6	**1,816,602**	893,655
General and administrative expenses	7	**(2,423,098)**	(2,070,550)
Finance costs	8	**(180,640)**	(262,819)
(Loss) Gain on disposal of property, plant and equipment		**(26,936)**	1,563,681
Gain on disposal of assets classified as held for sale	10(e)	**5,869**	-
Impairment loss on available-for-sale investments	13	**(5,000)**	-
Impairment loss on property, plant and equipment	10	**(27,566)**	(11,739)
Impairment loss on assets classified as held for sale	10(e)	**-**	(108,857)
Share of profit (loss) from an associate and joint ventures	12	**26,117**	(44,774)
Loss on disposal of investment in an associate	12	**-**	(106,826)
Loss on foreign currency exchange		**(239,592)**	(190,080)
(LOSS) PROFIT BEFORE TAX		**(266,437)**	165,597
Income tax benefit (expense)	9	**6**	(66)
(LOSS) PROFIT FOR THE YEAR		**(266,431)**	165,531
Attributable to:			
Equity holders of the parent		**(267,035)**	165,258
Non-controlling interests		**604**	273
		(266,431)	165,531

The attached notes 1 to 38 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	*2014* ***QR'000***	*2013* *QR'000*
(Loss) Profit for the year		**(266,431)**	165,531
Other comprehensive income:			
Other comprehensive income to be reclassified to consolidated income statement in subsequent periods:			
Net unrealised gain (loss) on available-for-sale investments	21	**339,099**	(12,193)
Net (loss) gain on cash flow hedges	21	**(70,654)**	18,908
Exchange difference on translation of foreign operations		**64**	(546)
Share of a disposed associate's unrealised gain on cash flow hedges	12 & 21	-	12,846
Share of a disposed associate's changes in other reserves	12 & 21	-	632
Reclassification of share of unrealised gain on cash flow hedges of an associate disposed	12 & 21	-	(15,227)
Reclassification of share of other reserves of an associate disposed	12 & 21	-	1,007
Net other comprehensive income to be classified to consolidated income statement in subsequent periods		**268,509**	5,427
Items not to be reclassified to consolidated income statement in subsequent periods		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,078**	170,958
Attributable to:			
Equity holders of the parent		**1,474**	170,685
Non-controlling interests		**604**	273
		2,078	170,958

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 QR'000	2013 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**29,488,029**	28,008,969
Intangibles	11	**235,076**	235,076
Investment in an associate and joint ventures	12	**33,472**	-
Available-for-sale investments	13	**886,082**	516,396
Derivative financial instruments	33	**17,124**	2,291
Deferred tax asset		**91**	-
		30,659,874	28,762,732
Current assets			
Inventories	14	**903,695**	872,449
Accounts receivable and prepayments	15	**3,763,044**	2,699,814
Derivative financial instruments	33	**9,933**	21,177
Short-term deposits	16	**5,894,552**	6,937,482
Cash and bank balances	16	**7,232,723**	6,309,432
		17,803,947	16,840,354
Assets classified as held for sale	10(e)	-	36,415
TOTAL ASSETS		**48,463,821**	45,639,501
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**12,077,222**	143,800
Capital reserve	18	**1,643,816**	1,643,816
Legal reserve	19	**16,371,980**	16,371,980
Shareholder advances	20	-	8,316,722
Fair value reserve	21	**437,396**	168,951
Furniture, fixtures and equipment reserve	22	**5,261**	3,876
Accumulated losses		**(581,448)**	(313,028)
Foreign currency translation reserve		**(191)**	(255)
Equity attributable to equity holder of the parent		**29,954,036**	26,335,862
Non-controlling interests		**(820)**	(2,396)
Total equity		**29,953,216**	26,333,466
Non-current liabilities			
Employees' end of service benefits	24	**728,788**	576,055
Unredeemed frequent flyer liabilities	26	**546,603**	500,689
Derivative financial instruments	33	**88,972**	12,212
Non-current portion of interest-bearing loans	23	**5,907,358**	8,288,842
Non-current portion of credits received from suppliers	28	**254,106**	44,994
Non-current portion of retention payable	25	**20,593**	13,937
		7,546,420	9,436,729

Continued...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2014

	Notes	2014 QR'000	2013 QR'000
Current liabilities			
Accounts payable and accruals	27	3,896,516	3,905,207
Sales in advance of carriage		4,256,725	3,893,548
Current portion of credits received from suppliers	28	60,976	75,081
Derivative financial instruments	33	16,244	17,871
Current portion of interest-bearing loans	23	2,733,724	1,977,599
		10,964,185	9,869,306
Total liabilities		18,510,605	19,306,035
TOTAL EQUITY AND LIABILITIES		48,463,821	45,639,501

H.E. Ali Shareef Al Emadi
Chairman

H.E. Akbar Al Baker
Group Chief Executive

The attached notes 1 to 38 form part of these consolidated financial statements.

Qatar Airways Q.C.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 QR'000	2013 QR'000
OPERATING ACTIVITIES			
(Loss) Profit before tax		**(266,437)**	165,597
Adjustments for:			
Depreciation	10(a)	**2,949,344**	2,938,204
Loss (Gain) on disposal of property, plant and equipment		**26,936**	(1,563,681)
Loss on disposal of investment in an associate	12	**-**	106,826
Gain on disposal of assets classified held for sale	10(e)	**(5,869)**	-
Provision for obsolete and slow-moving inventories	14	**9,960**	3,543
Amortisation of financing cost	8	**2,862**	614
Allowance for impairment of receivables	7 & 15(c)	**29,097**	6,594
Impairment loss on available-for-sale investments	13	**5,000**	-
Impairment loss on assets classified as held for sale	10(e)	**-**	108,857
Impairment loss on property, plant and equipment	10	**27,566**	11,739
Share of (profit) loss from investment in an associate and joint ventures	12	**(26,117)**	44,774
Provision for employees' end of service benefits	24	**192,382**	142,548
Provision for maintenance	27(b)	**23,880**	152,233
Interest and dividend income	6	**(382,124)**	(452,638)
Finance costs	8	**177,778**	262,205
Operating profit before working capital changes		**2,764,258**	1,927,415
Inventories		**(41,206)**	(139,898)
Receivables		**(1,123,256)**	302,034
Payables		**581,581**	884,315
Cash from operations		**2,181,377**	2,973,866
Finance costs paid		**(180,325)**	(276,276)
Income tax paid		**(45)**	(168)
Employees' end of service benefits paid	24	**(39,649)**	(39,021)
Net cash flows from operating activities		**1,961,358**	2,658,401
INVESTING ACTIVITIES			
Investment in joint ventures		**(7,355)**	-
Establishment of a subsidiary, net of cash		**972**	-
Movement in short-term deposits		**1,042,930**	2,787,605
Additions to property, plant and equipment	10	**(4,488,765)**	(3,722,755)
Purchase of available-for-sale investments		**(35,587)**	(5)
Proceeds from disposal of property, plant and equipment		**5,859**	4,642,259
Proceeds from disposal of assets classified as held for sale		**42,284**	-
Proceeds from disposal of investment in an associate	12	**-**	427,876
Interest and dividend received		**413,052**	461,035
Net cash flows (used in) from investing activities		**(3,026,610)**	4,596,015
FINANCING ACTIVITIES			
Net movement in shareholder advances		**3,616,700**	1,019,003
Proceeds from interest-bearing loans		**7,000,875**	4,196,949
Repayment of interest-bearing loans		**(8,629,096)**	(8,326,607)
Net cash flows from (used in) financing activities		**1,988,479**	(3,110,655)
INCREASE IN CASH AND CASH EQUIVALENTS		**923,227**	4,143,761
Net foreign exchange difference		**64**	(34)
Cash and cash equivalents at 1 April		**6,309,232**	2,165,505
CASH AND CASH EQUIVALENTS AT 31 MARCH	16	**7,232,523**	6,309,232

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to equity holder of the parent										
	Share Capital QR'000	*Capital reserve QR'000*	*Legal reserve QR'000*	*Furniture, fixtures and equipment reserve QR'000*	*Shareholder advances QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Non-controlling interest QR'000*	*Total equity QR'000*
At 1 April 2013	143,800	1,643,816	16,371,980	3,876	8,316,722	168,951	(313,028)	(255)	26,335,862	(2,396)	26,333,466
Loss for the year	-	-	-	-	-	-	(267,035)	-	(267,035)	604	(266,431)
Other comprehensive income	-	-	-	-	-	268,445	-	64	268,509	-	268,509
Total comprehensive income for the year	-	-	-	-	-	268,445	(267,035)	64	1,474	604	2,078
Establishment of a subsidiary	-	-	-	-	-	-	-	-	-	972	972
Movement in shareholder advances (Note 20)	-	-	-	-	3,616,700	-	-	-	3,616,700	-	3,616,700
Transfer to furniture, fixtures and equipment reserve (Note 22)	-	-	-	4,097	-	-	(4,097)	-	-	-	-
Conversion of shareholder advances to share capital of the Company (Note 17)	11,933,422	-	-	-	(11,933,422)	-	-	-	-	-	-
Utilisation of furniture, fixtures and equipment reserve (Note 22)	-	-	-	(2,712)	-	-	2,712	-	-	-	-
At 31 March 2014	**12,077,222**	**1,643,816**	**16,371,980**	**5,261**	**-**	**437,396**	**(581,448)**	**(191)**	**29,954,036**	**(820)**	**29,953,216**

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 March 2014

	Attributable to equity holder of the parent										
	Share Capital QR'000	*Capital reserve QR'000*	*Legal reserve QR'000*	*Furniture, fixtures and equipment reserve QR'000*	*Shareholder advances QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Non-controlling interest QR'000*	*Total equity QR'000*
At 1 April 2012	143,800	1,643,816	16,371,980	2,410	7,297,719	162,978	(476,820)	291	25,146,174	(2,669)	25,143,505
Profit for the year	-	-	-	-	-	-	165,258	-	165,258	273	165,531
Other comprehensive income (loss)	-	-	-	-	-	5,973	-	(546)	5,427	-	5,427
Total comprehensive income for the year	-	-	-	-	-	5,973	165,258	(546)	170,685	273	170,958
Movement in shareholder advances (Note 20)	-	-	-	-	1,019,003	-	-	-	1,019,003	-	1,019,003
Transfer to furniture, fixtures and equipment reserve (Note 22)	-	-	-	3,372	-	-	(3,372)	-	-	-	-
Utilisation of furniture, fixtures and equipment reserve (Note 22)	-	-	-	(1,906)	-	-	1,906	-	-	-	-
At 31 March 2013	143,800	1,643,816	16,371,980	3,876	8,316,722	168,951	(313,028)	(255)	26,335,862	(2,396)	26,333,466

The attached notes 1 to 38 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Airways Q.C.S.C. (the "Company") is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 30 November 1993 under Commercial Registration No. 16070 and commenced operations in January 1994. The Company's registered office is located at P.O. Box 22550, Doha, State of Qatar.

On 5 May 2013, the Government of the State of Qatar acquired the remaining shareholding interest in the Company. Accordingly, from 5 May 2013, the Company is wholly-owned by the Government of the State of Qatar ("the Owner" or "the Shareholder").

The consolidated financial statements as of and for the year ended 31 March 2014 comprise the financial statements of the Company and its subsidiaries (together referred as the "Group").

The main activities of the Group are the following:

- Commercial air-transportation, which includes passenger, cargo, aircraft charters and related services;
- Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
- Trading in duty free goods at Doha International Airport and exchanging goods for redemption of Qmiles;
- Operation of cafes at Hamad International Airport;
- Provision of facilities management services at Hamad International Airport;
- Distribution of distilled beverages in Qatar;
- Owning hotel properties inside the State of Qatar;

The consolidated financial statements of Qatar Airways Q.C.S.C. as of and for the year ended 31 March 2014 were authorised for issue by the Board of Directors on 11 November 2014.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

The consolidated financial statements have been presented in Qatari Riyals which is the functional and presentation currency of the Group and all values are rounded to the nearest thousand (QR'000) except where otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention except for certain financial assets and liabilities, including derivative financial instruments, unredeemed frequent flyer liabilities and available-for-sale financial assets that are measured at fair value.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Qatar Airways Q.C.S.C. and its subsidiaries (together referred to as the "Group"). These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the consolidated income statement
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The principal subsidiaries of the Group, incorporated in the consolidated financial statements are as follows:

Name of the subsidiary	*Country of incorporation*	*Ownership*	
		2014	***2013***
Amadeus Qatar W.L.L.	Qatar	60%	60%
Al Maha Aviation Company	Kingdom of Saudi Arabia	90%	-
Dhiafatina for Hotels S.P.C.	Qatar	100%	100%
Lambrini Holdings Ltd.	United Kingdom	100%	100%
Oryx Holdings, Inc.	United States of America	100%	100%

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Amadeus Qatar W.L.L. is engaged in activities relating to marketing, distribution, installation and maintenance of the Amadeus reservation and travel agency system to various travel agencies in Qatar.

Dhiafatina for Hotels S.P.C. is engaged in the ownership and operation of hotel properties in the State of Qatar.

Al Maha Aviation Company, established during the year, is incorporated in the Kingdom of Saudi Arabia. It is engaged in providing catering services and conducting domestic and international flights for passenger and cargo.

Lambrini Holdings Limited, incorporated in Jersey, United Kingdom, is principally engaged in holding real estate properties.

Oryx Holdings, Inc., incorporated in Wilmington, Delaware, USA, is principally engaged in holding real estate properties.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company except for Amadeus Qatar W.L.L. whose financial year ends on 31 December. Appropriate adjustments are made for subsidiaries that use different accounting periods and policies to conform to those adopted by the parent company.

Transactions eliminated on consolidation
Inter-company balances and transactions, and any unrealised gain and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interests
Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Losses applicable to the non-controlling interest in excess of the non-controlling interests are allocated against the interest of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover losses. Acquisitions of non-controlling interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2013.

During the year, the Group has adopted the following standards effective for the annual period beginning on or after 1 January 2013.

IAS 1 Presentation of Items of Other Comprehensive Income (OCI) – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to the consolidated income statement at a future point in time would be presented separately from items that will never be reclassified. The amendment has no impact on the Group's consolidated financial position or performance.

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. These amendments have no impact the Group's financial position or performance.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This amendment does not have any impact on the Group's consolidated financial statements.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. At the date of initial application of IFRS 10, the Group assessed that it controls its subsidiaries as per IFRS 10.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-Controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This amendment did not have any impact on the Group's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are not required as the Group has no subsidiaries with material non-controlling interests.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

Improvements included but do not have any impact on consolidated financial position and performance:

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property plant and equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

Improvements included but do not have any impact on consolidated financial position and performance: (continued)

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

2.4 Standards, amendments and interpretations issued but not adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Topic	*Effective date*
IFRS 9 Financial Instruments (Phases 1 & 2)	-
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32	1 January 2014
IFRIC Interpretation 21 Levies (IFRIC 21)	1 January 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	1 January 2014

2.5 Summary of significant accounting policies

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Passenger and cargo revenue
Revenue from passengers and cargo is recognised when the transportation services are provided. Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities in the sales in advance of carriage account until recognised as revenue. Unused flight documents are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

Aircraft charter revenue
Revenue from aircraft charters is recognised when the chartering services are provided.

Sale of goods
Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from hotel operations
Revenue from hotel operations represents amounts charged to customers for services provided during the year. Revenue in respect of services is recognised when these are accepted by the customers and the amount of revenue can be measured reliably.

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

Dividend income
Dividend income is recognised when the Group's right to receive the payments is established.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Revenue (continued)

Claims and liquidated damages

Claims and liquidated damages are recognised in the consolidated income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When the claims and liquidated damages do not relate to a compensation for loss of income, the amounts are taken to the consolidated statement of financial position as a reduction to the cost of the asset to which it relates.

Property, plant and equipment

Property, plant and equipment is initially recorded at cost and is subsequently stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs attributed to progress payments made on account of aircraft and other qualifying assets under construction. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful life and depreciates them accordingly.

Subsequent costs are included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Group and the cost can be reliably measured. Other costs are charged to the consolidated income statement during the year in which they are incurred.

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 the Group's policies.

Land and capital projects are not depreciated. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost less their estimated residual value on a straight-line basis over the estimated economic useful life of the assets.

The major overhaul costs of owned and leased aircraft, engines and equipment are capitalised only when the recognition criteria is met and other costs including the maintenance provided under "pay as you go" contracts relating to aircraft fleet are expensed on consumption or as incurred.

Property, plant and equipment, apart from freehold land is depreciated based on estimated economic useful life and estimated residual value or in the case of leasehold properties over the duration of the leases if shorter, on a straight-line basis.

The estimated economic useful life and estimated residual value of the Group's assets for the calculation of depreciation are as follows:

Asset type	*Estimated economic useful life*	*Estimated residual value*
Passenger aircraft	12 years	15%
Executive jets	10 years	60%
Aircraft spare engines	12 years	15 %
Aircraft spares	15 years	20%
Buildings	20 - 35 years	Nil
Furniture, vehicles, ground and office equipment	3-7 years	Nil
Catering plant and equipment	6-7 years	Nil
Ground handling equipment	6-7 years	Nil

Cabin interior modifications are depreciated over the lower of 7 years or the remaining life of the aircraft or remaining lease period, in the case of aircraft under lease.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)
Capitalised major overhaul costs are depreciated over the shorter of the period to the next major overhaul or estimated economic useful life/ lease terms of the asset incurred.

The estimated residual value, estimated economic useful life and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year the item is derecognised.

Assets classified as held for sale
Assets are classified as held for sale when their carrying value is to be recovered principally through sale as opposed to continuing use. The sale must be considered to be highly probable and to be enacted within 12 months. Assets classified as held for sale are carried at the lower of carrying value and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangibles
Intangible assets acquired separately are measured on initial recognition at cost. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the period in which the expenditure is incurred.

Landing rights acquired from other airlines are capitalised at cost, less any accumulated impairment losses. Capitalised landing rights based within the EU are not amortised, as regulations within the EU consider them to have an indefinite economic life.

Intangible assets with indefinite useful life are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Gains and losses arising on sale and leaseback transaction 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 gains and 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 deferred 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.

Group as a lessee:

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased asset to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated income statement.

A leased asset is depreciated over the estimated economic useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated economic useful life of the asset and the lease term.

Operating lease payments are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investment in an associate and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Investment in an associate and joint ventures (continued)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of an associate and joint ventures are prepared for the same reporting year as the Group except for Linc Facility Services L.L.C. whose financial year ends on 31 December 2013. When necessary, adjustments are made to bring the accounting period and policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of gain(loss) from an associate and joint ventures' in the consolidated income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement .

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Financial instruments

Financial assets

Initial recognition and measurement
The Group has classified all financial assets within the scope of IAS 39 under loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in finance costs for loans and in General and administrative expenses for receivables.

Available-for-sale financial investments
Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the consolidated income statement.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments
For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to the consolidated income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in finance costs. The Group has designated term deposits as held-to-maturity investments.

Derecognition
A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

(i) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
(ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(iii) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial liabilities

Initial recognition and measurement
The Group has classified all financial liabilities within the scope of IAS 39 under loans and borrowings, derivatives designated as hedging instruments in an effective hedge, and other financial liabilities as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other financial liabilities, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value is the estimated amount for which assets could reasonably be exchanged for on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the buyer and seller has each acted knowledgeably, prudently and without compulsion.

For financial investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

For financial instruments where there is no active market, the fair value is determined by using discounted cash flow analysis or reference to broker or dealer price quotations. For discounted cash flow analysis, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Unquoted investments except investment in mutual funds for which fair values cannot be reliably measured are stated at cost. Investments in mutual funds are stated at net assets value of the fund.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 36.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as interest rate swap contracts to hedge its risks associated with interest rates, WTI/Brent crude oil swaps/option contracts to hedge its risks associated with jet-fuel price fluctuations and foreign exchange forward contracts to hedge its risks associated with currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair values of interest rate swap contracts and foreign exchange forward contracts are determined by reference to valuation reports provided by counterparties. The fair value of WTI/Brent crude oil swaps/option contracts are determined by reference to the available market information and option/swap valuation methodology.

Any gains or losses arising from changes in fair value of derivatives are taken directly to consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the consolidated income statement over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts and the ineffective portion relating to commodity contracts is recognised in the consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Cash flow hedges (continued)
Amounts recognised as other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects consolidated income statement.

The Group has interest rate swaps that are used as hedges for the exposure of changes in the cash flow of its floating rate secured loan. Refer to Note 33.

Current versus non-current classification
The Group presents assets and liabilities based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances:

- When the Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date, the derivative is classified as non-current consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

Inventories
Inventories are valued at the lower of purchase cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined as follows:

- goods for resale, food and beverages are valued at weighted average costs
- Spare parts, catering materials and other supplies are valued on a first in first out (FIFO) basis

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for impairment of receivables. An estimate for provision for impairment of receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents
Cash and cash equivalent includes cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Short-term deposits
Short-term deposits, principally comprising funds held with banks, are carried at amortised cost using the effective interest method. Such financial assets are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Gains and losses are recognised in consolidated income statement when the deposits are derecognised or impaired, as well as through the amortisation process.

Interest-bearing loans
Interest-bearing loans are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method, with any differences between the cost and final settlement values being recognised in the consolidated income statement over the period of the loans. Instalments due within one year at amortised cost are shown as a current liability.

Employees' end of service benefits
The Group provides for end of service benefits determined in accordance with the Group's policy based on employees' salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Group. Accordingly, the Group has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Gulf Cooperation Council ("GCC") employees, the Group makes contributions to a Government Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Provisions
General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

Greenhouse gas emissions
The Group receives free emission rights in certain European countries as a result of the European Emission Trading Schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as operating expenses.

Frequent flyer programme
The Group operates a frequent flyer programme called "Privilege Club" that allows members to earn Qmiles by flying on Qatar Airways and other airlines participating in the programme. Members can also earn Qmiles by participating in non-airline programmes. Qmiles are used to avail various rewards given by the Privilege Club programme.

The portion of revenue attributable to the Qmiles earned by the member is identified and accounted for separately as a liability (unredeemed frequent flyer liabilities) based on fair value per Qmile. Estimation technique are used to determine fair value of Qmiles based on various historical trends such as weighted average ticket value, seat factor, routes used by members to avail reward tickets, other avenue used by members to redeem the Qmiles and expiry of Qmiles. Fair value of Qmiles is reviewed on a periodical basis.

The liability (unredeemed frequent flyer liabilities) is recognised as revenue in the consolidated income statement when the Group fulfills its obligation of rewarding goods and services to the member for the Qmiles earned.

Miles accrued through utilising the services of programme partners are paid for by the participating partners and the resulting revenue is recorded as other operating income.

Foreign currencies

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction is recognised. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement, with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in consolidated statement of other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is recycled to the consolidated income statement.

Non-monetary assets and liabilities, which are recognised at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date of determination of such fair value. The difference, if any, is taken to consolidated statement of other comprehensive income or consolidated income statement along with the fair value adjustments.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Foreign currencies (continued)

ii) Foreign operation - consolidation
Assets and liabilities of foreign operations are translated into the functional currency at the rate prevailing on the reporting date and the income statements are translated at exchange rates prevailing on the dates of the transactions.

The exchange differences, on consolidation, are recognised in consolidated statement of other comprehensive income. Upon disposal of a foreign operation, it is recycled to consolidated income statement.

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the reporting date.

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

Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. The Group uses the liability method to account for income taxes, which requires deferred taxes to be recorded at the statutory rate expected to be in effect when the taxes are paid.

Subsidiaries are subject to taxation under the provisions of income tax law in the respective country of tax residence. The tax liability of the Group is included under "accounts payable and accruals".

3 REVENUE

	2014 *QR'000*	*2013* *QR'000*
Scheduled services:		
Passenger	**23,702,625**	21,570,917
Cargo	**4,374,349**	3,893,633
	28,076,974	25,464,550
Other revenue:		
Sale of duty free goods and beverages	**1,546,415**	1,355,825
Ground handling services	**363,078**	320,118
Aircraft charters	**168,875**	169,627
Hotel operations	**114,582**	111,248
Reservation and travel agency	**38,875**	34,141
In-flight catering and related service charges	**29,350**	32,250
Advertisement and promotions	**20,953**	20,885
	2,282,128	2,044,094
	30,359,102	27,508,644

4 OTHER OPERATING INCOME

	2014 QR'000	*2013 QR'000*
Frequent flyer programme	**111,550**	118,538
Tax release	**75,741**	72,541
Income from Al Maha Services	**34,583**	25,594
Income from in-flight duty free	**30,693**	28,091
Commission	**2,444**	3,209
Miscellaneous	**26,605**	29,992
	281,616	277,965

5 OPERATING EXPENSES

	2014 QR'000	*2013 QR'000*
Fuel costs	**11,720,425**	11,313,288
Salaries, allowances and other benefits	**4,525,781**	3,906,235
Landing, ground handling and over flying charges	**2,971,770**	2,683,055
Depreciation (Note 10(a))	**2,739,925**	2,746,286
Aircraft and engine operating leases	**2,457,281**	1,740,491
Aircraft maintenance and insurance	**1,166,157**	990,068
Passenger services	**1,113,866**	987,500
Revenue commissions	**931,018**	987,997
Cost of sales of duty free goods and beverages	**741,319**	647,174
Reservations, communications and revenue accounting	**733,178**	667,549
Advertisement and promotions	**338,178**	227,029
Cost of in-flight and other catering services	**287,256**	259,387
Indirect tax	**72,288**	65,807
Hotel operations	**44,761**	46,537
Miscellaneous	**9,708**	14,300
	29,852,911	27,282,703

6 OTHER INCOME

	2014 QR'000	*2013 QR'000*
Liquidated and compensation claims from suppliers	**980,737**	-
Interest income	**353,357**	421,937
Maintenance and development fees	**120,963**	119,609
Management fees	**117,949**	109,362
Infrastructure facility income	**78,955**	62,451
Incentives and route subsidies	**40,316**	39,842
Dividend income from available-for-sale investments	**28,767**	30,701
Release of long outstanding liabilities and excess provisions	-	25,491
Miscellaneous	**95,558**	84,262
	1,816,602	893,655

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2014 *QR'000*	*2013* *QR'000*
Salaries, allowances and other benefits	**1,243,120**	1,040,466
Depreciation (Note 10(a))	**209,419**	191,918
Bank charges and commission	**206,468**	188,164
Rental - office, vehicles, accommodation and equipment	**173,161**	155,928
Legal and consultancy fees	**157,898**	55,751
Repairs, maintenance and insurance	**129,246**	130,816
Communication	**60,694**	55,534
Stationery and publication materials	**38,642**	40,478
Management fees	**35,493**	31,008
Allowance for impairment of receivables (Note 15(c))	**29,097**	6,594
Shipping and clearance expenses	**23,116**	21,116
Office utilities	**13,514**	11,481
Travelling	**11,812**	22,613
Miscellaneous	**91,418**	118,683
	2,423,098	2,070,550

8 FINANCE COSTS

	2014 *QR'000*	*2013* *QR'000*
Interest expense	**176,890**	262,862
Finance cost amortised	**2,862**	614
Ineffective portion of cash flow hedges (Note 21)	**888**	(657)
	180,640	262,819

9 INCOME TAX BENEFIT (EXPENSE)

The income tax benefit (expense) represents the sum of current income tax computed. Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

The Group is subject to the prevailing tax law in the State of Qatar. The tax rate applicable to the taxable subsidiary companies, joint venture companies and global branches established for the purposes of providing air transportation activities varies from jurisdiction to jurisdiction. For the purpose of determining the taxable results for the year, the accounting profit of the entities were adjusted for tax purposes in accordance with local tax legislation. Adjustments for tax purposes include items relating to both income and expenses. The adjustments are based on the current understanding of the existing laws, regulations and practices of each jurisdiction in which the relevant subsidiary is tax resident. Given that the Group is subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates.

The subsidiaries and joint ventures of the Group, which file corporate income tax returns and compute their corporate income tax liability locally are as follows:

Name of the entity	*Country of tax residence*	*Tax legislation*
Al Maha Aviation Company	Kingdom of Saudi Arabia	The 2004 Income Tax Law of the Kingdom of Saudi Arabia
Amadeus Qatar W.L.L.	Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Dhiafatina for Hotels S.P.C.	Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Facilities Management & Maintenance Company L.L.C.	Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Lambrini Holdings Ltd.	United Kingdom	United Kingdom Corporation Tax Act 2010
Linc Facility Services L.L.C.	Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Oryx Holdings, Inc.	United States of America	The Internal Revenue Code
Qatar Airways SSP L.L.C.	Qatar	The Qatar Income Tax Law – Law No. 21 of 2009

10 PROPERTY, PLANT AND EQUIPMENT

	Aircraft QR'000	*Aircraft spare engines* QR'000	*Aircraft spares* QR'000	*Land and buildings* QR'000	*Furniture, vehicles, ground and office equipment* QR'000	*Catering plant and equipment* QR'000	*Ground handling equipment* QR'000	*Capital projects* QR'000	*Total* QR'000
Cost:									
At 1 April 2013	22,001,020	3,240,874	1,757,532	773,391	1,604,050	11,205	387,427	9,664,979	39,440,478
Additions	-	-	-	787	15,713	839	52,002	4,419,424	4,488,765
Transfers	217,105	1,272,695	779,786	80,164	165,391	-	-	(2,515,141)	-
Reclassifications (Note (f))	-	-	170,992	-	-	-	-	-	170,992
Disposals including write-offs	-	(115,151)	(96)	(3,318)	(52,398)	(452)	(207)	(49)	(171,671)
At 31 March 2014	22,218,125	4,398,418	2,708,214	851,024	1,732,756	11,592	439,222	11,569,213	43,928,564
Depreciation and impairment:									
At 1 April 2013	7,915,842	1,442,114	744,013	140,431	928,101	9,599	251,409	-	11,431,509
Provided during the year	1,965,789	584,791	116,287	27,752	209,358	642	44,725	-	2,949,344
Transfers	-	-	-	-	533	-	(533)	-	-
Reclassifications (Note (f))	-	-	170,992	-	-	-	-	-	170,992
Impairment loss for the year (Note (g))	-	-	-	17,604	8,810	1,152	-	-	27,566
Disposals including write-offs	-	(87,832)	(96)	-	(50,310)	(438)	(200)	-	(138,876)
At 31 March 2014	9,881,631	1,939,073	1,031,196	185,787	1,096,492	10,955	295,401	-	14,440,535
Net carrying amounts:									
At 31 March 2014	**12,336,494**	**2,459,345**	**1,677,018**	**665,237**	**636,264**	**637**	**143,821**	**11,569,213**	**29,488,029**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Aircraft QR'000	*Aircraft spare engines* QR'000	*Aircraft spares* QR'000	*Land and buildings* QR'000	*Furniture, vehicles, ground and office equipment* QR'000	*Catering plant and equipment* QR'000	*Ground handling equipment* QR'000	*Capital projects* QR'000	*Total* QR'000
Cost:									
At 1 April 2012	23,978,293	2,669,295	1,636,546	2,384,047	1,512,001	11,058	330,496	7,515,388	40,037,124
Additions	-	-	-	3,188	12,290	200	42,733	3,664,344	3,722,755
Transfers	416,646	687,498	248,112	35,901	126,596	-	-	(1,514,753)	-
Reclassifications (Note (e))	(202,658)	(35,438)	(125,752)	-	-	-	-	-	(363,848)
Reclassifications	-	-	-	-	(16,005)	-	16,005	-	-
Disposals including write-offs	(2,191,261)	(80,481)	(1,374)	(1,649,233)	(30,832)	(53)	(1,807)	-	(3,955,041)
Foreign exchange adjustment	-	-	-	(512)	-	-	-	-	(512)
At 31 March 2013	22,001,020	3,240,874	1,757,532	773,391	1,604,050	11,205	387,427	9,664,979	39,440,478
Depreciation and impairment:									
At 1 April 2012	6,739,341	1,061,811	719,532	115,835	743,914	8,799	205,457	-	9,594,689
Provided during the year	2,097,751	467,630	100,618	24,599	199,789	839	46,978	-	2,938,204
Reclassifications (Note (e))	(139,561)	(21,677)	(75,422)	-	-	-	-	-	(236,660)
Reclassifications	-	-	-	-	(533)	-	533	-	-
Impairment loss for the year	-	-	-	-	11,739	-	-	-	11,739
Disposals including write-offs	(781,689)	(65,650)	(715)	(3)	(26,808)	(39)	(1,559)	-	(876,463)
At 31 March 2013	7,915,842	1,442,114	744,013	140,431	928,101	9,599	251,409	-	11,431,509
Net carrying amounts:									
At 31 March 2013	14,085,178	1,798,760	1,013,519	632,960	675,949	1,606	136,018	9,664,979	28,008,969

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) The depreciation charge has been allocated in the consolidated income statement as follows:

	2014 QR'000	*2013 QR'000*
Operating expenses (Note 5)	**2,739,925**	2,746,286
General and administrative expenses (Note 7)	**209,419**	191,918
	2,949,344	2,938,204

(b) Property, plant and equipment with a net carrying amount of QR 9,673 million (2013: QR 13,461 million) is mortgaged as security for certain interest-bearing loans (Note 23).

(c) In 2013, the Group disposed of three plots of land with a fair value of QR 1,644 million, contributed by the State of Qatar.

(d) There are no borrowing costs capitalised during the year. In 2013, additions and transfers include capitalised borrowing costs of QR 0.5 million. A capitalisation rate of 100% had been used up to the date when substantially all the activities necessary to bring the qualifying asset to its intended use are complete.

(e) On 25 March 2013, the Company's Board of Directors passed a resolution to dispose two (2) A300 freighter aircraft and related engines and parts imminently. At 31 March 2013, the management negotiated with a potential buyer and hence the two (2) A300 freighter aircraft and related engines and spare parts were classified as assets held for sale. At 31 March, the assets classified as held for sale were carried at the following amounts:

	2014 QR'000	*2013 QR'000*
Aircraft, related engine and parts at cost	**128,527**	363,848
Aircraft, related engine and parts depreciation	**(75,963)**	(236,660)
Inventories - spare parts (Note 14)	**18,084**	18,084
	70,648	145,272
Less: Allowance for impairment loss on assets classified as held for sale	**(70,648)**	(108,857)
	-	36,415

During the year, the Group disposed two (2) A300 freighter aircraft and related engines previously classified as held for sale. The proceeds from sale exceeded the carrying amount of the related net assets, resulting in a gain on disposal of QR 5.8 million.

Management is negotiating with potential buyers to dispose of the remaining assets classified as held for sale. The assets not disposed as at 31 March 2014 have been fully provided in 2013.

(f) During the year, management reclassified inventories amounting to QR 171 million to property, plant and equipment. These items would have been fully depreciated as at 31 March 2014 had the Group charged depreciation and hence an amount equal to their cost was reclassified under the accumulated depreciation. There was no increase in the net carrying value due to this reclassification.

(g) During the year, management assessed the recoverable amounts of its property, plant and equipment, in light of the anticipated move to Hamad International Airport, against their carrying amounts as at the reporting date. As a result of the move, certain assets are expected to be non-usable at the new airport and have been deemed impaired. Accordingly, the management has recognized an impairment loss of QR 27.5 million in the consolidated financial statements.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes: (continued)

(h) *Aircraft fleet*

At 31 March 2014, the aircraft fleet comprised of 136 aircraft (2013: 126 aircraft) as follows:

Included in property, plant and equipment:

	2014	*2013*
Passenger		
Airbus A319	**2**	2
Airbus A320	**14**	14
Airbus A321	**4**	4
Airbus A330	**25**	25
Boeing B777-2DZLR	**5**	5
Boeing B777-3DZER	**8**	8
Executive Jets		
Bombardier Challenger 605	**3**	3
Bombardier Global 5000	**4**	3
	65	64
Included in assets classified as held for sale:		
Freighter		
A300-600F	**-**	2
	-	2
Under operating lease:		
Passenger		
Airbus A320	**17**	17
Airbus A321	**6**	8
Airbus A330	**4**	4
Airbus A-340-600	**4**	4
Boeing B777-200LR	**4**	4
Boeing B777-300ER	**17**	12
Boeing B787-8	**11**	5
Freighter		
Boeing B777-200F	**5**	4
Airbus A330-200F	**3**	2
	71	60
Total aircraft fleet	**136**	126

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes: (continued)

(h) *Aircraft fleet (continued)*

- Two bombardier aircraft, one Airbus A319 aircraft, ten Airbus A320/321 aircraft, twenty-four Airbus A330 aircraft and nine Boeing B777 aircraft are registered in the names of certain special purpose companies that have been set up to securitise the respective finance obligations for each aircraft. These aircraft have been reflected as assets in the consolidated financial statements as the Group retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would for an asset registered in its own name (Refer to Note 23).

- Commitments under the operating leases are disclosed in Note 31.

11 INTANGIBLES

Intangible assets represent slots owned by the Group at London Heathrow airport, which establish the right to operate flights through that airport. These slots have an indefinite useful life as the Group has title to slots on a permanent basis and there is no foreseeable limit to the period over which the slots are expected to generate net cash flows for the Group. These slots have been reviewed and tested for impairment and the Group has not identified any impairment at the reporting date (2013:Nil).

12 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURES

The Group has ownership interest in the following associate and joint ventures:

Name	***Activities***	***Effective shareholding***	
		31 March 2014	*31 March 2013*
Joint Ventures:			
Facilities Management and Maintenance Company L.L.C. (FMMC)	Primarily engaged in delivery of facilities management services to the Hamad International Airport	51%	-
Qatar Airways SSP L.L.C. (QASSP)	Primarily engaged in restaurant management and beverages trading in the State of Qatar	51%	-
Linc Facility Services L.L.C. (LFS)	Primarily engaged in onsite facility management in the State of Qatar and other MENA countries	33.33%	-

12 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURES (continued)

Investment in joint ventures:
The following table illustrates the summarised statements of financial position of the Group's investments in joint ventures:

At 31 March 2014	*FMMC QR'000*	*QASSP QR'000*	*LFS QR'000*	***Total QR'000***
Current assets	191,536	510	27,242	**219,288**
Non-current assets	558	80	1,248	**1,886**
Current liabilities	(141,142)	(4,042)	(4,715)	**(149,899)**
Non-current liabilities	(857)	(115)	-	**(972)**
Net assets	50,095	(3,567)	23,775	**70,303**
Share of the Group's ownership	51.00%	51.00%	33.33%	-
Carrying amount of the investment	25,548	-	7,924	**33,472**

Summarised income statements of the joint ventures for the year ended 31 March 2014 are as follows:

	FMMC QR'000	*QASSP QR'000*	*LFS QR'000*	***Total QR'000***
Revenue	116,350	-	36,728	**153,078**
Profit (loss) for the year	40,095	(4,067)	17,774	**53,802**
Group's share of profit (loss) for the year	20,448	(255)	5,924	**26,117**

The share in the losses of the joint ventures is recognised only up to the extent of the Group's investment in the joint ventures.

The joint ventures had no contingent liabilities or capital commitments as at 31 March 2014.

Investment in an associate:
On 8 September 2011, the Group acquired 35% of the voting shares of Cargolux Airlines International S.A. ("Cargolux"), a company domiciled and registered in Luxembourg. Cargolux is engaged in cargo airline activities.

On 21 December 2012, the Group disposed of its entire investment. The movement in carrying the amount of the investment in an associate is as follows:

	2013 QR'000
At 1 April 2012	580,218
Share of losses	(44,774)
Share of unrealised fair value gain on cash flow hedges (Note 21)	12,846
Share of other fair value reserve (Note 21)	632
Carrying amount of the investment disposed	(548,922)
At 31 March 2013	-

12 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURES (continued)

Investment in an associate (continued):
The loss on disposal of the investment in the associate has been calculated as follows:

	2013 QR'000
Carrying amount of the investment disposed	548,922
Consideration received from the disposal	(427,876)
	121,046
Reclassification of share of unrealised gain on cash flow hedges (Note 21)	(15,227)
Reclassification of share of change in other reserve (Note 21)	1,007
Loss on disposal of investment in an associate	106,826

The following illustrates the summarised financial information of the Group's investment in an associate as at 31 March:

	2013 QR'000
Share of the associate's consolidated revenue and losses:	
Revenue	2,200,257
Losses	44,774
Share of the associate's consolidated changes in fair value reserve:	
Unrealised fair value gain on cash flow hedges	12,846
Other fair value reserve	632
	13,478

The net impact in the consolidated income statement for the purchase and disposal of the Group's investment in an associate is as follows:

	QR'000
For the year ended 31 March 2012:	
Total net assets acquired	621,197
Total purchase price consideration	(427,876)
Gain on bargain purchase from the acquisition	193,321
Share of losses	(41,721)
Net gain recognised in the consolidated income statement	151,600
For the year ended 31 March 2013:	
Share of losses	(44,774)
Loss on disposal of investment in an associate	(106,826)
Net loss recognised in the consolidated income statement	151,600
Net impact in the consolidated income statement	-

13 AVAILABLE-FOR-SALE INVESTMENTS

	2014 QR'000	*2013 QR'000*
Quoted shares	**823,318**	476,279
Unquoted shares	**25,709**	5,000
Investment in mutual funds	**37,055**	35,117
	886,082	516,396

	2014 QR'000	*2013 QR'000*
At cost	**377,226**	341,639
Net gain from fair value adjustments (Note 21)	**513,856**	174,757
Impairment loss recognised in the consolidated income statement	**(5,000)**	-
	886,082	516,396

14 INVENTORIES

	2014 QR'000	*2013 QR'000*
Spare parts	**499,672**	514,840
Goods for resale and in-transit	**195,878**	158,885
Catering materials	**194,600**	167,809
Other supplies	**51,010**	60,196
	941,160	901,730
Less: Reclassification (Note 10(e))	**(18,084)**	(18,084)
	923,076	883,646
Less: Provision for obsolete and slow-moving inventories	**(19,381)**	(11,197)
	903,695	872,449

Movement in the provision for obsolete and slow-moving inventories is as follows:

	2014 QR'000	*2013 QR'000*
At 1 April	**11,197**	9,142
Provided during the year	**9,960**	3,543
Write-off during the year	**(1,776)**	(1,488)
At 31 March	**19,381**	11,197

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 QR'000	*2013 QR'000*
Trade accounts receivable	**2,242,702**	2,011,710
Prepayments	**395,233**	267,215
Amounts due from related parties (Note (a))	**635,953**	63,993
Deposits	**73,660**	66,157
Other receivables	**468,917**	318,923
	3,816,465	2,727,998
Less: Allowance for impairment of receivables	**(53,421)**	(28,184)
	3,763,044	2,699,814

Notes:

(a) Included in the amounts due from related parties are the following balances:

	2014 QR'000	*2013 QR'000*
Directors, major shareholders and other key management personnel	**22**	23,620
Joint ventures:		
Facilities Management and Maintenance Company L.L.C.	**31,560**	-
Qatar Airways SSP L.L.C.	**3,046**	-
Affiliates and other related parties:		
Qatar Aviation Lease Company Q.J.S.C.	**419,495**	-
Amiri Flight	**125,958**	34,132
Hamad International Airport	**50,588**	-
Amadeus Spain	**5,243**	6,164
Amadeus Gulf	**-**	26
Other affiliates	**41**	51
	635,953	63,993

(b) For terms and conditions relating to amounts due from related parties, refer to Note 32.

(c) As at 31 March 2014, trade accounts receivable at nominal value of QR 53.4 million (2013: QR 28.2 million) were impaired. The other classes of financial assets were not impaired.

Movements in the allowance for impairment of receivables are as follows:

	2014 QR'000	*2013 QR'000*
At 1 April	**28,184**	36,358
Charge for the year (Note 7)	**29,097**	6,594
Amounts written-off	**(3,860)**	(14,768)
At 31 March	**53,421**	28,184

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Notes: (continued)

(d) At 31 March 2014, the ageing of unimpaired trade accounts receivable is as follows:

	Total *QR'000*	*Neither past due nor impaired* *QR'000*	*Past due but not impaired* *< 30 days* *QR'000*	*30 – 60 days* *QR'000*	*61 – 90 days* *QR'000*	*91 – 120 days* *QR'000*	*>120 days* *QR'000*
2014	**2,189,281**	**1,976,756**	**130,019**	**24,919**	**13,244**	**17,234**	**27,109**
2013	1,983,526	1,795,308	115,280	19,184	10,817	15,232	27,705

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. The trade account receivable includes certain receivables covered by collateral or bank guarantees.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	2014 *QR'000*	*2013* *QR'000*
Cash at banks and on hand	**1,899,843**	1,250,012
Short-term deposits	**11,227,432**	11,996,902
	13,127,275	13,246,914
Less: Short-term deposits of more than 3 months	**(5,894,552)**	(6,937,482)
Cash and bank balances as per consolidated statement of financial position	**7,232,723**	6,309,432
Less: Restricted bank balance	**(200)**	(200)
Cash and cash equivalents as per consolidated statement of cash flows	**7,232,523**	6,309,232

Notes:

(a) Cash at bank earns interest at market rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short term deposits and bank balances amounting to QR 3,674.16 million (2013: QR 6,210.35 million) are held with entities owned by the Government of the State of Qatar, on an arm's length basis.

(b) Cash and bank balances include restricted deposits amounting to QR 783 million (2013: QR 875 million) in certain countries that the Group operates. The deposits have been restricted from being transferred out of those countries due to various reasons. However, the funds are available for disbursement within the territory of those countries.

17 SHARE CAPITAL

	2014 *QR'000*	*2013* *QR'000*
Authorised, issued and fully paid shares		
1,207,722,201 shares (2013: 14,380,001) of QR 10 (2013: QR 10) each	**12,077,222**	143,800

Notes:

(a) As per the Resolution No. 1/2011 issued on 21 March 2011, the Extraordinary General Assembly of the Company approved the increase of the authorised and paid-up capital of the Company by issuing one share of nominal value of QR 10 at a premium of QR 16,300 million to the Government of the State of Qatar through conversion of shareholder advances. The share premium arising out of this increase in capital is included in the legal reserve (Note 19).

(b) As per the resolution no. 1/2014, the Extraordinary General Assembly of the Company approved the increase of the authorised and paid up capital of the Company by issuing 1,193,342,200 shares of nominal value of QR 10 per share to the Government of the State of Qatar through conversion of shareholder advances (Note 20).

As per the Commercial Registration and the Article of Association of the Company, the registered capital is QR 143,800,010 and the management is in the process of amending the Commercial Registration.

18 CAPITAL RESERVE

Capital reserve represents the fair value of non-monetary contribution representing three plots of land received from the Government of the State of Qatar, a shareholder of the Company. In 2013, the Group disposed of these three plots of land (Note 10(c)).

19 LEGAL RESERVE

	2014 *QR'000*	*2013* *QR'000*
Transfer of profit	**71,900**	71,900
Share premium (Note 17)	**16,300,080**	16,300,080
	16,371,980	16,371,980

As required by Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the annual profit for the year should be transferred to the legal reserve. The Group has resolved to discontinue such annual transfers as the reserve totaled more than 50% of the issued share capital. The reserve is not normally available for distribution, except in the circumstances stipulated by the above Law.

20 SHAREHOLDER ADVANCES

Shareholder advances represent advances from the Government of the State of Qatar, which are non-interest bearing and unsecured. These shareholder advances are repayable or convertible to share capital at the option of the Group. During the year, shareholder advances were converted to share capital, as explained in Note 17 to these consolidated financial statements.

21 FAIR VALUE RESERVE

	2014				2013			
	Cash flow hedges QR'000	*Available-for-sale investments QR'000*	*Other reserves QR'000*	*Total QR'000*	*Cash flow hedges QR'000*	*Available-for-sale investments QR'000*	*Other reserves QR'000*	*Total QR'000*
At 1 April	**(5,806)**	**174,757**	**-**	**168,951**	(22,333)	186,950	(1,639)	162,978
Net unrealised gain (loss) on available-for-sale investments	**-**	**339,099**	**-**	**339,099**	-	(12,193)	-	(12,193)
Net unrealised (loss) gain on cash flow hedges	**(71,542)**	**-**	**-**	**(71,542)**	19,565	-	-	19,565
Ineffective portion of cash flow hedge transferred to consolidated income statement (Note 8)	**888**	**-**	**-**	**888**	(657)	-	-	(657)
Share of an disposed associate's unrealised gain on cash flow hedges (Note 12)	-	-	-	-	12,846	-	-	12,846
Share of an disposed associate's change in other reserves (Note 12)	-	-	-	-	-	-	632	632
Reclassification of share of unrealised gain on cash flow hedges of an associate disposed (Note 12)	-	-	-	-	(15,227)	-	-	(15,227)
Reclassification of share of change in other reserve of an associate disposed (Note 12)	-	-	-	-	-	-	1,007	1,007
At 31 March	**(76,460)**	**513,856**	**-**	**437,396**	(5,806)	174,757	-	168,951

22 FURNITURE, FIXTURES AND EQUIPMENT RESERVE

In accordance with the terms of the Hotel Management Agreement entered into by the Group with Rotana Company Management Corporation Limited, a company registered in Abu Dhabi, United Arab Emirates, certain percentage of the gross revenue of the Oryx Rotana (the "Hotel"), a branch of Dhiafatina for Hotels S.P.C., is set aside as a reserve for furniture, fixtures and equipment. This reserve is utilised for replacements and additions to furniture, fixtures and equipment.

23 INTEREST-BEARING LOANS

	2014 *QR'000*	*2013* *QR'000*
Mortgage loans (Note (a))	**7,023,292**	10,290,188
Term loan (Note (b))	**1,638,675**	-
	8,661,967	10,290,188
Less: Unamortised borrowing cost	**(20,885)**	(23,747)
	8,641,082	10,266,441
Presented in the consolidated statement of financial position as follows:		
Current portion	**2,733,724**	1,977,599
Non-current portion	**5,907,358**	8,288,842
	8,641,082	10,266,441

Notes:

(a) A series of structured arrangements was entered into by the Group whereby a number of Special Purpose Companies (SPCs) were established for the purpose of purchasing the A319, A320, A321, A330, B777 and Bombardier aircraft from Airbus Industries, The Boeing Company and Bombardier. Pursuant to the aircraft purchase agreement and assignment and delegation agreement, these SPCs took title to these aircraft and subsequently, the Group entered into agreements with the SPCs to lease the above aircraft. The SPCs entered into Aircraft Mortgage and Security Assignment Agreements with the Security Trustee mortgaging the aircraft and assigning all the rights relating to the aircraft to the Security Trustee. As the Group retains all risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would have for an asset registered in its own name, the assets (refer Note 10(h)) and the liabilities relating to these assets have been included in these consolidated financial statements. Mortgage loans amounting to QR 1,745 million (2013: QR 150 million) carry interest at fixed rates. Mortgage loans amounting to QR 5,278 million (2013: QR 10,140 million) bear interest at LIBOR/Qatar Central Bank base rate plus margins. These loans are secured by mortgages over assets and/or guarantees given by the Government of the State of Qatar.

(b) On 9 December 2013, the Group obtained a term loan for a total of US$ 450 million from a Government owned entity, which carries interest at fixed rate and repayable at fixed semi-annual instalments. The loan was obtained on an arm's length basis and, is unsecured and guaranteed by the State of Qatar.

24 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	2014 *QR'000*	*2013* *QR'000*
At 1 April	**576,055**	472,528
Provided during the year	**192,382**	142,548
End of service benefits paid	**(39,649)**	(39,021)
At 31 March	**728,788**	576,055

25 RETENTION PAYABLE

Retention payable represents the amount withheld from payments to contractors. These amounts will be settled upon completion of the maintenance period subject to satisfactory discharge of the obligations of the contractors. This has been disclosed in the consolidated statement of financial position as follows:

	2014 *QR'000*	*2013* *QR'000*
Current portion (Note 27)	**23,929**	17,517
Non-current portion	**20,593**	13,937
	44,522	31,454

26 UNREDEEMED FREQUENT FLYER LIABILITIES

Unredeemed frequent flyer liabilities relate to the frequent flyer programme and represent the fair value of outstanding reward credits. Revenue is recognised when the Group fulfils its obligations by supplying free goods and services on the redemption of the reward credits.

27 ACCOUNTS PAYABLE AND ACCRUALS

	2014 *QR'000*	*2013* *QR'000*
Trade accounts payable	**1,857,952**	2,076,236
Accrued expenses	**1,660,168**	1,451,476
Amounts due to related parties (Note (a))	**24,234**	33,165
Maintenance provision (Note (b))	**30,441**	33,317
Interest payable	**20,980**	24,417
Current portion of retention payable (Note 25)	**23,929**	17,517
Tax payable	**74**	35
Other payables	**278,738**	269,044
	3,896,516	3,905,207

27 ACCOUNTS PAYABLE AND ACCRUALS (continued)

Notes:

(a) Included in the amounts due to related parties are the following balances:

	2014 QR'000	*2013 QR'000*
Affiliates and other related parties:		
Doha International Airport	**23,579**	27,423
Qatar Aviation Lease Company Q.J.S.C.	**-**	4,309
Qatar Aeronautical College	**-**	740
Other affiliates	**655**	693
	24,234	33,165

Terms and conditions relating to amounts due to related parties are disclosed in Note 32.

(b) Movement in the maintenance provision recognised in the consolidated statement of financial position is as follows:

	2014 QR'000	*2013 QR'000*
At 1 April	**33,317**	47,929
Provided during the year	**23,880**	152,233
Utilised during the year	**(26,756)**	(166,845)
At 31 March	**30,441**	33,317

28 CREDITS RECEIVED FROM SUPPLIERS

The movement in the credits received from suppliers recognised in the consolidated statement of financial position is as follows:

	2014 QR'000	*2013 QR'000*
At 1 April	**120,075**	538,376
Utilised	**(53,665)**	(191,172)
Additions	**248,672**	137,021
Reversals	**-**	(364,150)
At 31 March	**315,082**	120,075

The credits received from suppliers are presented in the consolidated statement of financial position is as follows:

	2014 QR'000	*2013 QR'000*
Current portion	**60,976**	75,081
Non-current portion	**254,106**	44,994
	315,082	120,075

29 CONTINGENT LIABILITIES

(a) The Group is involved in certain claims and litigations related to its operations. In the opinion of management, liabilities, if any, arising from these claims and litigations will not have a material adverse effect on the Group's consolidated statement of financial position or results of operations.

(b) At 31 March 2014, the Group had contingent liabilities in respect of performance bonds, letters of credit and letters of guarantee amounting to QR 255 million (2013: QR 162 million) arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

(c) Air transportation activities:

The tax position with respect to air transportation activities in many jurisdictions is determined in accordance with the relevant Double Tax Treaty as applicable. There is an increased focus on the use of Double Tax Treaties by international governments and international governing bodies dictating tax policy. In the case of international airlines, detailed reviews are being conducted by foreign tax authorities to ensure that international airlines remain in compliance with the intended scope of relief under Double Tax Treaties. The Group has reviewed the relevant Double Tax Treaties and has concluded that it remains within the scope of the intended relief. While it is difficult to predict whether foreign tax authorities will concur, if a dispute of this nature were to arise, the Group does not anticipate that there will be a material impact on the Group's consolidated statement of financial position.

The Group files corporate income tax returns and computes its corporate income tax liability where there is a statutory requirement to do so in respect of its air transportation activities in many jurisdictions globally. In certain jurisdictions the corporate income tax returns are currently under detailed review by the relevant tax authority. Corporate income tax returns contain matters which could be subject to differing or evolving interpretations by the local tax authority. Further in certain jurisdictions the process of obtaining the approval of the local tax authority in respect of a corporate income tax return – i.e. tax clearance for a particular year may comprise a lengthy time-frame. Resolution of a tax position adopted by way of negotiation or litigation may take several years to complete. While it is difficult to predict the outcome of certain open corporate income tax return cases, the Group does not anticipate that there will be a material impact on the Group's consolidated statement of financial position.

30 CAPITAL COMMITMENTS

Commitments for the purchase of aircraft and engines

The total capital commitments for the purchase of aircraft and engines are as follows:

	2014 *QR'000*	*2013* *QR'000*
Authorised and contracted	**144,019,368**	143,604,749

Commitments have been entered into for the purchase of aircraft for delivery as follows:

	Number of Aircraft	
	2014	*2013*
Within 1 year	**19**	15
More than 1 year	**157**	170
	176	185

Other capital projects

	2014 *QR'000*	*2013* *QR'000*
Other capital projects	**60,754**	312,221

30 CAPITAL COMMITMENTS (continued)

Others
As at 31 March 2014, the Group had raised various orders amounting to QR 562 million (2013: QR 441 million) to purchase rotables, spares and other aircraft related items. The Group expects to receive these within six months.

31 COMMITMENTS UNDER OPERATING LEASES

The Group operates 71 (2013: 60) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2014 QR'000	*2013 QR'000*
Within one year	**2,678,358**	2,030,108
After one year but not more than five years	**12,918,328**	9,570,329
More than five years	**10,101,856**	8,136,850
	25,698,542	19,737,287

32 RELATED PARTY DISCLOSURES

Related parties represent the Owner and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of transactions with these related parties are approved by the Group's management.

Related party transactions
Transactions with related parties included in the consolidated income statement are as follows:

	2014 QR'000	*2013 QR'000*
Affiliates and other related parties:		
Aircraft and engine operating lease rentals	**2,160,360**	1,474,424
Other income	**146,542**	133,666
Interest income	**109,262**	182,183
Finance cost	**9,712**	22,930

Related party balances
The sales to and purchases from, and banking transactions with related parties are made at terms equivalent to those that prevail on an arm's length transaction. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 March 2014, there was no impairment of receivables relating to amounts owed by related parties (2013: Nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

Shareholder advances, amounts due from and due to related parties and certain other balances are disclosed in Notes 20, 15, 27, 16 and 23 respectively.

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

32 RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel
The remuneration of members of key management during the year was as follows:

	2014 QR'000	*2013 QR'000*
Short-term benefits	**31,223**	25,325
Employees' end of service benefits and pension benefits	**2,141**	1,405
	33,364	26,730

33 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Interest rate swaps
The Group has entered into interest rate swap contracts effective up to February 2016 in order to hedge against the interest rate risk arising from certain loans due to variable interest rates. Under the terms of the interest rate swap contracts, the Group pays fixed rates ranging from 3.365% to 4.262% plus applicable margin and receives floating LIBOR rates. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and borrowings.

Fuel hedging contracts
The Group's earnings are affected by changes in the price of jet fuel. The Group's strategy for managing the risk on fuel price, as defined by the management, aims to provide the Group with protection against sudden and significant increases in jet fuel prices. In meeting these objectives, the fuel risk management programme allows for the judicious use of approved instruments such as swaps and options with approved counterparties and within approved credit limits.

The Group manages this fuel price risk by using commodity swaps and commodity option contracts and hedging up to 3 years forward using a mix of these instruments. A change in price of one US Dollar per barrel of jet fuel affects the Group's annual fuel costs by QR 95 million (2013: QR 85 million) assuming no change in volume of fuel consumed.

Foreign exchange forward contracts
The Group 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 Qatar Riyal (QR) and other currencies generated from revenue earnings. Group's management monitors currency positions on a regular basis and provides for the appropriate hedging strategy through the use of forward foreign exchange contracts with approved counterparties and within approved credit limits.

Derivative financial instruments included in the consolidated statement of financial position are as follows:

	2014 QR'000	*2013 QR'000*
Derivative assets		
Jet fuel hedging contracts	**27,057**	8,221
Foreign exchange forward contracts	**-**	15,247
Gross positive fair value	**27,057**	23,468
Presented in the consolidated statement of financial position as:		
Current portion	**9,933**	21,177
Non-current portion	**17,124**	2,291
	27,057	23,468

33 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (continued)

Foreign exchange forward contracts (continued)

	2014 QR'000	*2013 QR'000*
Derivative liabilities		
Jet fuel hedging contracts	**86,743**	7,487
Interest rate swap contracts	**8,721**	22,596
Foreign exchange forward contracts	**9,752**	-
Gross negative fair value	**105,216**	30,083
Presented in the consolidated statement of financial position as:		
Current portion	**16,244**	17,871
Non-current portion	**88,972**	12,212
	105,216	30,083

34 AGREEMENT ON THE MANAGEMENT, OPERATION AND MAINTENANCE OF DOHA INTERNATIONAL AIRPORT

On 1 June 2006, the Group entered into an agreement with the Civil Aviation Authority (CAA) to manage, operate and maintain Doha International Airport. In accordance with the agreement, revenue relating to Doha International Airport operations amounting to QR 147 million (2013: QR 129 million) for the year have been included in other income.

35 FINANCIAL RISK MANAGEMENT

Objective and policies

The Group operates globally and generates revenue in various currencies. The Group's operations carry certain financial and commodity risks, including the effects of changes in jet fuel prices, foreign currency exchange rates, interest rates and the market value of its investments. The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance. The Group's policy is to use derivatives to hedge specific exposures.

The Group's principal financial liabilities comprise interest-bearing loans, retention payable, trade accounts payable, amounts due to related parties and derivative financial instruments. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade accounts receivable, available-for-sale investments, derivative financial instruments, amounts due from related parties, deposits, short-term deposits and cash and cash equivalents, which arise directly from its operations.

As derivatives are used for the purpose of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenue or costs being hedged. Moreover, counterparty credit risk is generally restricted to any hedging gain from time to time, and not the principal amount hedged. Therefore, the possibility of a material loss arising in the event of non-performance by counterparty is considered to be unlikely.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The management periodically reviews and approves the Group's financial risk management policies which are summarised below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates, equity prices and fuel prices will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

35 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk
The Group's financial assets and liabilities that are subject to interest rate risk comprise of bank deposits and interest-bearing loans.

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates. To manage the interest rate risk on certain interest-bearing loans, the Group has entered into interest rate swaps which are explained in Note 33.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 March, excluding the effect of interest rate swaps used for hedging. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	Effect on profit	
	2014	*2013*
	QR'000	*QR'000*
	+25b.p	*+25b.p*
US Dollars	**(14,354)**	(21,986)
Others	**2,068**	(140)

Foreign currency risk
Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's foreign currency risk exposure arises from services offered and received by the Group in currencies other than the Group's functional currency. To manage the foreign exchange risk on certain foreign currency transactions, the Group entered into foreign exchange forward contracts as explained in Note 33.

As the Qatari Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent a significant currency risk. The Group's exposure to currency risk is limited to currencies other than US Dollar and US Dollar pegged currencies.

Trade accounts payable includes an amount of QR 1,962 million (2013: QR 1,780 million) due in foreign currencies, mainly in US Dollar and Euro.

Trade accounts receivable includes an amount of QR 1,810 million (2013: QR 1,575 million) in foreign currencies, mainly in Euro, US Dollar, Indian Rupees, Iranian Rial and Great Britain Pound.

Bank balances includes an amount of QR 1,307 million (2013: QR 1,011 million) in foreign currencies, mainly in Euro, Indian Rupees, Iranian Rial and Great Britain Pound.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, Great Britain Pound, Iranian Rial and other foreign exchange rates, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets and liabilities held as at 31 March, excluding the effect of foreign exchange forward contracts. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown.

	Effect on profit	
	2014	*2013*
	QR'000	*QR'000*
	+5%	*+5%*
Euro	**(12,995)**	(14,375)
Great Britain Pound	**19,609**	13,433
Iranian Rial	**39,659**	30,672
Other currencies	**6,178**	6,935
	52,451	36,665

35 FINANCIAL RISK MANAGEMENT (continued)

Equity price risk
The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite impact on the equity or consolidated income statement as a result of impairment, if any.

	Changes in equity prices	*Effect on equity QR'000*
At 31 March 2014		
Qatar Exchange	**+5%**	**41,166**
At 31 March 2013		
Qatar Exchange	+5%	23,814

Jet fuel price risk
The jet fuel price risk sensitivity analysis is based on the assumption that all other factors, such as fuel surcharge and uplifted fuel volume, remain constant. The fuel hedging sensitivity analysis is based on contracts that are still outstanding as at the reporting date and assumes that all jet fuel hedges are highly effective. Under these assumptions, the effect of increase in both jet fuel and crude oil prices by one US Dollar per barrel, the sensitivity of the consolidated income statement and equity is as follows:

	Changes in fuel price USD/ Barrel QR'000	*Effect on profit QR'000*	*Effect on equity QR'000*
At 31 March 2014	**+1**	**(95,589)**	**82,535**
At 31 March 2013	+1	(84,972)	112,322

The effect of the decreases in both jet fuel and crude oil prices, each by one US Dollar per barrel is expected to be equal and opposite to the effect of the increases shown above.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is indicated by the carrying amount of its assets which consist principally of trade accounts receivable, other receivables, derivative financial instruments, amounts due from related parties, other deposits, short-term deposits and bank balances.

The Group sells its passenger and cargo transportation services through its offices and appointed sales agents in each country in which it operates. The sale is largely achieved through International Air Transport Association ("IATA") approved agents. All IATA agents have to meet 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. Accordingly, management is of the opinion that the credit risks associated with such sales agent is relatively small owing to a broad diversification.

In respect of sales to non-IATA approved sales agents, the Group's policy is that all customers who wish to obtain credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and service limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlements.

35 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)
The Group's five largest debtors account for 3% of outstanding trade accounts receivable as at 31 March 2014 (2013: 3%). Its maximum exposure with regard to the trade accounts receivable, net of allowance reflected at the reporting date was:

	2014 *QR'000*	*2013* *QR'000*
Qatar	**827,315**	725,299
Other countries	**1,361,966**	1,258,227
	2,189,281	1,983,526

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as follows:

	2014 *QR'000*	*2013* *QR'000*
Bank balances and short-term deposits	**13,122,830**	13,243,104
Deposits	**73,660**	66,157
Amounts due from related parties	**635,953**	63,993
Derivative financial instruments	**27,057**	23,468
Other receivables	**468,917**	318,923
	14,328,417	13,715,645

The Group places significant short-term deposits with banks. The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts with reputed banks.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's own reserves, funds from the Government of Qatar and bank facilities. The Group's terms of purchases require amounts to be paid within 30-45 days from the invoice date.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March based on contractual undiscounted payments:

	Less than 1 year *QR'000*	*1 to 5 years* *QR'000*	*> 5 years* *QR'000*	*Total* *QR'000*
At 31 March 2014				
Interest-bearing loans	**2,843,886**	**5,594,444**	**527,855**	**8,966,185**
Trade accounts payable	**1,857,952**	**-**	**-**	**1,857,952**
Amounts due to related parties	**24,234**	**-**	**-**	**24,234**
Retention payable	**23,929**	**20,593**	**-**	**44,522**
Derivative financial instruments	**16,244**	**88,972**	**-**	**105,216**
Other financial liabilities	**299,792**	**-**	**-**	**299,792**
	5,066,037	**5,704,009**	**527,855**	**11,297,901**

35 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Less than 1 year QR'000	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2013				
Interest-bearing loans	2,375,757	7,956,639	1,301,980	11,634,376
Trade accounts payable	2,076,236	-	-	2,076,236
Amounts due to related parties	33,165	-	-	33,165
Retention payable	17,517	13,937	-	31,454
Derivative financial instruments	17,871	12,212	-	30,083
Other financial liabilities	293,496	-	-	293,496
	4,814,042	7,982,788	1,301,980	14,098,810

The following table shows the gross undiscounted cash flows of interest rate swaps and foreign exchange forward contracts:

	Less than 1 year QR'000	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2014				
Interest rate swaps contracts				
Inflows	**2,581**	**605**	**-**	**3,186**
Outflows	**(8,902)**	**(2,225)**	**-**	**(11,127)**
Net	**(6,321)**	**(1,620)**	**-**	**(7,941)**
Foreign exchange forward contracts				
Inflows	-	-	-	-
Outflows	**(9,752)**	-	-	**(9,752)**
Net	**(9,752)**	-	-	**(9,752)**

	Less than 1 year QR'000	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2013				
Interest rate swaps contracts				
Inflows	17,577	10,202	-	27,779
Outflows	(20,139)	(11,838)	-	(31,977)
Net	(2,562)	(1,636)	-	(4,198)
Foreign exchange forward contracts				
Inflows	15,247	-	-	15,247
Outflows	-	-	-	-
Net	15,247	-	-	15,247

35 FINANCIAL RISK MANAGEMENT (continued)

Capital management
The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may issue new shares or obtain funds from the shareholder. No changes were made in the objectives, policies or processes during the year ended 31 March 2014 and 2013.

Capital which includes share capital, shareholder advances and accumulated losses is measured at QR 11,496 million at 31 March 2014 (2013: QR 8,148 million).

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of trade accounts receivable, available-for-sale investments, derivative financial instruments, amounts due from related parties, deposits, short-term deposits and cash and cash equivalents. Financial liabilities consist of interest-bearing loans, retention payable, trade accounts payable, amounts due to related parties, other payables and derivative financial instruments. Derivatives financial instruments consist of interest rate swap contracts, foreign exchange forward contracts and jet fuel hedging contracts.

Fair value hierarchy
As at 31 March 2014, the Group held the following assets and liabilities measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 March 2014	***Total*** ***QR'000***	***Level 1*** ***QR'000***	***Level 2*** ***QR'000***	***Level 3*** ***QR'000***
Assets measured at fair value:				
Jet fuel hedging contracts	**27,057**	-	**27,057**	-
Available-for-sale investments	**860,373**	**823,318**	**37,055**	-
Liabilities measured at fair value:				
Interest rate swap contracts	**8,721**	-	**8,721**	-
Jet fuel hedging contracts	**86,743**	-	**86,743**	-
Foreign exchange forward contracts	**9,752**	-	**9,752**	-
Unredeemed frequent flyer liabilities	**546,603**	-	-	**546,603**

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

At 31 March 2013	*Total* *QR'000*	*Level 1* *QR'000*	*Level 2* *QR'000*	*Level 3* *QR'000*
Assets measured at fair value:				
Jet fuel hedging contracts	8,221	-	8,221	-
Available-for-sale investments	511,396	476,279	35,117	-
Foreign exchange forward contracts	15,247	-	15,247	-
Liabilities measured at fair value:				
Interest rate swaps	22,596	-	22,596	-
Jet fuel hedging contracts	7,487	-	7,487	-
Unredeemed frequent flyer liabilities	500,689	-	-	500,689

During the year ended 31 March 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of jet fuel swap contracts are the mark-to-market values of these contracts. The fair values of WTI/Brent crude oil option/swap contracts were determined by reference to available market information. As the Group hedges its jet fuel requirements in WTI OIL NYMEX/Brent and that the majority of the Group's fuel uplifts are in US Dollar, the WTI price US Dollar 100.51 bbl (2013: US Dollar 92.96 bbl) and Brent price US Dollar 107.73 bbl (2013: US Dollar 109.52 bbl) were used as the input for market fuel price to the valuation model.

The fair values of WTI/Brent crude oil swap contracts are also determined by reference to available market information and are the mark-to-market values of these derivative contracts as at the end of the reporting date.

The fair values of interest rate swaps and foreign exchange forward contracts have been derived from the counter party valuations as at the end of the reporting date.

The fair values of the financial instruments, with the exception of certain unquoted shares included in available-for-sale investments which are carried at cost (Note 13), are not materially different from their carrying values.

37 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future.

Impairment of investment in an associate and joint ventures
The Group determines, at each reporting date, whether there is any objective evidence that the investment in the associate and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint ventures and their carrying value and recognises that amount in the 'share of results of an associate and joint ventures' in the consolidated income statement.

Impairment of available-for-sale financial investments
The Group treats available-for-sale financial investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

37 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of available-for-sale financial investments (continued)
At the reporting date, the carrying value of investments were QR 886 million (2013: QR 516 million) with an impairment loss of QR 5 million (2013: Nil). Impairment losses on equity investments are not reversed through the consolidated income statement and increases in fair value after impairment are recognised directly in equity through other comprehensive income.

Impairment of trade accounts receivable and amounts due from related parties
An estimate of the collectible amount of trade accounts receivable and amounts due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

At the reporting date, gross trade accounts receivable and amounts due from related parties were QR 2,243 million and QR 636 million, respectively (2013: QR 2,012 million and QR 64 million, respectively) with allowance for impairment of receivables amounting to QR 53 million and Nil, respectively (2013: QR 28 million and Nil, respectively). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the reporting date, gross inventories were QR 923 million (2013: QR 884 million) with allowance for obsolete and slow-moving inventories amounting to QR 19 million (2013: QR 11 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of intangibles
The Group determines whether intangibles are impaired at least on an annual basis. This requires an estimation of the value in use and fair value less cost to sell the assets. Estimating the value in use requires the Group to make an estimate of the expected future cash flows and to choose a suitable discount rate.

At the reporting date, these intangibles have been reviewed for impairment and the Group has not noted any indications of impairment.

Frequent flyer programme
The Group accounts for reward credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to reward credits based on their fair values and is accounted as unredeemed frequent flyer liabilities in the consolidated statement of financial position.

Estimation techniques are used to determine the fair value of Qmiles based on various historical trends such as weighted average ticket value, seat factor, routes used by members to avail reward tickets, other avenue used by members to redeem the Qmiles and expiry of Qmiles. Fair value of Qmiles is reviewed on a periodical basis.

During the year, the Group revised certain assumptions applied in the estimation techniques. Had this revision not taken place, the unredeemed frequent flyer liabilities in the consolidated statement of financial position would have been higher by QR 26 million as at 31 March 2014.

Estimated economic useful life of property, plant and equipment
The Group's management estimates the economic useful life of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the estimated residual value and estimated economic useful life annually and future depreciation charges would be adjusted where management believes the estimated economic useful life differ from previous estimates.

37 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the consolidated financial instruments.

Consolidation
The Group has carried out an assessment of its arrangements with other shareholders, through a review of shareholder agreements and other documentation establishing rights and obligations of the shareholders, for its investments in associate, joint venture and other entities. In assessing whether the Group exercises control over an investee, the Group has considered whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group has evaluated its involvement with investees in determining whether the Group has control, joint control or significant influence over such investees. Based on its assessment, the Group has concluded that the accounting classification and treatment reflected in the consolidated financial statements is appropriate.

38 COMPARATIVE FIGURES

Certain comparatives for 2013 have been reclassified in order to conform to the presentation for the current year. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or equity.

	2013 QR'000	*As previously reported*	*As reclassified*
Statement of consolidated financial position			
ICH vendor payable	(73,946)	As part of trade accounts payable	Netted off with accrued expenses
ADM clearance account	(1,344)	As part of other receivables	As part of sales in advance of carriage
Consolidated Income statement			
Operational equipment logistics	5,677	As part of rental – office, vehicles and equipment in general and administrative expenses	As part of miscellaneous in general and administrative expenses
Pax fare database and filing	4,544	As part of aircraft maintenance and insurance in operating expenses	As part of reservations, communication and revenue accounting
Amortisation of finance cost	614	As part of bank charges and commission in general and administrative expenses	As part of finance cost

Company Name:	**OSMAL PRODUCTS PTY LTD**
ACN/ARBN:	**000 058 293**
Address:	**129 PRINCES HIGHWAY, ST PETERS, NSW, 2044**
Date:	**17 DECEMBER 2014**
Document Type:	**MINUTES OF A MEETING OF THE DIRECTORS**

Present:

John George Strauss Malouf
Pamela Mary Strauss Malouf

Election of Chairperson:

John George Strauss Malouf was elected chairperson of the meeting.

Solvency:

IT WAS RESOLVED after reviewing the result of the company's current financial position that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Closure:

There being no further business the meeting was closed.

_____

John George Strauss Malouf
Chairperson

STATUTORY DECLARATION IN SUPPORT OF AN APPLICATION UNDER SECTION 373(7) OF THE COMPANIES ACT, CAP. 50

In the matter of the Companies Act, Cap. 50

and

In the matter of **QATAR AIRWAYS (Q.C.S.C.)**
(Registration No. T03FC6469G)

I, **JOAN CHIEN-HSIU WANG** , holder of Passport No: GA157325 (FIN G3053375K) of of 46 Marine Parade Road #06-03 Silversea Singapore 449305, do solemnly and sincerely confirm and declares as follow:

1. I am an authorised agent in Singapore of **QATAR AIRWAYS (Q.C.S.C.)** (the ***Foreign Company***).

2. The principal activities of the Foreign Company and its Singapore branch are those relating to the:

   - Commercial air-transportation which includes passenger, cargo, aircraft charters and related services;
   - Aircraft handling, in-flight catering and related services to airlines using Doha International Airport;
   - Trading in duty free goods at Doha International Airport;
   - Distribution of certain beverages in Qatar;
   - Public relations, advertising, marketing and promotional activities in Qatar; and
   - Marketing, distribution, installation and maintenance of airline reservation and travel agency systems.

3. Annual General Meeting of the Foreign Company is scheduled in the month of 11 November 2014.

4. Under the laws of the place of its incorporation in Qatar, the Foreign Company, being a Closed Shareholding Company, is not required to publish or make available their financial statements to the public pursuant to the provisions of Article 68 of the Qatar Company Law No. (5) of 2002 (amended by Law No. (2) for the Year 2008). A copy of the Article 68 is attached.

5. The Foreign Company is able to comply with the following provisions of the Companies Act, Cap. 50 (***Act***) in respect of its financial statements as at 31 March 2014:

Provisions of the Act	Subject Matter
Section 201(1) and (1A)	Profit and Loss Account
Section 201(3)	Balance Sheet

6. The Company is unable to comply with the following provisions of the Act in respect of its financial statements as at 31 March 2014:

COMMISSIONER FOR OATHS
Arivanantham
s/o Krishnan
C2014/0011
1 Apr 2014 – 31 Mar 2015
SINGAPORE

Provision of the Act	Subject Matter
Section 201(3A)	Consolidated Account
Section 201(4) and (4A)	Profit and Loss Account and Balance Sheet to be audited
Sections 201(5), (6), (6A), (8), (10), (11), (11A), (11B) and (12)	Directors' Report
Section 201(14B)	Auditors' Statement
Section 201(15)	Directors' Statement
Section 207(1)	Auditors' Report

7. A copy of the Foreign Company's financial statements as at 31 March 2014 (comprising its unaudited balance sheet and profit and loss) is annexed hereto and marked as "A".

8. Having regard to the foregoing, to require compliance by the Foreign Company with section 373(4) of the Act, as if it were a public company incorporated in Singapore, would be inappropriate to the circumstances of the Foreign Company.

And I make this solemn declaration by virtue of the provisions of the Oaths and Declarations Act (Cap. 211), and subject to the penalties provided by that Act for the making of false statements in statutory declarations, conscientiously believing the statements contained in this declaration to be true in every particular.

Declared by the abovenamed
in Singapore
this 02th day of December 2014

JOAN CHIEN-HSIU WANG
Agent

Before me,

COMMISSIONER FOR OATHS
Arivanantham
s/o Krishnan
C2014/0011
1 Apr 2014 - 31 Mar 2015
SINGAPORE

* The Commercial Companies Law i.e. Qatar Company Law No. (5) of 2002 (amended by Law No. (2) for the Year 2008) is available online at http://companiesinqatar.com/Companies/Law

QATAR AIRWAYS القطرية

Office of the Chief Executive

مكتب الرئيس التنفيذي

QA/LA/64/14
23 November 2014

TO WHOM IT MAY CONCERN

I, Akbar Al Baker, Group Chief Executive of Qatar Airways (Q.C.S.C), P.O. Box 22550, Doha, State of Qatar hereby certify and confirm that the attached Qatar Airways (Q.C.S.C) Consolidated Financial Statement and Profit & Loss accounts for the year ended the 31st March 2014 have not been published in the State of Qatar since this is not a requirement as per the provisions of the Article (68) of the Qatar Company Law No. (5) of 2002 (Amended by Law No. (2) for the year 2008).

QATAR AIR WAYS القطرية للطيران

Akbar Al Baker
Group Chief Executive

EXTRACT FROM THE COMMERCIAL COMPANIES LAW I.E. QATAR COMPANY LAW NO. (5) OF 2002 (AMENDED BY LAW NO. (2) FOR THE YEAR 2008)

Article (67)

Excluding the cases stipulated in the Law No. (13) of 2000 referred above, all the shareholders in the shareholding companies must be Qataris.

Article (68)

The government, departments, public corporations and companies in which the State holds minimum 51% shares may establish one or more shareholding companies by itself or jointly with one or more national or foreign establishments.

These companies will not be subject to the provisions of this Law except in the extent that does not contradict to the positions and agreements made upon its establishment as well as to the provisions stipulated in its articles of association and statute.

Article (69)

The founders should conclude articles of association and statute in the forms mentioned in the article (65) of this Law.

These forms should include the following information:

1. Name of the company and its headquarter.
2. The objective for which the company was established.
3. Name, nationality, place of domicile, occupation of the every shareholder and number of shares held by each.
4. Amount of company the capital and number, type and value of shares.
5. Period of the company.
6. Details of each non-cash share and name of the shareholder who submitted such shares, all the conditions related to it and material rights resulted from this share.
7. Approximate statement of expenses, wages and costs paid by the company or committed to pay for its establishment.

Article (70)

The founders should select among them a committee consisting of minimum three members and maximum five members, to

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Notes	*2014* ***QR'000***	*2013* *QR'000*
Revenue	3	**30,359,102**	27,508,644
Other operating income	4	**281,616**	277,965
Operating expenses	5	**(29,852,911)**	(27,282,703)
OPERATING PROFIT		**787,807**	503,906
Other income	6	**1,816,602**	893,655
General and administrative expenses	7	**(2,423,098)**	(2,070,550)
Finance costs	8	**(180,640)**	(262,819)
(Loss) Gain on disposal of property, plant and equipment		**(26,936)**	1,563,681
Gain on disposal of assets classified as held for sale	10(e)	**5,869**	-
Impairment loss on available-for-sale investments	13	**(5,000)**	-
Impairment loss on property, plant and equipment	10	**(27,566)**	(11,739)
Impairment loss on assets classified as held for sale	10(e)	-	(108,857)
Share of profit (loss) from an associate and joint ventures	12	**26,117**	(44,774)
Loss on disposal of investment in an associate	12	-	(106,826)
Loss on foreign currency exchange		**(239,592)**	(190,080)
(LOSS) PROFIT BEFORE TAX		**(266,437)**	165,597
Income tax benefit (expense)	9	**6**	(66)
(LOSS) PROFIT FOR THE YEAR		**(266,431)**	165,531
Attributable to:			
Equity holders of the parent		**(267,035)**	165,258
Non-controlling interests		**604**	273
		(266,431)	165,531

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	*2014* ***QR'000***	*2013* *QR'000*
(Loss) Profit for the year		**(266,431)**	165,531
Other comprehensive income:			
Other comprehensive income to be reclassified to consolidated income statement in subsequent periods:			
Net unrealised gain (loss) on available-for-sale investments	21	**339,099**	(12,193)
Net (loss) gain on cash flow hedges	21	**(70,654)**	18,908
Exchange difference on translation of foreign operations		**64**	(546)
Share of a disposed associate's unrealised gain on cash flow hedges	12 & 21	-	12,846
Share of a disposed associate's changes in other reserves	12 & 21	-	632
Reclassification of share of unrealised gain on cash flow hedges of an associate disposed	12 & 21	-	(15,227)
Reclassification of share of other reserves of an associate disposed	12 & 21	-	1,007
Net other comprehensive income to be classified to consolidated income statement in subsequent periods		**268,509**	5,427
Items not to be reclassified to consolidated income statement in subsequent periods		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,078**	170,958
Attributable to:			
Equity holders of the parent		**1,474**	170,685
Non-controlling interests		**604**	273
		2,078	170,958

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	*2014* *QR'000*	*2013* *QR'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**29,488,029**	28,008,969
Intangibles	11	**235,076**	235,076
Investment in an associate and joint ventures	12	**33,472**	-
Available-for-sale investments	13	**886,082**	516,396
Derivative financial instruments	33	**17,124**	2,291
Deferred tax asset		**91**	-
		30,659,874	28,762,752
Current assets			
Inventories	14	**903,695**	872,449
Accounts receivable and prepayments	15	**3,763,044**	2,699,814
Derivative financial instruments	33	**9,933**	21,177
Short-term deposits	16	**5,894,552**	6,937,482
Cash and bank balances	16	**7,232,723**	6,309,432
		17,803,947	16,840,354
Assets classified as held for sale	10(e)	-	36,415
TOTAL ASSETS		**48,463,821**	45,639,501
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**12,077,222**	143,800
Capital reserve	18	**1,643,816**	1,643,816
Legal reserve	19	**16,371,980**	16,371,980
Shareholder advances	20	-	8,316,722
Fair value reserve	21	**437,396**	168,951
Furniture, fixtures and equipment reserve	22	**5,261**	3,876
Accumulated losses		**(581,448)**	(313,028)
Foreign currency translation reserve		**(191)**	(255)
Equity attributable to equity holder of the parent		**29,954,036**	26,335,862
Non-controlling interests		**(820)**	(2,396)
Total equity		**29,953,216**	26,333,466
Non-current liabilities			
Employees' end of service benefits	24	**728,788**	576,055
Unredeemed frequent flyer liabilities	26	**546,603**	500,689
Derivative financial instruments	33	**88,972**	12,212
Non-current portion of interest-bearing loans	23	**5,907,358**	8,288,842
Non-current portion of credits received from suppliers	28	**254,106**	44,994
Non-current portion of retention payable	25	**20,593**	13,937
		7,546,420	9,436,729

Continued...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2014

	Notes	2014 QR'000	2013 QR'000
Current liabilities			
Accounts payable and accruals	27	**3,896,516**	3,905,207
Sales in advance of carriage		**4,256,725**	3,893,548
Current portion of credits received from suppliers	28	**60,976**	75,081
Derivative financial instruments	33	**16,244**	17,871
Current portion of interest-bearing loans	23	**2,733,724**	1,977,599
		10,964,185	9,869,306
Total liabilities		**18,510,605**	19,306,035
TOTAL EQUITY AND LIABILITIES		**48,463,821**	45,639,501

H.E. Ali Shareef Al Emadi
Chairman

H.E. Akbar Al Baker
Group Chief Executive

The attached notes 1 to 38 form part of these consolidated financial statements.

QATAR AIRWAYS القطرية

Ref: QR/FIN/CMI/149-12/2012 **Date:** 27th December, 2012

To,
THE REGISTRAR OF COMPANIES,
Delhi & Haryana,
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi - 110019

Dear Sir,

Sub: Query raised for Form 52 filed vide SRN B63445274 dated 10th December, 2012

Ref: FCRN: F04013

We had filed Form 52 vide SRN B63445274 dated 10th December, 2012 for filing Annual Accounts of the Company for the financial year ended 31st March, 2012.

The following query has been raised on the MCA website:

"ef-52C & Indian Business Accounts as at 30.09.2011, pl. file world accounts for the same financial period."

With respect to the query raised, we wish to clarify/ inform the following:-

The Company has made out its Balance Sheet and Profit and Loss Account containing such particulars /documents as required under the provisions of Section 594(1)(a) of the Companies Act, 1956 for the financial year ended 31st March, 2012 and delivered a copy of those documents to your office in the prescribed Form 52 Part C; as required under provisions of Section 594(1)(b) of the Companies Act, 1956.

The Auditors of the Company has given their report dated 30th September, 2012; on the financial information of the Company for the year ended 31st March, 2012.

In the aforesaid query, you have stated that the E-form 52 and Indian Business Accounts as at 30th September, 2011. However, the financial year of the Company ends on 31st March, 2012. Also, the Company has submitted its Annual Accounts for the previous financial year ending on 31st March, 2011; to your Office.

You have also requested the World Accounts for the financial period ended on 30th September, 2011. As per the provisions of the Companies Act, 1956; the World Accounts of the Parent Company are not required to be filed with your office.

In view of the above; we are not able to understand the query raised/documents requested by your office regarding the filing of Indian Business Accounts and World Accounts for the period ended 30th September, 2011.

QATAR AIRWAYS Bajaj Bhavan, Ground Floor, Nariman Point, Mumbai-21, India

Town Office: Bajaj Bhawan, Ground Floor, Nariman Point, Mumbai 400 021, India - Tel: +91 22 40916000, Fax: +91 22 40916063, Call Center +91 79 30616000
Airport Office: Terminal 2B, Departure Level, 2nd Floor, C.S. International Airport, Andheri (East), Mumbai 400 099, India
Tel: +91 22 66859540 - 41, Fax: +91 22 66859543
www.qatarairways.com
QATAR AIRWAYS (Q.C.S.C.)

We also would like to state that the **Company has been regular in filing the prescribed Form 52 for the previous financial years by attaching necessary documents as required under the Companies Act, 1956 and No such query has been raised; on previous financial information provided by company in similar manner; by your office**.

Therefore, we request you to take the said Form 52 on record. We would be happy to provide any information/ further clarification in this respect; if necessary.

Thanking You,

For **QATAR AIRWAYS**

Henry Moses
Country Manager - India

Cc: THE REGISTRAR OF COMPANIES, Maharashtra, Mumbai;
100, Everest,
Marine Drive,
Mumbai- 400002.

In accordance with Section 1046 of the Companies Act 2006 & Regulation 14 of the Overseas Companies Regulations 2009

OS CC01

Return by an overseas company of an alteration to constitutional documents

Companies House

✓ **What this form is for**
You may use this form to show an alteration to constitutional documents of an overseas company

✗ **What this form is NOT for**
You cannot use this form to m any other changes to an overs company

SATURDAY

A2M7RKZC
A08 30/11/2013 #232
COMPANIES HOUSE

1 Overseas company details

Company number: F C 0 1 8 5 9 1

Company name in full or alternative name as registered in the UK: Qatar Airways QCSC

→ **Filling in this form**
Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by *

2 Alteration of the constitutional document(s)

Details of change: Change to articles of association

3 Date of alteration to the constitutional document(s)

The company gives notice ❶ that the constitutional document(s) for this company were altered on the date below

Date of alteration: d1 d6 m0 m7 y2 y0 y1 y3

Copies of the following documents have been attached

- A new certified copy of the constitution of the company, as altered
- A certified translation, if applicable.

❶ This notice must be delivered to the Registrar within 21 days of the notice of alteration being received in the UK in due course of post (if dispatched with due diligence)

4 UK establishments

A return must be delivered in respect of any alteration to the company particulars by each UK establishment If, however, a company has more than one UK establishment, it may deliver only one form in respect of all those UK establishments, provided it completes the table below

UK establishment name	Registration number

5 Signature

I am signing this form on behalf of the overseas company ❷

Signature: X [signature] X

❷ This form may be signed by Director, Secretary, Permanent representative

OS CC01

Return by an overseas company of an alteration to constitutional documents

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone

Checklist

We may return the forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and number as registered in the UK match the information held on the public Register
- ☐ You have entered details of the alteration to the constitutional documents in Section 2
- ☐ You have entered the date of alteration to the constitutional document(s) in Section 3
- ☐ You have completed Section 4, if applicable
- ☐ You have submitted the new constitutional documents of the company (with a certified translation, if appropriate) with this form
- ☐ You have signed the form

Important information

Please note that all information on this form will appear on the public record

Where to send

You may return this form to any Companies House address

England and Wales
The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland
The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland
The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www companieshouse gov uk
or email enquiries@companieshouse gov uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

بسم الله الرحمن الرحيم

دولة قطر
وزارة العدل
إدارة التوثيق
قسم التوثيق

مسودج ١/ ادارة التوثيق - وزارة العدل

توثيقات 2013 / 25566
التاريخ 2013/07/16
محضر توثيق رقم ( )

تاريخ التوثيق
/ / ١٤ هـ
الموافق
/ / ٢٠٠ م

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عدد
أوراق العقد
( )

المرفقات

الموثق

رئيس قسم التوثيق

النظام الاساسي المعدل لشركة الخطوط الجوية القطرية (الشركة) شركة مساهمة قطرية خاصة بموجب احكام المادة (68) من قانون الشركات التجارية الصادر بالقانون رقم (5) لسنة 2002

الباب الاول

مادة (1)

بناء على تملك حكومة دولة قطر لكامل أسهم شركة الخطوط الجوية القطرية ، بعد بيع باقي مالكي الأسهم في الشركة لكامل أسهمهم الى الحكومة بتاريخ 2013/5/5 ، فقد تقرر تعديل النظام الأساسي للشركة ، وفقاً لأحكام المادة (68) من قانون الشركات التجارية الصادر بالقانون رقم (5) لسنة 2002

مادة (2)

اسم الشركة هو

الخطوط الجوية القطرية
شركة مساهمة قطرية خاصة

مادة (3)

غرض الشركة .

يكون نشاط الشركة هو

1- النقل الجوي للركاب والبضائع والبريد والأمتعة والحيوانات

2- القيام باعمال مشاريع الطيران والسياحة والشحن الجوي

3- شراء وبيع وتأجير واستئجار الطائرات ومعدات النقل الجوي واستيراد المعدات والأجهزة وقطع الغيار اللازمة لها وصيانتها

4- انشاء فروع ووكالات وشركات للشركة في قطر والخارج لبيع التذاكر وتسويق عمليات النقل الجوي

Amended Articles of Association of Qatar Airways Company "Qatari Private Shareholding Company in accordance with the Provision of Article 68 of the Commercial Companies Law No 5 of 2002"

Chapter (i)

Article (1)

Due to the acquisition of the Government of the State of Qatar to all the shares of Qatar Airways after the sale of all the shares of the other shareholders of the Company to the Government on 05 05 2013, it is decided to amend the Articles of Association of the Company in accordance with the provisions of Article (68) of the Commercial Company Law No (5) for the year 2002

Article (2)

The Company Name

Qatar Airways
A Qatari Private Shareholding Company
(Q S C)

Article (3)

The Company Object

The Activities of the Company are

1 Air transport of passengers, goods, mail, luggage and animals

2 To carry out projects of aviation works, tourism and Air Cargo

3 Buying, selling and hiring aircrafts and importing the necessary equipment and spare parts for its maintenance

4 To establish branches, agencies and companies of the Company in and outside the State of Qatar for the purpose of booking tickets and

حاتم التوثيق

الشاهدان
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TRUE COPY AND TRANSLATION OF THE ORIGINAL LANGUAGE

دولة قطر
وزارة العدل
إدارة التوثيق
قسم التوثيق

بسم الله الرحمن الرحيم

دولة قطر
إدارة مراقبة الشركات
وزارة الأعمال والتجارة

نموذج ن/١

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marketing and offering of air transportation		
5 To carry out all permissible air services such as air survey, photography and the like	5- القيام بكافة الخدمات الجوية المرخص بها كالمسح الجوي والتصوير الفوتوغرافي وخلافه	
6 To participate with other entities, corporations and companies wherever such participation realizes profits to the company	6- الاشتراك مع هيئات ومؤسسات أو شركات أخرى كلما كان ذلك يحقق قدراً من الربح للشركة	
7 To purchase, sell mortgage, hire and leaselands and buildings to achieve the objects of the company	7- شراء وبيع ورهن وتأجير واستئجار الاراضي والمباني تحقيقا لغرض الشركة	
8 To establish and manage hotels, clubs and restaurants in and outside the State of Qatar	8- انشاء وادارة الفنادق والنوادي والمطاعم داخل قطر وخارجها	
9 To establish and manage duty free shopping	9- انشاء وادارة الأسواق الحرة	
10 To carry out landing, technical and commercial services as well as aircraft catering in principal or on behalf of any third party	10-القيام بأعمال الخدمات الأرضية والفنية والتجارية وتموين الطائرات بالاصالة وبالوكالة عن الغير	
11 To establish and manage tourist offices and to carry out media and advertisement works	11-انشاء وادارة مكاتب السياحة والقيام بأعمال الدعاية والاعلان	
12 To carry out trading in foodstuff and drinks	12-التجارة في المواد الغذائية والمشروبات	
13 To manage and operate airports	13-ادارة وتشغيل المطارات	
14 Purchase and sale of other companies' shares	14-شراء وبيع حصص شركات اخرى	
The company may have interest with corporations practising a similar or relevant activity or may assist the company in realizing its objects in State of Qatar or abroad it may also partake in whatsoever way with the said corporations or be amalgamated in them, buy or incorporate them	ويحور للشركة أن يكون لها مصلحة مع الهيئات التي تزاول نشاطاً شبيهاً بنشاطها أو متصل به أو قد يعاونها على تحقيق أغراضها في قطر والخارج ، كما يحور لها أن تشترك بأي وجه من الوجوه مع الهيئات المذكورة أو تندمج فيها او تشتريها أو تلحقها بها	

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( )
بتاريخ / /

عدد
أوراق العقد
( )

المرفقات

الموثق

رئيس قسم التوثيق

الاطراف	الشاهدان	خاتم التوثيق
١- ٢-	١-	
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٥- ٦-		
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٩- ١٠-		

TRUE COPY AND TRANSLATION OF THE ORIGINAL LANGUAGE

دولة قطر
وزارة العدل
إدارة التوثيق
قسم التونبق

بسم الله الرحمن الرحيم

دولة قطر
إدارة مراقبة الشركات
وزارة الاقتصاد والتجارة

دولة قطر
وزارة العدل
قسم التوثيق

نمـوذج ب/١

محضر توثيـق رقم (/)

تاريـخ التوثيـق
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الرسـوم
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بالايصال رقم
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بتاريخ / /

عـدد
أوراق العقـد
( )

المرفقـات

المونـق

رئيس قسم التوثيق

حاتـم التوثيـق

مادة (4)

المدة المحددة للشركة هي خمسة وعشرون سنة ميلادية تبدأ من تاريخ تملكه حكومة دوله قطر لرأسمالها بالكامل في السجل التجاري ويجوز مد هذه المدة او مدد اخرى بقرار من الجمعية العامة غير العادية

مادة (5)

مركـز الشركة الرئيسي ومحلها القانوني مدينة الدوحة بقطر ويجوز للمجلس التنفيذي أن ينشيء له شركات وشركات تابعة وفروعاً ومكاتب ووكيلات في قطر وفي الخارج

الباب الثاني
رأس مال الشركة

مادة (6)

حدد رأس مال الشركة المصرح به والمدفوع بمبلغ 143ر800ر010 ريال قطري مملوك بالكامل لحكومة دولة قطر D سجل تجاري رقم (16070)

مادة (7)

تحتفظ الشركه في مقرها الرئيسي بسجل خاص يطلق عليه اسم سجل المساهمين ، ويجوز للشركه أن تودع نسخة من السجل لدى أية جهه أخرى بهدف متابعة شؤون المساهمين وأن تفوض تلك الجهة لحفظ وتنظيم هذا السجل اذا رغبت في ذلك

مادة (8)

لا يجوز الحجز على أموال الشركة استيفاء لديون في ذمة المساهمين

مادة (9)

يترتب حكماً على المساهمة قبول نظام الشركة الأساسي وقرارات جمعيتها العامة

Article(4)

The duration of the company shall be twenty-five Gregonan years, commencing from date of registering its ownership of its Capital by the Government of the State of Qatar The duration(s) may be extended by a resolution of the Extraordinary General Assembly

Article (5)

The company s head office and its legal address shall be Dona City State of Qatar The Executive Board may establish companies, subsidiaries, branches, offices and agencies in Qatar and abroad

Chapter (II)
The Company's Capital

Article(6)

The Company s Capital shall be QR143,800,010 fully owned by the Government of the State of Qatar with Commercial Registration No 16070.

Article(7)

A special register shall be maintained for the shareholders at the company's head office The company may keep copy of their register with any other body in order to persue the shareholders affairs and delegate that body to maintain and organize the register if wished to

Article (8)

Money of the company may not be placed against payment of debt by the shareholders

Article(9)

Acceptance of the Articles of Association of the company and the resolutions of its General Assembly shall be obligatory consequents to ownership of shares

الاطـــــراف	الشـــاهدان
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٣- ٤-	
٥- ٦-	
٧- ٨-	٢-
٩- ١٠-	

TRUE COPY AND TRANSLATION OF THE ORIGINAL LANGUAGE

دولة قطر
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بسم الله الرحمن الرحيم

دولة قطر
إدارة مراقبة الشركات
وزارة الاقتصاد والتجارة

دولة قطر
وزارة العدل
قسم التوثيق

نمـــوذج ث/١

محضر توثيـق رقم ( )

تاريـخ التوثيـق / / ١٤ هـ الموافق / / ٢٠٠ م	مادة (10) مع مراعاة أحكام قانون الشركات التجارية يجوز زيادة رأس مال الشركة ويجب أن تستند الزيادة الى قرار يصدر من الجمعية العامة غير العادية بعد موافقة وزارة الأقتصاد والتجارة والجمعية العامه المذكورة أن يفوض المجلس التعيدي في تحديد موعد تنفيذ هذا القرار حيث لا يجاوز سنة واحدة من تاريخ صدوره مادة (11) يجوز للجمعية العامة غير العادية أن تقرر تخفيض رأس مال الشركة بعد سماع تقرير مراقب الحسابات وموافقة وزارة الاقتصاد والتجارة وذلك في احدى الحالتين التاليتين 1- زيادة رأس المال عن حاجة الشركة 2- اذا منيت الشركة بخسارة الباب الثالث إدارة الشركة مادة (12) يتولى ادارة الشركة مجلس تعيدي مكون من خمسة أعضاء يتم تعيينهم من قبل الجمعية العامة للشركة منعقدة بصفة غير عادية ، على ان يتضمن القرار تعيين رئيسا للمجلس ونائبا للرئيس مادة (13) يشترط في عضو المجلس التعيدي 1- الا يقل عمره عن واحد وعشرين عاماً	Article (10) Taking into consideration the provision of the Commercial Companies Law, the capital of the company may be increased Such increase must be upon a resolution issued by the Extraordinary General Assembly after the approval of the Ministry of Economic and Trade The said General Assembly may delegate the Executive Board to fix a date for the execution of its resolution not exceeding a year from the date of its issuance Article(11) The Extraordinary General Assembly may decide reduction of the capital of the company, after hearing the Audit Report and the approval of the Ministry of Economic and Trade in the following cases - If the Capital exceeds the needs of the Company - In case of loss incurred by the Company Chapter (III) Management of the Company Article(12) Management of the company shall be assumed by an Executive Board of five members to be appointed by the Extra General Assembly The appointment shall include the Chairman and the Vice Chairman of the Board Article(13) To be a member of the Executive Board a person should meet the following conditions 1 His age shall not be less than twenty one (21) years
الرسـوم ( ) ريـال بالايصـال رقم ( ) بتاريخ / /	
عـدد أوراق العقـد ( )	
المرفقـات	
الموثـق	
رئيس قسم التوثيق	

حاتـم التوثيـق	الشـاهدان	الاطـراف
دولة قطر وزارة العدل قسم التوثيق	١-	١- ٢-
		٣- ٤-
		٥- ٦-
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		٩- ١٠-

TRUE COPY AND TRANSLATION OF THE ORIGINAL LANGUAGE

بسم الله الرحمن الرحيم

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دولة قطر
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وزارة الأعمال والتجارة

مسودة ١/

محضر توثيق رقم ( )

2- الا يكون قد سبق الحكم عليه بعقوبة جناية ، أو في جريمه مخلة بالشرف أو الأمانة ، او في جـريمة من الجرائم المشـار اليها في المادتيـن (324) ، (325) من قانون الشركات التجارية ، ما لم يكن قد رد اليه اعتباره	2 He shall not have been convinced of a felony or a crime in breach of honor or trust, or for one of the crimes referred to under Articles (324) or (325) of Commercial Companies Law, unless he has been rehabilitated
مادة (14) يعين أعضاء المجلس التنفيذي لمدة ثلاث سنوات ويجوز اعادة تعيين العضو أكثر من مرة	Article(14) Members of the Executive Board shall be appointed for a renewable period of three years, and they may be appointed for more than one term
مادة (15) رئيس المجلس التنفيذي هو رئيس الشركة ويمثلها لدى الغير وأمام القضاء ، وعليه أن ينفذ قرارات المجلس وان يتقيد بتوصياته ولرئيس المجلس التنفيذي ان يفوض بعض صلاحياته لغيره من اعضاء المجلس ويحل نائب الرئيس محل الرئيس في حالة غيابه	Article(15) The Chairman of the Executive Board, who is the Chairman of the Company, represents the company towards third parties and the judiciary He has to implement the decisions of the Executive Board and respect its recommendations The Chairman may delegate some of his powers to any member of the Executive Board and the Vice Chairman shall act on behalf of the Chairman in his absence
مادة (16) للمجلس التنفيذي اوسع السلطات لادارة الشركة وله مباشرة جميع الأعمال التي تقتضيها هذه الإدارة وفقاً لغرضها ، ولا يحد من هذه السلطات الا ما نص عليه القانون أو هذا النظام او قرارات الجمعية العامة	Article(16) The Executive Board shall enjoy the widest power to carry out the acts required by the objects of the company This power may not be curtailed except what is provided in law or in Articles of Association or the resolutions passed by the General Assembly
مادة (17) تملك التوقيع عن الشركة كل من رئيس المجلس التنفيذي ومن يفوضه المجلس بالتوقيع ، مجتمعين او منفردين ، ويجوز للمجلس التنفيذي أن يعين من بين اعضائه أومن غيرهم رئيساً تنفيذياً للشركة او أكثر يتولى ادارة الشركة وان يخولهـم أيضا حـق التوقيع عن الشركـة منفرديـن أو مجتمعين	Article(17) The Chairman, the delegated person by the Executive Board, jointly or severally shall have the right to sign solely for the company The Executive Board may also designate Chief Executive Officer or more from the Board or from out of the Board and empower them the rights to sign on behalf of the company severally or jointly

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أوراق العقد
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المرفقات

الموثق

رئيس قسم التوثيق

الاطراف	الشاهدان	حاضروا التوثيق
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TRUE COPY AND TRANSLATION OF THE ORIGINAL LANGUAGE

دولة قطر
وزارة العدل
إدارة التوثيق
قسم التوثيق

بسم الله الرحمن الرحيم

دولة قطر — إدارة مراقبة الشركات — وزارة الاقتصاد والتجارة — قسم التوثيق

مسودة ث/١

محضر توثيق رقم ( )

تاريخ التوثيق / / ١٤ هـ الموافق / / ٢٠٠ م	مادة (18) 1- يجتمع المجلس التنفيذي بدعوة من رئيسه ، ولا يكون اجتماعه صحيحاً إلا اذا حضره ثلاثة من الأعضاء على الأقل ، على أن يكون من بينهم الرئيس أو نائبه 2- وتكون اجتماعات المجلس التنفيذي في مركز الشركة ويجوز ان تجتمع خارج مركزها 3- وتصدر قرارات المجلس بأغلبية أصوات الأعضاء الحاضرين فاذا تساوت الأصوات رجح الجانب الذي منه الرئيس وللعضو المعترض أن يثبت اعتراضه في محضر الاجتماع	Article(18) 1 The Executive Board shall convene a *meeting upon invitation* from its Chairman The meeting shall not be valid unless attended by three of the members among them either the Chairman or Vice Chairman 2 The Executive Board shall meet at the head office of the company and it may hold its meeting outside the head office 3 The Executive Board shall be passed by a majority of the votes of attending members *and where there* is an equal vote, the Chairman shall have a casting vote Any member that disagrees with any of the Board resolutions has the right to have his disagreement entered in the minutes of the meeting
الرسوم ( ) ريال بالايصال رقم ( ) بتاريخ / /	مادة (19) يعد المجلس التنفيذي في كل سنة مالية ميزانية الشركة وحساب الأرباح والخسائر وتقريراً عن نشاط الشركة خلال السنة المالية المنتهية ومركزها المالي ويعرضه على مراقب الحسابات قبل انعقاد الجمعية العامة بشهرين على الأقل ، ويجب أن يوقع جميع هذه الوثائق رئيس المجلس التنفيذي أو أحد أعضائه	Article(19) The Executive Board shall prepare for every financial year the balance sheet of the company, its profits and loss account and its final account, report of the activities of the company and submit to the Auditor at least two months before conveying the General Assembly meeting The Chairman or a member of the Executive Board shall sign all these documents
عدد أوراق العقد ( )	مادة (20) يُعد المجلس التنفيذي في كل سنة مالية ميزانية الشركة وبيان الارباح والخسائر وبيان التدفقات المالية والإيضاحات مقارنة مع السنة المالية السابقة مصدقة جميعها من مراقبي حسابات الشركة ومركزها المالي خلال السنة المالية الماضية والخطط المستقبلية للسنة القادمة	Article(20) The Executive Board shall prepare for every financial year the balance sheet of the company, its profits and loss account, its cash flow and its final accounts, in comparison to the previous year endorsed by the Auditor of the Company The Board shall at the same time prepare the annual report of the company's activities, financial position during the previous year and its future plans for the next year to be submitted to the General Assembly
المرفقات		
الموثق		
رئيس قسم التوثيق		

الاطراف	الشاهدان	حاتم التوثيق
١- ٢-	١-	دولة قطر وزارة العدل ١٤ توثيق
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٥- ٦-		
٧- ٨-	٢-	
٩- ١٠-		

TRUE COPY AND TRANSLATION OF THE ORIGINAL LANGUAGE

بسم الله الرحمن الرحيم

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إدارة مراقبة الشركات
وزارة الأعمال والتجارة

دولة قطر
وزارة العدل
قسم التوثيق

نسودج ث/١

محضر توثيق رقم ( )

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( )
بتاريخ / /

عدد
أوراق العقد
( )

المرفقات

الموثق

رئيس قسم التوثيق

مادة (21)

مع مراعاة المادة (105) من قانون الشركات التجارية، تدون محاضر اجتماعات المجلس التنفيذي في سجل خاص ويوقع عليه رئيس المجلس والاعضاء حاضري الاجتماع والموظف الذي يتولى سكرتارية المجلس

Article(21)

Subject to provisions of Article (105) of Commercial Companies Law, the minutes of meeting of the Executive Board shall be in special register signed by the Chairman of the Board the members who attended the meeting and the employee who carries out the functions of the Board Secretariat

الباب الرابع

الجمعية العامة

Chapter (IV)
General Assembly

مادة (22)

تتكون الجمعية العامة للشركة من عدد ثلاثة ممثلين عن حكومة دولة قطر يصدر وزير المالية قرارا بتعيينهم

Article(22)

The General Assembly of the Company shall be formed of 3 members representing the Government of the State of Qatar to be appointed by a decision issued by the Ministry of Finance

مادة (23)

يعد المجلس التنفيذي جدول أعمال الجمعية العامة العادية وغير العادية

Article(23)

The Executive Board shall prepare the Agenda of the General Assembly as well as the Agenda of the Extraordinary General Assembly

مادة (24)

يرأس اجتماع الجمعية العامة رئيس المجلس التنفيذي أو من ينتدبه لذلك ويعين الرئيس مقررا للاجتماع

Article(24)

The General Assembly shall be chaired by the Chairman of the Executive Board or by whom he designates The Chairman appoints the secretary of the meeting

مادة (25)

يوجه رئيس المجلس التنفيذي الدعوة الى جميع الاعضاء لحضور اجتماع الجمعية العامة
ويرفق بالدعوة جدول أعمال الجمعية العامة وجميع البيانات والأوراق مع تقرير مراقب حسابات الشركة

Article(25)

The Chairman of the Executive Board shall invite all members to attend the meeting of the General Assembly The invitations shall be accompanied by the Agenda of the General Assembly all the statements, papers with the report of the company Auditor

مادة (26)

يجب ان يتضمن جدول اعمال الجمعية العامة في اجتماعها السنوي المسائل الآتية

1 سماع تقرير المجلس التنفيذي عن نشاط الشركة وعن مركزها المالي خلال السنة وتقرير مراقب الحسابات والتصديق عليهما

Article (26)

The agenda of the Annual General Assembly meeting shall include the following matters

1 Hearing and approving the report of the Executive Board on the activities of the

الاطـــــراف

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الشـــاهدان

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تاريخ التوثيق
دولة قطر
وزارة العدل
١٤
إدارة التوثيق

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بسم الله الرحمن الرحيم

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إدارة التوثيق
قسم التوثيق

دولة قطر
إدارة مراقبة الشركات
وزارة الأعمال والتجارة

دولة قطر
وزارة العدل
قسم التوثيق

مسودة ث/١

محضر توثيق رقم ( )

2 مناقشة ميزانية الشركه وحساب الأرباح والخسائر والتصديق عليهما	2 Discussing and approving the company's balance sheet and profit and loss account	company and its financial position for the financial year endeo, and the Auditor's repon
3 تعيين مراقبي الحسابات وتحديد أتعابهم	3 Appointment of auditors and specifying their remuneration	
مادة (27) تنعقد الجمعية العامة العادية بدعوة من رئيس المجلس التنفيذي مره على الأقل في السنة في المكان والزمان اللذان يحددهما رئيس المجلس التنفيذي وعليه دعوتها كلما دعت الحاجة الى ذلك، كما عليه دعوتها كلما طلب ذلك مراقب الحسابات	Article (27) The ordinary General Assembly shall be convened upon an invitation by the Chairman of Executive Board at least once a year, at the date and venue to be decided by the Chairman of the Executive Board whenever the need arises or the Auditor invites for the meeting	
مادة (28) لا يكون اجتماع الجمعية العامة العادية صحيحاً الا اذا حضره جميع الأعضاء وتصدر قرارات الجمعية العامة بالأغلبية المطلقة	Article(28) For the General Assembly meeting 'c be valid, it must be attended by all the members The General Assembly resolutions shall be passed by absolute majority	
مادة (29) تنعقد الجمعية العامة غير العادية بناء على دعوة من رئيس المجلس التنفيذي	Article (29) The Extraordinary General Assembly holds the meeting upon the request of the Chairman of the Executive Board	
مادة (30) لا يكون اجتماع الجمعية العامة غير العادية صحيحا الا اذا حضره جميع الأعضاء وتصدر القرارات الجمعية العامة غير العادية بالإجماع	Article(30) The Extraordinary General Assembly shall not be valid unless attended by all the members The resolutions of the Extraordinary General Assembly shall be passed unanimously	
مادة (31) لا يجوز اتخاذ قرار في المسائل الاتية إلا من الجمعية العامة منعقدة بصفة غير عاديه		

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نمـــوذج ت/١

محضر توثيـق رقم ( )

1 تعديل عقد التأسيس أو النظام الاساسي للشركة	Article(31) No resolution shall be taken on the following maters expect by the Extraordinary General Assembly
2 زيادة أو تخفيض رأس مال الشركة	1 Amending the Memorandum of Association or Articles of Association of the company
3 تمديد مدة الشركة	2 Increasing or decreasing the capital of the company
4 حل الشركة أو تصفيتها أو تحولها او اندماجها في شركة اخرى	3 Extending the duration of the company
5 بيع كل المشروع الذي قامت من أجله الشركة او التصرف فيه باي وجه اخر	4 Company dissolution, liquidation or merge with another company
ويجب ان يؤشر في السجل التجاري في حالة اتخاذ قرار بالموافقة على أي مسئلة من هذه المسئل	5 Selling or otherwise disposing of the entire undertaking for which the company was established
مادة (32)	In the event of resolution approving any of the above natters is taken an entry to that effect shall be made in the Commercial Register
لا يحرر للجمعية العامة المداولة في غير المسائل المدرجة في جدول الأعمال ومع ذلك يكون للجمعية حق المداولة في الوقائع الخطيرة التي تتكشف اثناء الاجتماع	Article(32) The General Assembly may not discuss issues which are not included in the Agenda, however the Assembly has the right to discuss the serious facts which are explored during the meeting
مادة (33)	Article(33)
القرارات الصادرة عن الجمعية العامة وفقا لأحكام القانون وهذا النظام تلزم جميع الأعضاء سواء كانوا حاضرين الاجتماع الذي صدرت فيه هذه القرارات أو غائبين عنه، وسواء كانوا قد وافقوا او اعترضوا عليها وعلى المجلس التنفيذي تنفيذها فور صدورها	Resolutions issued by the General Assembly in accordance with the Commercial Companies Law and Articles of Association shall be binding on all members, whether they are present, absent, approve or disapprove of such resolutions The Executive Board shall implement such resolutions immediately after being issued
مادة (34)	
يحرر محضر اجتماع يتضمن إثبات الحضور وتوافر النصاب القانوني كما يتضمن ملخص وافي لجميع مداولات الجمعية العامة وكل ما يحدث أثناء الاجتماع والقرارات التي اتخذت في الجمعية وكل ما يطلب الأعضاء اثباته في المحضر	

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أوراق العقد
( )

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وزارة الاقتصاد والتجارة

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الموثـق	
رئيس قسم التوثيق	

الباب الخامس

مراقبة الحسابات

مادة (35)

يكون للشركة مراقب حسابات أو اكثر تعينهم الجمعية العامة وتحدد اتعابهم ويجب ان يكون المراقب من المقيدين في سجل مراقبي الحسابات المنصوص عليه في القانون رقم (30) لسنة 2004 بتنظيم مهنة مراقبة الحسابات وتعديلاته وان يكون قد زاول المهنة لمدة عشر سنوات متصلة على الاقل

مادة (36)

يلتزم مراقب الحسابات في اداء الأعمال الرقابية بكل ما أوجبه عليه القانون ويكون المراقب مسؤولا عن صحة البيانات الواردة في تقريره بوصفه وكيلا عن المساهمين ويكون المراقبون في حالة تعددهم مسؤولين بالتضامن عن أعمال الرقابة

مادة (37)

لمراقب الحسابات في أي وقت الاطلاع على دفاتر الشركة وسجلاتها ومستنداتها وطلب البيانات التي يرى ضرورة الحصول عليها وله أن يتحقق من موجودات الشركة والتزاماتها وعليه في حالة عدم تمكنه من استعمال هذه الحقوق اثبات ذلك كتابة في تقرير يقدم الى المجلس التنفيذي

مادة (38)

على مراقب الحسابات أن يحضر الجمعية العامة وان يدلي في الاجتماع برايه في كل ما تعلق بعمله وبوجه خاص في ميزانية الشركة، ويتلو تقريره على الجمعية العامة ويجب ان يكون التقرير مشتملا على كافة البيانات المنصوص عليها في قانون الشركات التجارية ويكون لكل عضو حق مناقشته وطلب ايضاحات عن الوقائع الواردة في تقريره

Article(34)

The minutes of the General Assembly meeting shall be recorded in writing and shall include details of members present at the meeting, the availability of the quorum the resolutions passed, and adequate summary of the meeting deliberations

Chapter (V)

Auditors

Article(35)

The company shall have one or more Auditors to be appointed and their remuneration shall be fixed annually by the General Assembly

The name of the appointed Auditor should be included in the register of Auditors in accordance with Law No (20) of the year 2004 regulating the auditor's profession The Auditor must have practised the profession at least for ten continuous years

Article (36)

The Auditor shall be bound in his performance by the duties and obligations of the law The Auditor shall be accountable for the truth of the information included in his report In the event of being more than an Auditor, they shall be jointly liable for the auditing duties

Article(37)

The Auditor may at any time, review the company books, registers and its instruments, and shall have the right to request information which he may deem necessary to obtain He may ascertain the company assets and its obligations

Should he not be able to exercise such rights he must submit this in writing to the Executive Board

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دولة قطر
وزارة العدل
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محضر توثيق رقم ( )

الباب السادس
مالية الشركة

مادة (39)

تبدأ السنة المالية للشركة من اول ابريل وتنتهي في 31 مارس من كل سنة

الباب السابع

انقضاء الشركة وتصفيتها

مادة (40)

تنقضي الشركة لاحد الامور الاتية

1) انتهاء المدة المحددة لها ما لم تجدد على النحو الوارد في عقد التأسيس وهذا النظام الاساسي

2) انتهاء الغرض الذي قامت من أجله أو استحالة تحقيقه

3) هلاك جميع أو معظم رأس المال بحيث يتعذر استثماره استثماراً مجدياً

4) اجماع الأعضاء على حل الشركة قبل انتهاء مدتها

5) اندماج الشركة في شركة أو هيئة اخرى
6) صدور حكم قضائي بحل الشركة او اشهار افلاسها

مادة (41)

اذا بلغت خسائر الشركة نصف رأس مالها وجب على المجلس التعيدي دعوة الجمعية العامة غير العادية لتقرر ما اذا كان الأمر يستوجب حل الشركة قبل انتهاء الاجل المحدد لها او تخفيض رأس المال أو اتخاذ غير ذلك من التدابير المناسبة

Article (38)

The Auditor shall attend the General Assembly and give his opinion on all matters relating to his work particularly the balance sheet He shall read his report over to the General Assembly

The Auditor's report shall compromise all matter stipula ed in Commercial Companies Law All members shall have the rights to discuss and request from the Auditor any explanation related to matters contained in his report

Chapter (VI)
Finance of the Company

Article(39)

The company s financial year shall commence from the first day of April and end on 31st March of each year

Chapter (VII)

Expiry of the company and its dissolution

Article(40)

The company may be dissolved for any of the following causes

1 Upon the expiry of its fixed duration, unless it is renewed according to the rules included in the Memorandum of Association and this Articles of Association
2 Expiry of the object for which the company has been incorporated, or where achievements of such object become impossible
3 Destruction of all or most of the company's property, rendering the investment of the remainder infeasible
4 Unanimous agreement by the members on the company dissolution before the end of its duration
5 Merger of the company into another company or corporation

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6 Issuance of a court veroict dissolving the company or declaring its bankruptcy

Article(41)

If the company losses half or its capital the Executive Board shall call for an Extraordinary General Assembly meeting to consider dissolution of the company before duration or decrease the capital or otherwise

Article(42)

Liquidation of the company shall be carried out after its expiry in accordance with the provisions providec for in the Commercial Companies Law

Chapter (VIII)
Final clauses

Article(43)

Any decision by the General Assembly absolving the Executive Board from responsibility shall not result in the dismissal of a Civil court action brought against the members of the Board for mistakes done dunng the execution of their functions The case of liability shall expire by the lapse of five years from the date of General Assembly resolution approving the report of Executive Board

Article(44)

The provisions of the Commercial Companies Law and its amendments shall aplly on those matters where there is no special provision stated in the Articles of Association All the amendments which relate to the law shall be considered as part of it or amending it without any need to take any procedure except the indication in the commercial register what is needed to be endorsed

مادة (42)

تجري تصفية الشركة بعد انقضائها وفقا للأحكام المنصوص عليها في قانون الشركات التجارية

الباب الثامن
احكام ختامية

مادة (43)

لا يترتب على اي قرار يصدر من الجمعية العامة سقوط دعوى المسئولية المدنية ضد أعضاء المجلس التعديي بسبب الأخطاء التي تقع منهم في تنفيذ مهامهم

كما أن دعوى المسئولية تسقط بمضي خمس سنوات من تاريخ صدور قرار الجمعية العامة بالمصادقة على تقرير المجلس التعديي

مادة (44)

تسري احكام قانون الشركات التجارية والقوانين المعدلة له فيما لم يرد في شأنه نص خاص في هذا النظام الاساسي وتعتبر كافة التعديلات التي تطرا على ذلك القانون بمثابة بنود مكملة لهذا النظام أو معدلة له حسب الأحوال دون حاجه الى اتخاذ أي اجراء سوى التأشير في السجل التجاري بالشركة بالأمور التي يستوجب ذلك التأشير

ماده (45)

تعفى الشركة من الأحكام والشروط المتعلقة بتحول الشركات المنصوص عليها بالمادة (205) من قانون الشركات المشار اليه

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نموذج ث / ٢
محضر توثيق رقم (ـــــ) إدارة التوثيق - وزارة العدل

مستوفي رسم التوثيق ـــــ ريال
بالوصل رقم ـــــ بتاريخ ـــــ
رقم العقد ـــــ بتاريخ ـــــ
التوقيع

مادة ترشقت 25566 / 2013
2013/07/16

تختص المحاكم القطرية في الفصل في أي نزاع ينشأ عن تطبيق أحكام هذا النظام

مادة (47)

حرر هذا النظام من 4 نسخ نسخة لكل من حكومة دولة قطر والخطوط الجوية القطرية ونسختان لأغراض الترتيق والقيد في السجل التجاري وفي حال وجود تعارض بين النصين العربي والانجليزي يكون النص العربي هو المعتمد

التوقيعات

حكومة دولة قطر ويمثلها وزير المالية

علي شريف العمادي

Article(45)

The Company shall be exempted from the provisions regarding the transfer of Companies stipulated in Article (205) of the Commercial Companies Law

Article(46)

The Qatari courts shall have the jurisdiction to settle any dispute arising out of application of the Articles of Associatio

Article (47)

This Article of associations has been prepared in (4) copies, a copy for each of the Government of the State of Qatar and Qatar Airways and (2) copy for the purpose of attestation and registration at the Commercial Register In case of any difference between the Arabic and English texts the Arabic shall prevail

Signatures

The Government of the State of Qatar represented by the Minister of Finance

Ali Shareef Al Amadi

أنا الموقع رئيس قسم التوثيق أقر أنه في الساعة ١٠ الدقيقة بتاريخ / / ١٤هـ
الموافق ١٦ / ٧ / ٢٠١٣م قد حضر أمامي الأشخاص الموقعون أعلاه وأقروا هذا المحرر طالبين توثيقه فدققت فيه وفي أهليتهم وهويتهم فلم أجد مانعاً شرعياً قانونياً من توثيقه فتلوته عليهم وأفهمتهم مضمونه فأقروه ووقعوه أمامي .

وإن إدارة التوثيق غير مسئولة عن محتويات هذا المحرر وعن الإلتزامات الناشئة عنه

رئيس قسم التوثيق — الموثق

الشاهد الأول	الشاهد الثاني
الاسم	الأسم
الجنسية	الجنسية
بطاقة شخصية رقم	بطاقة شخصية رقم
التوقيع	التوقيع .

دولة قطر وزارة العدل مدير إدارة التوثيق ١٤

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Etihad Airways Documents

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JAARREKENING IN VAE-DIRHAM

FIRMA OF NAAM : **Etihad Airways**

Rechtsvorm : **publieke vennootschap ("public joint stock company") naar het recht van de Verenigde Arabische Emiraten**

Adres : **P.O. Box: 35566, New Airport Road, Abu Dhabi, Verenigde Arabische Emiraten**.....Nr. :..... Bus : .....

Postnummer :..... Gemeente : .....

Register : **handelsregister** ..... Griffie te : **Abu Dhabi** ..... Nr. : **54.319**.....

Voor een buitenlandse onderneming : adres van het bijkantoor in België : **Etihad Airways, Abu Dhabi, Belgisch bijkantoor, Park Atrium, Koloniënstraat 11, 1000 Brussel**

btw- of nationaal nummer **0873.390.473**

DATUM 10 /08 / 2003 van de neerlegging van de oprichtingsakte OF van het recentste stuk dat de datum van bekendmaking van de oprichtingsakte en van de akte tot statutenwijziging vermeldt.

JAARREKENING goedgekeurd door de algemene vergadering van / /

met betrekking tot het boekjaar dat de periode dekt van **03 / 09 / 2003** tot **31 / 03 / 2004**

Vorig boekjaar van / / tot / /

De bedragen van het vorige boekjaar zijn identiek met die welke eerder openbaar werden gemaakt : ja / ~~neen~~ *

VOLLEDIGE LIJST met naam, voornamen, beroep, woonplaats (adres, nummer, postnummer en gemeente) en functie in de onderneming, van de BESTUURDERS, ZAAKVOERDERS EN COMMISSARISSEN

Ahmed Bin Saif Al Nahyan, Villa 10, Khaldiya, P.O. Box: 46450, Abu Dhabi, VAE, voorzitter

Hammad Mohammed Hamad Al Hurr Al Suwaidi, Zayed The first Road, P.O. Box: 246, Abu Dhabi, VAE, Bestuurder

Ahmed Ali Mohamed Abdullah Al Sayegh, Al Estiglal Road, P.O. Box: 33777, Abu Dhabi, VAE, Bestuurder

Saeed Hafeedh S Al Mazrouci, Baynouna Street, P.O. Box: 124; Abu Dhabi, VAE, bestuurder

Faris Mohamed Ahmed Suhail Al Mazrooi, Al qurum Road P.O. Box: 309 (02), Abu Dhabi, VAE, bestuurder

KPMG, P.O. Box 7613, Abu Dhabi, VAE, Commissaris

(eventueel vervolg op blz.)

VOOR EEN BUITENLANDSE ONDERNEMING : VERTEGENWOORDIGER IN BELGIË :

Fabrice Alain Ebner, Rue du Docteur Lauzie 78 480 Verneuil sur Seine, Frankrijk

Zijn gevoegd bij deze jaarrekening : - het verslag van de commissarissen *

- het jaarverslag *

Totaal aantal neergelegde bladen : 5

Handtekening (naam en hoedanigheid)

Fabrice Alain Ebner
vaste vertegenwoordiger

Handtekening (naam en hoedanigheid)

* Schrappen wat niet van toepassing is.

873.390.473

Etihad Airways open aandelenvennootschap
Abu Dhabi
VAE

Verslag over afgesproken procedures

We hebben de procedures uitgevoerd die we met u hebben afgesproken en die hieronder staan opgesomd met betrekking tot bepaalde financiële informatie per en voor de periode van acht maanden afgesloten op 31 maart 2004 van Etihad Airways open aandelenvennootschap (de vennootschap), uiteengezet in de begeleidende jaarrekening (de rekening), die werd geparafeerd en van stempel werd voorzien voor identificatiedoeleinden. We gingen onze verbintenis aan overeenkomstig de internationale auditnormen toepasselijk op afgesproken procedureverbintenissen. De procedures werden enkel uitgevoerd om de vennootschap bij te staan bij het evalueren van haar financiële informatie en zijn als volgt samengevat:

1. We keken de rekening na op redelijkheid en nauwkeurigheid op grond van informatie en uitleg die de directie ons verstrekte.
2. We zagen steekproefsgewijs de onderliggende financiële informatie in de rekening na aan de hand van de boekingsbescheiden van de vennootschap, op basis waarvan de rekening werd opgesteld.
3. We gingen de rekenkundige correctheid na van de totalen en subtotalen vervat in de resultaatrekening en balans die deel uitmaken van de rekening. We traceerden ook elk bedrag en elk saldo in de resultaatrekening tot de bijlagen die deze bedragen en saldi staven, opgesteld door de directie. En we gingen de rekenkundige correctheid na van de optellingen van de individuele rekeningen van het grootboek die samen de financiële informatie omvatten die in de rekening staat vermeld.

Ons werk bracht geen significante bevindingen aan het licht die aan u moeten worden gerapporteerd.

Omdat bovenstaande procedures geen audit of controle vormen overeenkomstig de internationale auditnormen geven we geen zekerheid over de financiële informatie per en voor de periode van acht maanden afgesloten op 31 maart 2004.

Mochten we aanvullende procedures hebben uitgevoerd of mochten we een audit of controle van de jaarrekening hebben uitgevoerd overeenkomstig internationale auditnormen dan zouden misschien andere zaken onder onze aandacht zijn gebracht die we aan u zouden gerapporteerd hebben.

Ons verslag dient enkel voor het doel uiteengezet in de eerste alinea en mag niet worden gebruikt voor om het even welk ander doel of worden verspreid aan om het even welke andere partijen. Dit verslag slaat enkel op bovenvermelde financiële informatie en strekt zich niet uit tot om het even welke andere jaarrekening van de vennootschap als geheel genomen.

25 mei 2004

873.390.473

Etihad Airways open aandelenvennootschap

Jaarrekening

Resultaatrekening (03 september tot maart 2004)

Alle cijfers in AED

Inkomsten	13 955 478	13 955 478
Directe bedrijfskosten	(51 141 249)	(51 141 249)
Brutoverlies	(37 185 771)	(37 185 771)
Algemene beheerskosten	(33 989 099)	(33 989 099)
Pre-exploitatiekosten	(40 082 322)	(40 082 322)
Overige bedrijfsopbrengsten	1 102 200	1 102 200
Operationeel verlies	(110 154 992)	(110 154 992)
Netto financiële kosten	(678 162)	(678 162)
Nettowinst (nettoverlies)	(110 833 154)	(110 833 154)

873.390.473

Etihad Airways open aandelenvennootschap

Jaarrekening

Balans per 31 maart 2004

	Alle cijfers in AED 31 maart 2004	
Activa		
Niet-vlottende activa	4 461 642	4 461 642
Materiële duurzame activa, nettokapitaal, werk in uitvoering	5 026 898	5 026 898
Totaal niet-vlottende activa	**9 488 540**	**9 488 540**
Vlottende activa:		
Voorschotten	3 935 784	3 935 784
Inventarissen	3 975 766	3 975 766
Inbare vorderingen	7 063 495	7 063 495
Vooruitbetaalde kosten	12 812 327	12 812 327
Liquide middelen	167 867	167 867
Totaal vlottende activa	**27 955 239**	**27 955 239**
Vlottende passiva:		
Over te dragen opbrengsten	5 937 845	5 937 845
Te betalen kosten & Voorzieningen	39 287 177	39 287 177
Handelsschulden	20 433 295	20 433 295
& andere schulden	23 815 252	23 815 252
Rekening-courant-krediet	58 803 364	58 803 364
Verschuldigd aan verbonden partij	**148 276 933**	**148 276 933**
Totaal vlottende activa	**(120 321 694)**	**(120 321 694)**
Netto vlottende activa	**(110 833 154)**	**(110 833 154)**
Netto-passief		
Vertegenwoordigd door:		
Eigen vermogen:		
Verlies voor de periode	**(110 833 154)**	**(110 833 154)**

[Onleesbare handtekening]

873. 350. 473

Aqeel Yousif Ishaq
Hoofd Financiën en Administratie

KPMG

Etihad Airways PJSC

Financial Statements

31 December 2005

Certified True Copy

Authorized Officer

Senarath D. Liyanage
General Counsel

ETIHAD AIRWAYS P.J.S.C

Etihad Airways PJSC

Financial Statements

31 December 2005

Principal business address:
P O Box 35566
Abu Dhabi Airport
Abu Dhabi
United Arab Emirates

Etihad Airways PJSC

Financial Statements

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Report of the Chairman of the Board

Etihad has enjoyed another incredible year, considerably expanding our fleet and network of international destinations. The airline continues to build on its world-wide reputation for providing our Guests with the finest hospitality and service, whether in Diamond, Pearl or Coral zone.

The airline now has more than three thousand employees, managed by a seasoned team of airline professionals from leading carriers around the world, and drawn from more than 90 nationalities.

At Etihad the Guest experience continues to be our top priority. In addition to our innovative Guest zones, we also provide on the ground chauffeur transfers for premium travellers, luxury coach transfers, multicultural hosts, Guest accompaniment to the aircraft and an award- winning food and beverage service.

We are also extremely proud to have twice received the award for being the 'world's leading new airline' at the World Travel Awards, an affirmation of our commitment to make a real difference to the comfort of our Guests.

Our goal, as the UAE's national airline, is to make travel more hospitable, relaxing and stress free, whilst offering Guests the best in Arabian hospitality. In the short period of time since the airline's creation, Etihad Airways has quickly established itself as one of the world's elite international airlines, with destinations in Europe, the Middle East, Africa, Asia and North America.

Throughout the last year Etihad has expanded considerably the number of destinations to which we fly. This breathtaking growth has seen the airline celebrate the milestone of launching 30 destinations in just 30 months, and Etihad now offers Guest and cargo services to more than 40 cities world-wide.

Following the opening of Brussels, Johannesburg and Toronto last year, Etihad has since opened new routes to Casablanca, Dhaka, Jakarta, Khartoum, Manchester, Manila and Paris. From October 2006 Etihad will launch its daily service to New York's JFK airport, illustrating the airline's ambitions of flying to the world's most prestigious cities. Additional routes will continue to join the network, ensuring Etihad is on schedule to meet its ambitious targets of flying to 70 destinations by 2010.

Etihad is quickly taking delivery of our new fleet of new state-of-the-art Airbus and Boeing aircraft. The backbone of Etihad new fleet is the five Boeing777 and eight Airbus A330-200 aircraft. There are also two A340-500 aircraft which are the first to offer Etihad's purpose-built and designed Diamond zone. Containing the revolutionary Diamond zone seat which rotates 180 degrees, Etihad is fulfilling its promise to 'change the way our Guests see the world'.

We have also sampled the future with the recent visit of one of the double-decker Airbus A380s. Etihad has four of these revolutionary aircraft on order, which along with Etihad's A340-500 aircraft, will service the long haul destinations including North America, Europe and the Far East.

In early September, Etihad will be launching its frequent flyer programme, Etihad Guest, which significantly develops the airline's customer-led focus. Etihad Guest has been specifically designed to offer Guests immediate rewards and an outstanding freedom of choice.

The airline also continues to provide Guests with simple, stress-free, travel with the introduction of E-ticketing and the forthcoming launch of the new Etihad website. These innovative on-the-ground services will enable Etihad to differentiate itself from the competition and attract and retain Guests.

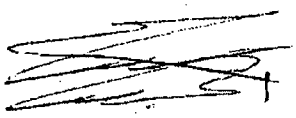
Etihad Crystal Cargo continues to expand and offers sophisticated and innovative air cargo services, based on the three core promises of ultimate information transparency, 21st century technology and total customer focus.

Etihad Crystal Cargo offers its customers an extensive range of cargo services on all Etihad Airways routes, and a regional freighter fleet operates scheduled all-cargo destinations and world-wide charter services.

Etihad's Holidays division is also experiencing tremendous growth, with its summer 2006 programme featuring more than 300 apartments and hotels in 82 destinations, in Africa, Asia, Europe, the Middle East and North America.

The programme, available in both Arabic and English, is 40 percent larger than the previous year's edition, and offers Guests a wealth of long and short breaks, cruises, spas, fly-drives, tours and excursions.

The rate of growth across the entire airline is incredible, and this is a tribute to the hard work and dedication of all Etihad staff. We look forward to another exciting year and breaking new records and winning more awards.



Dr. Ahmed Bin Saif Al Nahyan
Chairman of the Board

KPMG Lower Gulf Limited
Abu Dhabi Branch
P. O. Box 7613
Abu Dhabi
United Arab Emirates

Telephone +971 (2) 6343 318
Telefax +971 (2) 6327 612
Website www.ae-kpmg.com

The Shareholder
Etihad Airways PJSC
Abu Dhabi

Independent Auditors' Report

We have audited the accompanying balance sheet of Etihad Airways PJSC ("the Company") as of 31 December 2005 and related statements of income, changes in equity and cash flows for the year then ended.

Respective responsibilities of the Company's Management and the Auditors

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

4 July 2006

KPMG

Etihad Airways PJSC

Income statement

for the year ended 31 December 2005

	Note	2005 AED'000	17 month period ended 2004 AED'000
Revenue	4	**1,069,335**	316,806
Direct operating costs	5	**(1,566,434)**	(567,960)
Gross loss		**(497,099)**	(251,154)
Other operating income		**4,180**	4,061
Administrative and marketing expenses	6	**(306,861)**	(149,430)
Loss from operations		**(799,780)**	(396,523)
Net financing costs	7	**(10,979)**	(1,566)
Net loss for the year		**(810,759)**	(398,089)

The notes on pages 8 to 20 form part of these financial statements.

Independent Auditors' Report is set out on page 3.

Etihad Airways PJSC

Balance sheet

as at 31 December 2005

	Note	2005 AED'000	2004 AED'000
Non-current assets			
Property, plant and equipment	8	590,128	188,732
Advances to suppliers	9	3,978,962	1,804,728
		4,569,090	1,993,460
Current assets			
Inventories	10	49,912	18,805
Receivables and prepayments	11	285,998	138,337
Cash in hand and at banks	12	432,467	32,678
		768,377	189,820
Current liabilities			
Payables and accruals	13	(319,212)	(255,098)
Amounts due to a related party	14	(186,988)	(107,890)
Term loan	15	(447,861)	(33,066)
Bank overdrafts	12	(706,484)	(49,981)
		(1,660,545)	(446,035)
Net current liabilities		(892,168)	(256,215)
Non-current liabilities			
Loan from a shareholder	16	(4,092,699)	(1,804,728)
Deferred revenue	17	(120,571)	(130,606)
Net liabilities		(536,348)	(198,089)
Funded by:			
Share capital	18	500,000	200,000
Development reserve	8	172,500	
Accumulated losses		(1,208,848)	(398,089)
		(536,348)	(198,089)

These financial statements were approved on July 4, 2006 by:

Dr. Ahmed Bin Saif Al Nahyan
Chairman of the Board

Geert W Boven
Acting Chief Executive Officer

The notes on pages 8 to 20 form part of these financial statements.

Independent Auditors' Report is set out on page 3.

Etihad Airways PJSC

Statement of changes in equity
for the year ended 31 December 2005

	Share Capital AED'000	Accumulated losses AED'000	Development reserve AED'000	Total AED'000
Share capital introduced	200,000	-	-	200,000
Net loss for the period	-	(398,089)	-	(398,089)
At 31 December 2004	**200,000**	**(398,089)**	**-**	**(198,089)**
Share capital introduced	300,000	-	-	300,000
Net loss for the year	-	(810,759)	-	(810,759)
Fair value of land *(Note 8)*	-	-	172,500	172,500
At 31 December 2005	**500,000**	**(1,208,848)**	**172,500**	**(536,348)**

The notes on pages 8 to 20 form part of these financial statements.

Independent Auditors' Report is set out on page 3.

Etihad Airways PJSC

Statement of cash flows

for the year ended 31 December 2005

	2005 AED'000	17 month period ended 2004 AED'000
Cash flow from operating activities		
Net loss for the year	(810,759)	(398,089)
Adjustments for:		
Depreciation	35,644	10,175
Interest expense	11,911	1,730
Interest income	(932)	(164)
Loss on sale of property plant and equipment	28	-
Operating loss before changes in working capital	(764,108)	(386,348)
Increase in inventories	(31,107)	(18,805)
Increase in receivables and prepayments	(147,661)	(138,337)
Increase in payables and accruals	64,114	255,098
Increase in amounts due to a related party	79,098	107,890
(Decrease) / increase in deferred revenue	(10,035)	130,606
Cash flows from operating activities	(809,699)	(49,896)
Investing activities		
Acquisition of property, plant and equipment	(264,943)	(198,907)
Disposal of property plant and equipment	375	-
Advances to suppliers	(2,174,234)	(1,804,728)
Interest received	932	164
Cash flows from investing activities	(2,437,870)	(2,003,471)
Financing activities		
Share capital introduced	300,000	200,000
Short term loan received	414,795	33,066
Long term loan received	2,287,971	1,804,728
Interest paid	(11,911)	(1,730)
Cash flows from financing activities	2,990,855	2,036,064
Decrease in cash and cash equivalents	(256,714)	(17,303)
Cash and cash equivalents at 1 January	(17,303)	-
Cash and cash equivalents at 31 December *(note 12)*	(274,017)	(17,303)

The notes on pages 8 to 20 form part of these financial statements.

Independent Auditors' Report is set out on page 3.

Etihad Airways PJSC

Notes to the financial statements

1 Legal status and principal activities

Etihad Airways PJSC ("the Company") is a public joint stock company incorporated in the Emirate of Abu Dhabi in accordance with Article 1 of Abu Dhabi's Law No. 1 of 2003 dated 5 January 2003. The Company was commercially registered in August 2003 and commenced commercial operations in November 2003. The Company's share capital is wholly contributed by the Government of Abu Dhabi ("the Shareholder"). Pursuant to State Cabinet approval dated 29 March 2004, the Company is exempt from the provisions of the UAE Federal Law No. 8 of 1984 (as amended).

The principal activity of the Company is to provide commercial air transportation which includes passenger, cargo, holiday packages and postal carriage services on scheduled and charter basis.

2 Basis of preparation

These financial statements have been prepared on a going concern assumption. As of 31 December 2005, the Company had net liabilities of AED 536 million *(2004: AED 198 million)* and accumulated losses of AED 1,209 million *(2004: AED 398 million)*. In view of the Company's equity stakeholder it receives diverse support from the Shareholder whereby irrespective of its stated financial position and results, the continuity of its operation as a going concern is secured.

3 Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

Basis of accounting

The financial statements are presented in UAE Dirhams ("AED"), rounded to the nearest thousand. These financial statements are prepared on the historical cost basis, except for the valuation of land and aircraft.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the following year are detailed at note 21.

3 Principal accounting policies *(continued)*

***Basis of accounting** (continued)*

The accounting policies set out below have been consistently applied and are consistent with those applied in the previous period.

Revenue

Sale of passenger ticket and cargo airway bills net of incentives are recognised as revenue when the transportation service is provided. Tickets sold but unused are held in the balance sheet under current liabilities as passenger and cargo sales in advance. Commission costs are recognised at the same time as the revenue to which they relate and are charged to expenditure. The value of passenger tickets and cargo airway bills sold, but which have remained unused for more than 12 month or are otherwise not expected to be used, is accounted for as income.

Interest income

Interest income is recognised in the income statement on an accrual basis.

Borrowing costs / interest cost

Borrowing costs are expensed in the period in which they are incurred. Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the asset until such time the assets are substantially ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary funds is deducted from borrowing cost eligible for capitalization.

Foreign currency

Transactions denominated in foreign currencies are translated into AED and recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to AED at foreign exchange rates ruling on that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to AED at the exchange rate ruling at the date the fair value was established.

Taxation

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

3 Principal accounting policies *(continued)*

Property, plant and equipment

Items of property, plant and equipment are stated at historical cost (except for the valuation of land and aircraft) less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment is the purchase price, together with any incidental expenses of acquisition. The cost of self - constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the assets and restoring the site on which they are located, and an appropriate proportion of production overheads.

Shareholders assistance related to property, plant and equipment is measured at its fair value, and is credited to equity by transfer to development reserve.

Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful life of each part of items of property, plant and equipment. The estimated useful lives are as follows:

	Years
Aircraft	15
Buildings and leasehold property	5 – 20
Computer hardware and software	3 – 5
Furniture and fixture	3 – 5
Other property, plant and equipment	3 – 5

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset. Major overhaul expenditure is depreciated over the period to next major overhaul.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds received and the carrying amount of the asset and is recognised in the income statement.

The useful lives and residual values, if not insignificant, are reassessed annually.

Capital work in progress

Expenditure incurred on property, plant and equipment, which are not complete and ready for use at the balance sheet date are treated as capital work in progress. Depreciation is not provided on such assets until they are taken into use and transferred to the appropriate asset category.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of the ownership are classified as finance lease. Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease less accumulated depreciation and impairment losses, if any.

Payments made under operating lease are recognised in the income statement on a systematic basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

3 Principal accounting policies *(continued)*

Receivables and prepayments

Trade and other receivables are stated at their amortised cost less impairment losses, if any.

Impairment

The carrying amounts of the Company's assets, other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

An impairment loss is recognised whenever the carrying amount of an asset, or the associated cash generating unit, exceeds its recoverable amount. Impairment losses are recognised in the income statement.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method and includes expenditure incurred to bring these inventories to their present location and condition. Allowance for obsolete stock and slow moving items is provided to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

Payables and accruals

Trade and other payables are stated at their amortised cost.

Staff terminal benefits and pension

Provision for staff terminal benefits included under payables and accruals is made in accordance with the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff was terminated at the balance sheet date.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

Staff terminal benefits for employees based outside the UAE are provided in accordance with the relevant local regulations.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and term deposits, net of bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

4 Revenue

	2005 AED'000	17 month period ended 2004 AED'000
Passenger	**704,654**	219,501
Cargo	**296,683**	68,149
Non scheduled chartered *(note 17)*	**10,035**	16,972
Duty free income	**3,337**	6,112
Non scheduled chartered (others)	**39,788**	4,436
Excess baggage	**4,655**	1,168
Destination and leisure	**10,183**	468
	1,069,335	316,806

5 Direct operating costs

	2005 AED'000	17 month period ended 2004 AED'000
Staff related costs	**118,118**	67,394
Fuel and oil	**478,007**	134,038
Aircraft operating leases	**272,798**	98,272
Commission	**32,244**	18,770
Aircraft maintenance	**171,119**	56,853
Inflight catering	**95,488**	44,604
Handling	**51,330**	41,893
Overflying	**80,264**	29,965
Start up costs	**-**	21,291
Landing and parking	**148,606**	14,434
Insurance	**16,834**	13,897
Reservation expenses	**42,517**	13,089
Depreciation	**12,383**	5,374
Others	**46,726**	8,086
	1,566,434	567,960

6 Administrative and marketing expenses

	2005 AED'000	17 month period ended 2004 AED'000
Staff related costs	**140,711**	67,066
Advertisement and promotion	**74,773**	34,685
Depreciation	**23,261**	4,801
Rent	**16,227**	7,400
Communication	**8,673**	3,586
Professional and legal	**6,556**	7,184
Printing and stationery	**5,812**	4,651
Training	**4,755**	2,550
Repairs and maintenance	**3,032**	1,733
Others	**23,061**	15,774
	306,861	149,430

7 Net financing costs

	2005 AED'000	17 month period ended 2004 AED'000
Interest costs and other bank charges	**11,911**	1,730
Interest income	**(932)**	(164)
	10,979	1,566

8 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on pages 19 and 20.

9 Advances to suppliers

The Company has placed firm orders with suppliers to acquire certain aircrafts. The Government of Abu Dhabi made pre–delivery payments (PDPs) to the suppliers on behalf of the Company. These payments are included under loan from Shareholder.
As the financing arrangements were not finalised in 2005 therefore these payments have been treated as advance to supplier. Following are the details of such advances.

Aircraft	2005 AED'000	2004 AED'000	Delivery
Airbus	2,791,707	1,065,334	2006- 2008
Boeing	1,187,255	739,394	2006
	3,978,962	**1,804,728**	

10 Inventories

	2005 AED'000	2004 AED'000
In-flight consumables	33,883	9,803
Other consumables	16,029	9,002
	49,912	18,805

11 Receivables and prepayments

	2005 AED'000	2004 AED'000
Trade receivables	140,747	55,323
Prepayments and other receivables	113,677	70,534
Deposits	24,916	9,655
Advances	6,658	2,825
	285,998	138,337

12 Cash and cash equivalents

	2005 AED'000	2004 AED'000
Cash at banks	64,071	31,205
Term deposits	368,196	1,395
Cash in hand	200	78
Cash in hand and at banks	432,467	32,678
Bank overdrafts	(706,484)	(49,981)
Cash and cash equivalents	(274,017)	(17,303)

The Company has obtained overdraft facilities from commercial banks. Interest is charged on these facilities at prevailing market rates, which range from 0.75% to 1% p.a over one month LIBOR. Interest on term deposits is earned at prevailing market rates.

13 Payables and accruals

	2005 AED'000	2004 AED'000
Trade payables	46,237	145,909
Passenger and cargo sales in advance	118,577	50,924
Accruals and other payables	143,568	55,415
Provision for staff terminal benefits	10,830	2,850
	319,212	255,098

13 Payables and accruals *(continued)*

Movement in the provision for staff terminal benefits recognised in the balance sheet are as follows:

	2005 AED'000
Balance at 1 January	2,850
Provided during the year	8,285
End of service benefits paid	(305)
Balance at 31 December	**10,830**

14 Related parties

Identity of related parties

The Company, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Company has a related party relationship with other Government entities and with its shareholder, directors, and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company).

Compensation of key management personnel

The remuneration of directors and other key management during the year was as follows:

	2005 AED'000	17 month period ended 2004 AED'000
Salaries and benefits	10,430	8,344
End of service benefits	1,752	1,100

The Company does not provide any non-cash benefits to its key management personnel.

Other related party transactions

	2005 AED'000	17 month period ended 2004 AED'000
Maintenance charges	161,952	53,246
Handling charges	2,281	1,107
Funds received	-	115,995
Letters of credit issued on behalf of the Company	-	25,490

15 Term loan

Term loan was obtained by the Company from a commercial bank, which carries an interest rate of LIBOR plus 0.45% p.a.

The facility will be secured by an assignment of the purchase agreement between the Company and Boeing Inc, USA.

16 Loan from a Shareholder

The Company obtained a term loan facility from the Shareholder. The management is in the process of finalising the terms and conditions of the facility with the Shareholder regarding interest payable and repayment of the loan. However, the management believes that no amount of the loan is repayable during the financial year ending 31 December 2006. Further, due to the terms of the loan facility not been finalised, the carrying value of this loan has not been adjusted on account of underlying interest at the balance sheet date.

17 Deferred revenue

The Company acquired an aircraft (Boeing 767-341 ER) from a related party, for a consideration of USD 1 with a condition to provide 2,000 flight hours to the related party, free of cost in future. This aircraft was valued at AED 148 million, based on an independent valuation undertaken by a professional and independent valuer. The value of providing these flight hours is recorded as deferred revenue, measured at the fair value of the services to be provided by the Company. The fair value of providing the flight hours is not materially different from the value of the aircraft as determined by the independent valuer. (Refer note 8)

	2005 AED'000	2004 AED'000
Value of the aircraft	**147,578**	147,578
Fair value of hours provided	**(27,007)**	(16,972)
	120,571	130,606

18 Share capital

	2005 AED'000	2004 AED'000
Authorised:		
5 million shares of AED 100 each	**500,000**	500,000
Issued and fully paid:		
5 million shares of AED 100 each (*2004: 2 million shares of AED 100 each*)	**500,000**	200,000

19 Contingent liabilities and capital commitments

	2005 AED'000	2004 AED'000
Letters of guarantee	**6,920**	5,284
Letters of credit	**36,911**	28,378
Performance Bonds	**-**	607

Operating leases

Future minimum lease payments are as follows:

	2005 AED'000	2004 AED'000
Less than 1 year	**385,373**	246,470
2 - 5 years	**562,175**	726,356
More than 5 years	**310,658**	294,812
	1,258,206	1,267,638

19 Contingent liabilities and capital commitments *(continued)*

Capital Commitments

Authorised and contracted:	2005 AED'000	2004 AED'000
Aircraft Fleet	8,484,000	4,041,000
Non – Aircraft	154,213	-

20 Financial instruments

Financial assets of the Company include cash in hand and at bank and trade and other receivables. Financial liabilities of the Company include trade and other payables, bank overdrafts, term loan and amounts due to a related party.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date, there were no significant concentrations of credit risk.

Interest rate risk

The effective rates of interest on the Company's bank facilities are linked to the prevailing bank rates. The management does not consider it necessary to hedge the Company against the risk of interest fluctuation.

Foreign exchange risk

The Company procures goods and services through overseas suppliers. Exchange risk is limited because a significant portion of such transactions are denominated in US Dollars, which is pegged against the UAE Dirham. The management does not consider it necessary to hedge the Company against the risk.

Fuel price risk

The airline industry is exposed to fluctuations in the price of jet fuel. The Company closely monitors the actual cost of fuel against forecasted cost.

Fair value

The fair values of the Company's financial instruments are not materially different from their carrying amounts.

21 Accounting estimates and judgements

In the process of applying the Company's accounting policies, which are detailed at note 3, management has made the following judgements which have the most significant effect on the amounts of assets and liabilities recognized in the financial statements. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

b) Provision for obsolete inventory

The Company reviews its inventory to assess losses on account of obsolescence on a regular basis. In determining whether a provision for obsolescence should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that the product is usuable in the future and the net realisable value for the product. Accordingly, provision for impairment is made where the net realisable value is less than cost, based on best estimates by the management. The provision for obsolescence of spares is based on the ageing of the stocks and the past consumption of the stocks.

c) Impairment of Aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include following:

- Significant decline in the market value beyond that which would be expected from the passage of time or normal use.
- Significant changes in the technology and regulatory environments
- Evidence from internal reporting which indicates that the economic performance of the assets is, or will be, worse than expected.

In the management's judgement, the carrying values of aircraft are not impaired.

d) Depreciation of Property, plant and equipment.

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

22 Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform to the presentation adopted in these financial statements.

ihad Airways PJSC

Schedule I

tes to the financial statements

perty, plant and equipment

	Aircraft AED'000	Land and property AED'000	Computer hardware and software AED'000	Furniture and fixtures AED'000	Other property plant and equipment AED'000	Pool equipment AED'000	Capital work in progress AED'000	Total AED'000
itions	147,578	7,316	11,278	5,699	5,585	-	21,451	198,907
1 December 2004	**147,578**	**7,316**	**11,278**	**5,699**	**5,585**	**-**	**21,451**	**198,907**
January 2005	147,578	7,316	11,278	5,699	5,585	-	21,451	198,907
itions	-	7,022	14,099	5,247	6,138	19,917	212,520	264,943
elopment reserve	-	172,500	-	-	-	-		172,500
osals	-	-	-		(478)	-	-	(478)
1 December 2005	**147,578**	**186,838**	**25,377**	**10,946**	**11,245**	**19,917**	**233,971**	**635,872**
eciation								
ge for the 17 month period	4,944	2,396	1,390	697	748	-	-	10,175
1 December 2004	**4,944**	**2,396**	**1,390**	**697**	**748**	**-**	**-**	**10,175**
January 2005	4,944	2,396	1,390	697	748	-	-	10,175
ge for the year	9,875	3,714	10,607	7,030	4,291	127	-	35,644
isposals	-	-			(75)	-	-	(75)
1 December 2005	**14,819**	**6,110**	**11,997**	**7,727**	**4,964**	**127**	**-**	**45,744**

Property, plant and equipment *(continued)*

	Aircraft AED'000	Land and property AED'000	Computer hardware and software AED'000	Furniture and fixtures AED'000	Other property plant and equipment AED'000	Pool equipment AED'000	Capital work in progress AED'000	Total AED'000
Net book value								
At 31 December 2004	142,634	4,920	9,888	5,002	4,837	-	21,451	188,732
At 1 January 2005	142,634	4,920	9,888	5,002	4,837	-	21,451	188,732
At 31 December 2005	**132,759**	**180,728**	**13,380**	**3,219**	**6,281**	**19,790**	**233,971**	**590,128**

Aircraft

The Company has acquired an aircraft (Boeing 767-341 ER) from a related party, a Government entity, for a consideration of USD 1 with a condition to provide 2,000 flight hours to this related party, free of cost in future. This aircraft was valued on 17 December 2004, based on an independent valuation undertaken by M/s Airclaims, a professional and independent valuer. The independent valuation was based on an open market basis for existing use *(refer Note 17)*.

Land and property

Based on the records of the Planning Department of the Government of Abu Dhabi, land registered in the name of the Company, is included in the financial statements. The land was valued at AED 172.5 million on 28 March 2006 by an independent valuation was undertaken by M/s Al Ghanem Real Estate, a professional and independent valuer. The corresponding credit to this valuation is included under development reserve (refer to statement of changes in equity on page 6)

Capital work in progress

Capital work in progress includes capitalised interest amounting to AED 14.12 million *(2004: Nil)*

98	23 -03- 2006		20	9	AED	06076 00285	
NAT.	Datum neerlegging	Nr.	Blz.	E.	D.		VOL 1.

JAARREKENING IN VAE-DIRHAM

NAAM : **Etihad Airways**

Rechtsvorm : **publieke vennootschap ("public joint stock company") naar het recht van de Verenigde Arabische Emiraten**

Adres : **P.O. Box: 35566, New Airport Road** Nr. : Bus :

Postnummer : Gemeente : **Abu Dhabi, Verenigde Arabische Emiraten**

Rechtspersonenregister (RPR) - Rechtbank van Koophandel van : **Abu Dhabi (Nr. 54.319)**

Voor een buitenlandse onderneming : adres van het bijkantoor in België : **Etihad Airways, Abu Dhabi, Belgisch bijkantoor, Park Atrium, Koloniënstraat 11, 1000 Brussel**

Internetadres *: http://www.etihadairways.com

Ondernemingsnummer **0873.390.473**

DATUM 22 / 04 / 2005 van de neerlegging van de oprichtingsakte OF van het recentste stuk dat de datum van bekendmaking van de oprichtingsakte en van de akte tot statutenwijziging vermeldt.

JAARREKENING goedgekeurd door de algemene vergadering van **02 / 10 / 2005**

met betrekking tot het boekjaar dat de periode dekt van **03 / 09 / 2003** tot **31 / 12 / 2004**

Vorig boekjaar van 03 / 09 / 2003 tot 31 / 03 / 2004

De bedragen van het vorige boekjaar zijn identiek met die welke eerder openbaar werden gemaakt : ja / neen *

VOLLEDIGE LIJST met naam, voornamen, beroep, woonplaats (adres, nummer, postnummer en gemeente) en functie in de onderneming, van de BESTUURDERS, ZAAKVOERDERS EN COMMISSARISSEN

Ahmed Bin Saif Al Nahyan, Villa 10, Khaldiya, P.O. Box : 46450, Abu Dhabi, VAE, voorzitter
Hammad Mohammed Hamad Al Hurr Al Suwaidi, Zayed The first Road, P.O. Box. : 246, Abu Dhabi, VAE, Bestuurder
Ahmed Ali Mohamed Abdullah Al Sayegh, Al Estiglal Road, P.O. Box : 33777, Abu Dhabi, VAE, bestuurder
Saeed Hafeedh S Al Mazrouci, Baynouna Street, PO. Box : 124, Abu Dhabi, VAE, bestuurder
Faris Mohamed Ahmed Suhail Al Mazrooi, Al qurum Road P.O. Box : 309 (02), Abu Dhabi, VAE, bestuurder
KPMG, P.O. Box 7613, Abu Dhabi, VAE, Commissaris

(eventueel vervolg op blz. VOL 1bis)

VOOR EEN BUITENLANDSE ONDERNEMING : VERTEGENWOORDIGER IN BELGIË :
Fabrice Alain Ebner, Rue du Docteur Lauzie 78 480 Verneuil sur Seine, Frankrijk

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Zijn gevoegd bij deze jaarrekening : - het verslag van de commissarissen *
- het jaarverslag *

Totaal aantal neergelegde bladen :

Handtekening (naam en hoedanigheid) — Handtekening (naam en hoedanigheid)

Fabrice EBNER

Fabrice Alain Ebner
vaste vertegenwoordiger

* Factulatieve vermelding.
** Schrappen wat niet van toepassing is.

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Etihad Airways PJSC

Jaarrekening

31 december 2004

Adres van het hoofdkantoor:

PO Box 35566
Abu Dhabi Airport
Abu Dhabi
Verenigde Arabische Emiraten

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Etihad Airways PJSC

Jaarrekening

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Verslag van de voorzitter van de raad

In een zeer kort tijdsbestek heeft Etihad heel wat vooruitgang geboekt wat betreft het doel dat erin bestaat een van de beste internationale luchtvaartmaatschappijen te worden, waarbij wij de regels van de luchtvaart en de gastvrijheid wijzigen. Wij geloven dat onze gasten onze kijk op het leven delen en evenveel gedreven worden door verandering en innovatie als wij. De buitengewone groei van de luchtvaartmaatschappij in het voorbije jaar heeft velen verrast. In een tijd waarin de sector baadt in een pessimistisch sfeertje sprak het optimisme en de stoutmoedigheid van Etihads expansie tot de verbeelding van de sector, de media en de consumenten.

Bij Etihad zien wij onze klanten als gasten, niet als passagiers, en doen wij al het mogelijke om ervoor te zorgen dat wij onze belofte nakomen door hen een ongeëvenaarde gastvrijheid te bieden telkens zij in contact komen met Etihad.

Wij zijn er trots op dat wij werden aangewezen als de nationale luchtvaartmaatschappij van de Verenigde Arabische Emiraten en onze innovatieve, stoutmoedige aanpak heeft van ons een van de snelst groeiende luchtvaartmaatschappijen ter wereld gemaakt die in de media wordt bekeken als een van de succesvolste starters ooit. Etihad verdiende de award in de categorie "'s werelds toonaangevende nieuwe luchtvaartmaatschappij".

Wij blijven groeien met bijna een nieuwe route elke maand en recente hoogtepunten zijn onder meer de succesvolle lancering van dagelijkse vluchten naar Frankfurt, de belangrijke hub voor zakenlieden en toeristen, en bijvoorbeeld inaugurele vluchten naar Mumbai, Delhi, Caïro en rechtstreekse vluchten naar München en Genève. Het succes van onze dienstregeling naar en vanuit Londen vereiste dat er extra vluchten werden toegevoegd naar een tweede luchthaven: Gatwick.

Etihad vliegt nu naar 17 bestemmingen en heeft bekendgemaakt dat er in 2005 nog meer bestemmingen zullen worden aangeboden naar Johannesburg, Brussel en Toronto. Etihad zal de enige luchtvaartmaatschappij van de VAE zijn die vliegt naar Canada en de hoofdstad van Europa: Brussel.

De luchtvaartmaatschappij heeft met succes personeel aangetrokken van toonaangevende luchtvaartmaatschappijen uit de hele wereld van meer dan 70 nationaliteiten die een nieuwe denkstijl en een multiculturele ideologie mogelijk maken met de gast centraal bij alles wat de maatschappij doet.

Ons plan focust op het inspelen op de behoeften van onze groeiende thuismarkt terwijl wij de kernopdrachten van de sector volgen waarbij reizen voor onze gasten eenvoudig en comfortabel wordt gehouden, met waar voor hun geld en bovenal het inlossen van verwachtingen.

Een luchtvaartmaatschappij die werd uitgedacht om aan te sluiten op de eisen van een snel veranderende wereld.

Hoogtepunten uit de recente maanden zijn onder andere het onthullen van de verwachte Airbus A380 in Toulouse, het dubbeldeksvliegtuig dat Etihad zal ontwerpen voor een optimaal comfort van de gasten en de levering van het nieuwe vliegtuig dat Eithad recent leasede.

Etihad Crystal Cargo is bijzonder succesvol gebleken toen het zich positioneerde op de luchtvrachtmarkt met een uniek transparant plan en kreeg complimenten voor zijn innovatie

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en technologie van de 21e eeuw terwijl Etihad Holidays begint met het maken van een echt verschil als een echte partner voor reizigers met een grote aanhang in de VAE.

Een bewijs van het zakelijk succes van Etihad Crystal Cargo viel af te lezen uit de levering van zijn eerste all-cargovliegtuig, het regionale vrachtvliegtuig A300-600.

De luchtvaartmaatschappij loopt gretig vooruit op de levering van haar allereerste door Etihad ontworpen vliegtuigen met de komst van een vloot Boeing 777's eind oktober die verschillende kenmerken hebben die uniek zullen zijn en zullen bijdragen tot het welzijn en het comfort van onze gasten. De toekomstige entertainmentsystemen aan boord en de introductie van ultramodern live internet kreeg al ruime bekendheid.

Onlinediensten werden voorgesteld waarbij voor de eerste keer boekingsfaciliteiten in het leven werden geroepen en de luchtvaartmaatschappij heeft zich ertoe verbonden e-ticketingopties aan te bieden in 2006.

De unieke manier waarop Etihad Airways zijn gasten benadert, vergt een persoonlijke benadering van elke gast waarbij hij of zij echt erkenning geniet en naar waarde wordt geschat. De luchtvaartmaatschappij werkt op dit moment samen met verschillende internationale partners om een uniek gastenwaarderingsprogramma op het getouw te zetten.

Sponsoring van de Gulf Cup voetbal bleek een succesvol vehikel om naambekendheid en respect voor de luchtvaartmaatschappij op te bouwen als deel van de marketingmix.

De luchtvaartmaatschappij had een druk bezochte stand op de internationale reisbeurs in het VK, Duitsland en de VAE en kreeg heel wat lof voor haar unieke standconcept dat erin bestond op zoek te gaan naar input en ideeën van potentiële gasten voor de toekomst van de luchtvaart.

Werving is een determinerende factor voor het langetermijnsucces van Etihad en overal ter wereld blijkt Etihad succes te boeken bij het vinden van enkele van de beste en slimste medewerkers die kunnen helpen om te beginnen met een innovatiecultuur. Etihad benoemde onlangs uit eigen kring Robert Strodel als Chief Executive Officer.

In een tijd waarin de sector kreunt onder problemen met brandstofkosten en andere factoren trekt Etihads optimisme en een volledig engagement voor de veiligheid en het comfort van de gasten velen aan die iets nieuws en anders willen opbouwen in de luchtvaartsector.

Vooral de prestaties en de toewijding van de crew van de vlucht die tot uiting kwamen in de ongewoon positieve feedback van de gasten heeft ervoor gezorgd dat deze eerste groeiperiode vóór de komst van de vloot nieuwe vliegtuigen werd gekenmerkt door echte klantentevredenheid en een gezonde basis voor toekomstige groei.

Zoals de internationaal vermaarde Daily Telegraph het stelde: "We waren onder de indruk van Etihad... het cabinepersoneel is de echte ster – attent, beleefd zonder vleierij en zeer behulpzaam."
[Getekend] Dr. Ahmed Bin Saif Al Nahyan
Voorzitter van de raad

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Website: www.ae-kpmg.com

De aandeelhouder
Etihad Airways PJSC
Abu Dhabi

Verslag van de commissarissen

Wij hebben de balans gecontroleerd van Etihad Airways PJSC (de vennootschap) op 31 december 2004, die u als bijlage aantreft, en de daarmee verbonden resultatenrekening, het statement of changes in equity en het kasstroomoverzicht voor het boekjaar van 17 maanden dat eindigde op 31 december 2004.

Respectieve verantwoordelijkheden van het ondernemingsbestuur en de commissarissen

Deze jaarrekening valt onder de verantwoordelijkheid van het ondernemingsbestuur. Onze verantwoordelijkheid bestaat uit het geven van een opinie over deze jaarrekening, gegrond op onze audit.

Verklaring voor de keuze van de opinie

Wij voerden onze audit uit in overeenstemming met de International Standards on Auditing. Die normen vergen dat wij de controle zo plannen en uitvoeren dat men met een redelijke zekerheid kan aannemen dat de jaarrekening getrouw is. Een audit houdt onder meer het steekproefsgewijs onderzoek van de bewijzen in die de bedragen en de bekendmakingen in de rekeningen staven. Een audit houdt ook het evalueren in van de gebruikte boekhoudkundige principes en de significante ramingen van de directie alsmede een evaluatie van de globale presentatie van de jaarrekening. Wij geloven dat onze audit een redelijke grondslag biedt voor onze opinie.

Opinie

Wij zijn van mening dat de jaarrekening de financiële toestand van de vennootschap op 31 december 2004 en haar exploitatieresultaten en kasstromen getrouw weergeeft in alle materiële opzichten voor het boekjaar van 17 maanden dat eindigde op 31 december 2004 in overeenstemming met de internationale Financial Reporting Standards.

2 oktober 2005

[Getekend] KPMG

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Etihad Airways PJSC

Resultatenrekening

voor het boekjaar van 17 maanden dat eindigde op 31 december 2004

	Toelichting	**Boekjaar van 17 maanden dat eindigde op 31 december 2004 AED'000**
Inkomsten	4	**316.806**
Directe bedrijfskosten	5	**(629.454)**
Brutoverlies		**(312.648)**
Overige exploitatiewinst		**4.061**
Management- en marketingkosten	6	**(87.936)**
Exploitatieverlies		**(396.523)**
Netto financiële kosten	7	**(1.566)**
Nettoverlies over het boekjaar		**(398.089)**

De toelichting op bladzijden 8 tot 17 maakt deel uit van deze jaarrekening.

Het verslag van de commissaren staat op bladzijde 3.

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Etihad Airways PJSC

Balans

op 31 december 2004

	Toelichting	2004 AED'000
Niet-vlottende activa		
Materiële vaste activa	8	**188.732**
Voorschotten aan leveranciers	9	**1.804.728**
		1.993.460
Vlottende activa		
Voorraden	10	**18.805**
Te ontvangen posten en voorafbetalingen	11	**138.337**
Kasmiddelen, bank- en girosaldi	12	**32.678**
		189.820
Vlottende passiva		
Te betalen posten en te betalen kosten	13	**255.098**
Bedragen verschuldigd aan een verbonden partij	14	**107.890**
Langlopend krediet	15	**33.066**
Rekening-courantkredieten	12	**49.981**
		446.035
Netto vlottende activa		**(256.215)**
Niet-vlottende activa		
Lening van aandeelhouder	16	**(1.804.728)**
Uitgestelde inkomsten	17	**(130.606)**
Nettopassiva		**(198.089)**
Gefinancierd door:		
Aandelenkapitaal	18	**200.000**
Geaccumuleerd verlies		**(398.089)**
		(198.089)

Deze jaarrekening werd goedgekeurd op 2 oktober 2005 door:

[Getekend]	[Getekend]
Dr. Ahmed Bin Saif Al Nahyan	**Robert Strodel**
Voorzitter van de raad	**Chief Executive Officer**

De toelichting op bladzijden 8 tot 17 maakt deel uit van deze jaarrekening.

Het verslag van de commissarisen staat op bladzijde 3.

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Etihad Airways PJSC

Statement of changes in equity (overzicht van de veranderingen in vermogen)

voor het boekjaar van 17 maanden dat eindigde op 31 december 2004

	Aandelenkapitaal	Geaccumuleerd verlies	Totaal
	AED'000	AED'000	AED'000
Geplaatst aandelenkapitaal	200.000	-	200.000
Nettoverlies over het boekjaar	-	(398.089)	(398.089)
Op 31 december 2004	**200.000**	**(398.089)**	**(198.089)**

De toelichting op bladzijden 8 tot 17 maakt deel uit van deze jaarrekening.

Het verslag van de commissarissen staat op bladzijde 3.

Etihad Airways PJSC 0273390473

Kasstroomoverzicht

voor het boekjaar van 17 maanden dat eindigde op 31 december 2004

	2004 AED'000
Exploitatieactiviteiten	
Nettoverlies over het boekjaar	**(398.089)**
Aanpassingen voor:	
Afschrijvingen	**10.175**
Rentelast	**1.730**
Inkomsten uit rente	**(164)**
Exploitatieverlies vóór veranderingen in werkkapitaal	**(386.348)**
Verhoging van de voorraden	**(18.805)**
Verhoging van de te ontvangen posten en voorafbetalingen	**(138.337)**
Verhoging van de te betalen posten en te betalen kosten	**255.098**
Verhoging van de bedragen verschuldigd aan een verbonden partij	**107.890**
Verhoging van de uitgestelde inkomsten	**130.606**
Kasstromen uit exploitatieactiviteiten	**(49.896)**
Investeringsactiviteiten	
Verwerving van materiële vaste activa	**(198.907)**
Voorschotten aan leveranciers	**(1.804.728)**
Ontvangen interest	**164**
Kasstromen uit investeringsactiviteiten	**(2.003.471)**
Financieringsactiviteiten	
Geplaatst aandelenkapitaal	**200.000**
Ontvangen lening op korte termijn	**33.066**
Ontvangen lening op lange termijn	**1.804.728**
Betaalde interest	**(1.730)**
Kasstromen uit financieringsactiviteiten	**2.036.064**
Liquide en snel vrij te maken middelen op het einde van het boekjaar *(toelichting 12)*	**(17.303)**

De toelichting op bladzijden 8 tot 17 maakt deel uit van deze jaarrekening.

Het verslag van de commissarissen staat op bladzijde 3.

Toelichting bij de jaarrekening

1 Rechtsvorm en hoofdactiviteit

Etihad Airways PJSC ("de vennootschap") is een openbare vennootschap op aandelen opgericht in het emiraat Abu Dhabi overeenkomstig artikel 1 van de Wet van Abu Dhabi nr. I van 2003, de dato 5 januari 2003. De vennootschap werd ingeschreven in het handelsregister in augustus 2003 en begon met de handelsactiviteiten in november 2003. Het aandelenkapitaal van de vennootschap werd volledig verstrekt door de regering van Abu Dhabi ("de aandeelhouder"). Ingevolge goedkeuring van het Kabinet van de Staat de dato 29 maart 2004 is de vennootschap vrijgesteld van de bepalingen van de Federale Wet nr. 8 van 1984 (zoals gewijzigd).

De hoofdactiviteit van de vennootschap is het verzorgen van commercieel luchtvervoer omvattende passagiersvervoerdiensten, vrachtvervoerdiensten, pakketreizen en postvervoerdiensten in de vorm van lijn- en chartervluchten.

2 Grondslagen voor de opstelling

Overeenkomstig artikel 7 van de Wet van Abu Dhabi nr. 1 van 2003 de dato 5 januari 2003 werd deze jaarrekening opgesteld voor de aanvangsperiode van het begin der activiteiten op 9 augustus 2003 tot 31 december 2004. Vanwege de aard van de beheerders van het vermogen van de vennootschap krijgt zij allerhande ondersteuning van de aandeelhouder waarbij ongeacht haar vermelde financiële positie en resultaten de continuïteit van haar exploitatie als een going concern wordt gewaarborgd.

3 Voornaamste boekhoudkundige principes

Complianceverklaring

Deze jaarrekening werd opgesteld in overeenstemming met de International Financial Reporting Standards.

Grondslag van de boekhouding

Deze jaarrekening wordt voorgelegd in VAE dirham, afgerond tot het dichtstbijgelegen duizendtal, en werd opgesteld met de historische kostprijs als grondslag.

Inkomsten

Verkoop van tickets aan passagiers en vervoersdocumenten voor vracht zonder fiscale stimuleringsmaatregelen worden erkend als inkomsten wanneer de transportdienst wordt verleend. Tot dat tijdstip worden zij geboekt als vlottende passiva bij de vooruitontvangen inkomsten. Commissiekosten worden erkend op hetzelfde tijdstip als de inkomsten waarop zij betrekking hebben en worden toegerekend aan de kosten. De waarde van tickets voor passagiers en vervoersdocumenten voor vracht die werden verkocht, maar die gedurende meer dan 12 maanden niet werden gebruikt of waarvan anderszins wordt verwacht dat zij niet worden gebruikt, wordt in de boeken opgenomen als inkomsten.

Inkomsten uit rente

Inkomsten uit rente worden erkend in de resultatenrekening volgens de boekhoudmethode met overlopende passiva en activa.

Leenkosten

Leenkosten worden ten laste genomen in het boekjaar waarin zij worden gemaakt.

3 Voornaamste boekhoudkundige principes (vervolg)

Vreemde valutatransacties

Transacties die luiden in vreemde valuta worden omgezet in VAE dirham en geboekt tegen de wisselkoersen die gelden op de datum van de transactie. Monetaire activa en passiva uitgedrukt in vreemde valuta op balansdatum, worden omgerekend naar VAE dirham tegen de op die dag geldende wisselkoers. Gerealiseerde en niet-gerealiseerde wisselkoerswinsten en –verliezen worden behandeld in de resultatenrekening.

Fiscaliteit

Aan de fiscale verplichtingen wordt voldaan wanneer de belastingschuld ontstaat tenzij wanneer de directie er vast van overtuigd is dat uiteindelijk een vrijstelling van die belastingverplichting zal worden toegekend door de betrokken landen.

Materiële vaste activa

Materiële vaste activa worden vermeld tegen kostprijs min afschrijvingen en voorzieningen en bijzondere waardeverminderingen, indien van toepassing. Afschrijvingen op posten van materiële vaste activa worden toegerekend aan de resultatenrekening op een rechtlijnige basis gespreid over de economische levensduur van de activa, die als volgt is:

	Jaren
Vliegtuigen	15
Gebouwen en gehuurd vastgoed	5-20
Computerhardware en –software	3-5
Meubilair en inrichting	3-5
Overige materiële vaste activa	3-5

Belangrijke wijzigingen en investeringen in materiële vaste activa worden gekapitaliseerd en afgeschreven over de overblijvende economische levensduur van het actief.

Onderhanden kapitaalwerk

Kosten gemaakt voor materiële vaste activa die niet volledig en gebruiksklaar zijn op balansdatum worden verwerkt als onderhanden kapitaalwerk. Deze activa worden niet afgeschreven totdat zij in gebruik worden genomen en worden overgedragen naar de gepaste categorie van activa.

Leases

Leases waarbij de vennootschap substantieel alle risico's en voordelen van het eigenaarschap draagt, worden aangemerkt als financiële lease. Materiële vaste activa die worden verworven door middel van een financiële lease worden vermeld tegen een bedrag dat gelijk is aan de reële waarde of de huidige waarde van de minimale betalingen voor de lease bij aanvang van de lease min afschrijvingen en

voorzieningen en bijzondere waardeverminderingen, indien van toepassing, naargelang welke waarde de laagste is.

Betalingen uitgevoerd voor operationele leases worden erkend in de resultatenrekening op een systematische basis, gespreid over de termijn van de lease. Ontvangen fiscale stimuleringsmaatregelen voor leases worden erkend in de resultatenrekening als een volwaardig deel van de totale leasekosten.

3 Voornaamste boekhoudkundige principes (vervolg)

Bijzondere waardeverminderingen

De boekwaarde van de activa van de vennootschap, behalve de voorraden, wordt op elke balansdatum beoordeeld om te bepalen of er aanwijzingen zijn voor een bijzondere waardevermindering. Indien een dergelijke aanwijzing bestaat, wordt de bedrijfswaarde geschat op elke balansdatum. Een bijzondere waardevermindering wordt erkend telkens de boekwaarde van een actief de bedrijfswaarde ervan overschrijdt. Bijzondere waardeverminderingen worden erkend in de resultatenrekening.

Voorraden

Voorraden worden vermeld tegen kostprijs of netto realiseerbare waarde al naargelang de laagste waarde. De kosten omvatten grondstoffen en, waar van toepassing, directe arbeidskosten en die overheadkosten die werden gemaakt om de voorraden naar hun huidige locatie en in hun huidige toestand te brengen. De kosten worden bepaald met gebruik van de methode van het gewogen gemiddelde. De netto realiseerbare waarde is de geschatte verkoopprijs, in de normale bedrijfsuitoefening, min de geschatte verkoopkosten.

Verbrekingsvergoedingen voor het personeel en pensioen

De voorziening voor verbrekingsvergoedingen voor het personeel opgenomen onder te betalen posten en te betalen kosten wordt aangelegd in overeenstemming met de Federale Arbeidswet van de VAE en wordt bepaald als het passief dat zou ontstaan indien alle arbeidsovereenkomsten zouden worden beëindigd op balansdatum.

Maandelijkse pensioenbijdragen worden betaald voor de nationale werknemers van de VAE, die worden gedekt door Wet nr. 2 van 2000. Het pensioenfonds wordt beheerd door de regering van Abu Dhabi, ministerie van Financiën, vertegenwoordigd door het Retirement Pensions and Benefits Fund.

Verbrekingsvergoedingen voor werknemers met standplaats buiten de VAE worden verschaft in overeenstemming met de relevante plaatselijke voorschriften.

Voorzieningen

Een voorziening wordt erkend in de balans wanneer de vennootschap een wettelijke of feitelijke verplichting heeft als gevolg van een voorbije gebeurtenis en het waarschijnlijk is dat een uitstroom van economische voordelen zal noodzakelijk zijn om aan de verplichting te voldoen.

Liquide en snel vrij te maken middelen

Liquide en snel vrij te maken middelen omvatten banksaldi en termijndeposito's zonder rekening-courantkredieten.

4 Inkomsten

	boekjaar van 17 maanden dat eindigde op 31 december 2004 AED'000
Passagiers	**219.501**
Vracht	**68.149**
Ongeregeld – gecharterd *(toelichting 17)*	**16.972**
Belastingvrije inkomsten	**6.112**
Ongeregeld – gecharterd (overige)	**4.436**
Overvracht	**1.168**
Vakantiebestemmingen en vrije tijd	**468**
	316.806

5 Directe bedrijfskosten

	boekjaar van 17 maanden dat eindigde op 31 december 2004 AED'000
Kosten die met personeel te maken hebben	**128.888**
Brandstof en olie	**134.038**
Operationele leases voor vliegtuigen	**98.272**
Onderhoud van vliegtuigen	**56.853**
Catering aan boord	**44.604**
Afhandeling	**41.893**
Overvliegen	**29.965**
Opstartkosten	**21.291**
Commissie	**18.770**
Landen en parkeren	**14.434**
Verzekeringen	**13.897**
Reservatiekosten	**13.089**
Afschrijvingen	**5.374**
Overige	**8.086**
	629.454

6 Management- en marketingkosten

	Boekjaar van 17 maanden dat eindigde op 31 december 2004 AED'000
Personeelssalarissen	**5.572**
Reclame en promotie	**34.685**
Huur	**7.400**
Opleiding	**2.550**
Drukwerk en kantoorbenodigdheden	**4.651**
Afschrijvingen	**4.801**
Afschrijving van intellectuele eigendommen	**136**
Herstellingen en onderhoud	**1.733**
Communicatie	**3.586**
Professionele en juridische diensten	**7.184**
Diverse kosten	**15.638**
	87.936

7 Netto financiële kosten

	Boekjaar van 17 maanden dat eindigde op 31 december 2004 AED'000
Interestkosten	**1.730**
Inkomsten uit rente	**(164)**
	1.566

8 Materiële vaste activa

De materiële vaste activa worden uitvoerig besproken in de bijlage I op bladzijde 17.

9 Voorschotten aan leveranciers

In de loop van 2004 plaatste de vennootschap vaste orders bij leveranciers om bepaalde vliegtuigen aan te kopen. De regering van Abu Dhabi deed de aanbetalingen aan de leveranciers namens de vennootschap. Aangezien de vennootschap momenteel werkt aan het afronden van leaseovereenkomsten voor deze vliegtuigen werden deze betalingen verwerkt als voorschotten aan leveranciers. Hieronder volgen de details van zulke voorschotten:

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Vliegtuig	Aanbetaling AED'000	Leveringsjaar
Airbus	1.065.334	2006 – 2008
Boeing	739.394	
	----------	2005
Totaal	1.804.728	

10 Voorraden

	2004 AED'000
Consumptiegoederen aan boord	**9.803**
Overige consumptiegoederen	**9.002**

	18.805

11 Te ontvangen posten en voorafbetalingen

	2004 AED'000
Handelsdebiteuren	**55.323**
Deposito's	**70.534**
Voorafbetalingen en overige te ontvangen posten	**9.655**
Voorschotten	**2.825**

	138.337

12 Liquide en snel vrij te maken middelen

	2004 AED'000
Bank- en girosaldi	**31,205**
Termijndeposito's	**1.395**
Kasmiddelen	**78**

Kasmiddelen, bank- en girosaldi	**32.678**
Rekening-courantkredieten	**(49.981)**
Liquide en snel vrij te maken middelen	**(17.303)**

De vennootschap heeft faciliteiten voor rekening-courantkredieten verkregen bij handelsbanken. Voor deze faciliteiten wordt interest aangerekend tegen de geldende markttarieven. Interest op termijndeposito's wordt verdiend tegen de geldende markttarieven.

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13 Te betalen posten en te betalen kosten

	2004 AED'000
Handelsschulden	**145.909**
Verkopen van tickets voor passagiers en vervoersdocumenten voor vracht vooraf	**50.924**
Te betalen kosten en overige te betalen posten	**55.415**
Voorziening voor verbrekingsvergoedingen voor het personeel	**2.850**
	255.098

14 Verbonden partijen

De verbonden partijen omvatten de aandeelhouder en die entiteiten waarin de aandeelhouder of de vennootschap aanzienlijk wat invloed kan uitoefenen of die aanzienlijk kunnen worden beïnvloed door deze entiteiten. In de normale bedrijfsuitoefening ontvangt de vennootschap van deze entiteiten diensten en verleent zij aan deze entiteiten diensten tegen voorwaarden die werden goedgekeurd door de directie van de vennootschap. In de loop van het boekjaar waren de transacties met verbonden partijen als volgt:

	Boekjaar van 17 maanden dat eindigde op 31 december 2004 AED'000
Onderhoudskosten	**53.246**
Afhandelingskosten	**1.107**
Ontvangen gelden	**115.995**
Kredietbrieven die werden uitgegeven namens de vennootschap	**25.490**

15 Langlopend krediet

Langlopend krediet verkreeg de vennootschap bij een handelsbank waarvoor een interestvoet van LIBOR plus 1 % moet worden betaald.

16 Lening van aandeelhouder

De vennootschap kreeg een renteloze lening van de aandeelhouder zonder vaste terugbetalingstermijnen.

17 Uitgestelde inkomsten

De vennootschap kocht een vliegtuig aan (Boeing 767-341 ER) van een verbonden partij, tegen een gesubsidieerde prijs van 1 USD met als voorwaarde het verzorgen van 2.000 kosteloze vluchturen voor de verbonden partij in de toekomst. Dit vliegtuig werd gewaardeerd op 148 miljoen AED, op grond van een onafhankelijke schatting uitgevoerd door een professionele en zelfstandige schatter. De waarde van het verzorgen van deze vluchturen wordt geboekt als uitgestelde inkomsten, gemeten tegen de reële waarde van de diensten die moeten worden verleend door de vennootschap. De reële waarde van het verzorgen van de vluchturen verschilt materieel gezien niet van de waarde van het vliegtuig zoals bepaald door de zelfstandige schatter

	2004 AED'000
Waarde van het vliegtuig	147.578
Reële waarde van de verzorgde uren	(16.972)
	130.606

18 Kapitaal

	2004 AED'000
Toegestaan:	
5 miljoen aandelen van elk 100 AED	500.000
Uitgegeven en volgestort:	
2 miljoen aandelen van elk 100 AED	200.000

19 Voorwaardelijke passiva en kapitaalverbintenissen

	2004 AED'000
Garantverklaring	5.284
Kredietbrief	28.378
Uitvoeringsborgtochten	607

Operationele leases

Toekomstige minimale betalingen voor de leases zijn als volgt:	2004 AED'000
Minder dan 1 jaar	246.470
2-5 jaar	726.356
Meer dan 5 jaar	294.812
	1.267.638

In de loop van 2004 plaatste de vennootschap vaste orders bij leveranciers om bepaalde vliegtuigen aan te kopen. Op balansdatum bedroegen de uitstaande verbintenissen voor deze orders 1.100 USD (AED: 4.041) miljoen (Toelichting 9).

20 Financiële instrumenten

Financiële activa van de vennootschap omvatten kasmiddelen en banksaldi en te ontvangen posten. Financiële passiva van de vennootschap omvatten handelsschulden en overige te betalen posten, rekening-courantkredieten, langlopend krediet en bedragen verschuldigd aan een verbonden partij.

Kredietrisico

De directie beschikt over een kredietbeleid en de blootstelling aan het kredietrisico wordt voortdurend bewaakt. De kredietwaardigheid van alle klanten wordt onderzocht wanneer zij krediet aanvragen boven een bepaald bedrag. Op balansdatum waren er geen significante kredietrisicoconcentraties.

Rentevoetrisico

De werkelijke rentevoeten op de bankfaciliteiten van de vennootschap zijn gekoppeld aan de geldende banktarieven.

Koersrisico

De vennootschap schaft goederen en diensten aan via overzeese leveranciers. Het koersrisico wordt beperkt omdat het grootste deel van zulke transacties luiden in US dollar, die gekoppeld is aan de VAE dirham. De directie acht het niet noodzakelijk om de vennootschap in te dekken tegen het risico.

Reële waarde

De reële waarden van de financiële instrumenten van de vennootschap verschillen materieel gezien niet van hun boekwaarden.

21 Vergelijkende cijfers

Dit is de eerste jaarrekening van de vennootschap voor het boekjaar van 17 maanden dat eindigde op 31 december 2004 en dienovereenkomstig worden er geen vergelijkende cijfers vermeld.

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Etihad Airways PJSC

Toelichting bij de jaarrekening

Materiële vaste activa

Kosten	**Vliegtuigen * AED'000**	**Gebouwen en gehuurd vastgoed AED'000**	**Computerhardware en –software AED'000**	**Meubilair en inrichting AED'000**	**Overige materiële vaste activa**	**Onderhanden kapitaalwerk AED'000**	**Totaal AED'000**
Toevoegingen	147.578	5.769	11.278	5.699	7.132	21.451	198.907
Op 31 december 2004	**147.578**	**5.769**	**11.278**	**5.699**	**7.132**	**21.451**	**198.907**
Afschrijvingen							
Last voor het boekjaar	4.944	1.795	1.390	697	1.349	-	10.175
Op 31 december 2004	4.944	1.795	1.390	697	1.349	-	10.175
Nettoboekwaarde **Op 31 december 2004**	**142.634**	**3.974**	**9.888**	**5.002**	**5.783**	**21.451**	**188.732**

* De vennootschap kocht een vliegtuig aan (Boeing 767-341 ER) van een verbonden partij, een entiteit van de regering van Abu Dhabi, tegen een gesubsidieerde prijs van 1 USD met als voorwaarde het verzorgen van 2.000 kosteloze vluchturen voor deze verbonden partij in de toekomst. Dit vliegtuig werd gewaardeerd op 17 december 2004, op grond van een onafhankelijke schatting uitgevoerd door *M/s* Airclaims, een professionele en zelfstandige schatter. De onafhankelijke schatting werd gebaseerd op de open markt voor bestaand gebruik *(zie toelichting 17).*

Etihad Airways PJSC

Financial Statements

31 December 2007



Principal Office: P O Box 35566 | Abu Dhabi | United Arab Emirates

Etihad Airways PJSC

Financial statements

31 December 2007

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Independent auditors' report

The Shareholder
Etihad Airways PJSC

Report on the financial statements

We have audited the accompanying financial statements of Etihad Airways PJSC ("the Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other requirements

As required by article 29 of the Company's Articles of Association, we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company and that a physical count of inventories was carried out by Management in accordance with established principles. We are not aware of any violation of the Articles of Association having occurred during the year ended 31 December 2007, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

16 June 2008

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Etihad Airways PJSC

Income statement

for the year ended 31 December 2007

	Note	2007 USD '000	2006 USD '000
Revenue	6	1,525,846	784,604
Direct operating costs	7	(1,776,546)	(1,090,553)
Gross loss		(250,700)	(305,949)
Other income		6,766	2,124
Administrative and marketing expenses	8	(292,556)	(171,401)
Results from operating activities		(536,490)	(475,226)
Impairment losses	10	-	(151,280)
Write off of property, plant and equipment	10	(16,238)	(13,545)
Finance income	9	33,278	11,300
Finance expense	9	(118,889)	(70,652)
Net finance expense		(85,611)	(59,352)
Loss for the year		(638,339)	(699,403)

The notes set out on pages 8 to 39 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Balance sheet

as at 31 December 2007

	Note	2007 USD '000	2006 USD '000
Assets			
Non current assets			
Property, plant and equipment	10	3,080,427	2,253,954
Intangible assets	11	10,615	9,964
Investments and derivatives	12	6,158	-
Total non current assets		3,097,200	2,263,918
Current assets			
Inventories	13	19,040	14,967
Trade receivables	14	162,088	105,748
Prepayments and other receivables	14	230,822	229,556
Investments and derivatives	12	406,694	-
Cash in hand and at banks	15	865,765	121,170
Total current assets		1,684,409	471,441
Total assets		4,781,609	2,735,359
Equity and liabilities			
Equity			
Share capital	16	1,375,068	136,091
Development reserve		46,952	46,952
Accumulated losses		(1,666,770)	(1,028,431)
Hedging reserve	17	86,151	-
Total equity		(158,599)	(845,388)

Etihad Airways PJSC

Balance sheet *(continued)*

as at 31 December 2007

	Note	2007 USD '000	2006 USD '000
Equity and liabilities *(continued)*			
Non current liabilities			
Loan from the Shareholder	*18*	1,989,676	1,457,491
Finance lease liabilities	*19*	2,019,814	750,005
Deferred revenue	*20*	-	30,965
Total non current liabilities		4,009,490	2,238,461
Current liabilities			
Borrowings from banks	*18*	-	375,397
Finance lease liabilities	*19*	120,889	30,031
Trade and other payables	*21*	463,979	277,726
Unearned revenue		301,350	96,850
Bank overdrafts	*15*	44,500	562,282
Total current liabilities		930,718	1,342,286
Total liabilities		4,940,208	3,580,747
Total equity and liabilities		4,781,609	2,735,359

These financial statements were approved and authorised for issue by the Board of Directors on

16 JUN 2008 and signed on their behalf by:

Dr. Ahmed Bin Saif Al Nahyan
Chairman of the Board

James Reginald Hogan
Chief Executive Officer

Ahmed Ali Al Sayegh
Chairman of the Executive Committee

James Denis Rigney
Executive Vice President - Finance

The notes set out on pages 8 to 39 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Statement of changes in equity

for the year ended 31 December 2007

USD '000

	Share capital	Accumulated losses	Development reserve	Hedging reserve	Total
At 1 January 2006	136,091	(329,028)	46,952	-	(145,985)
Loss for the year	-	(699,403)	-	-	(699,403)
At 31 December 2006	136,091	(1,028,431)	46,952	-	(845,388)
At 1 January 2007	136,091	(1,028,431)	46,952	-	(845,388)
Share capital introduced *(Note 16)*	1,238,977	-	-	-	1,238,977
Loss for the year	-	(638,339)	-	-	(638,339)
Net change in fair value of cash flow hedges *(Note 17)*	-	-	-	86,151	86,151
At 31 December 2007	**1,375,068**	**(1,666,770)**	**46,952**	**86,151**	**(158,599)**

The notes set out on pages 8 to 39 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Statement of cash flows

for the year ended 31 December 2007

	2007 USD '000	2006 USD '000
Cash flows from operating activities		
Loss for the year	**(638,339)**	(699,403)
Adjustments for :		
Depreciation	**130,214**	65,305
Amortisation of intangible assets	**3,395**	2,042
Loss on disposal of property, plant and equipment	**556**	120
Loss on disposal of intangible assets	**-**	75
Impairment losses on aircraft	**-**	151,280
Write off of property, plant and equipment	**16,238**	13,545
Finance expense	**118,889**	70,652
Interest income	**(33,278)**	(11,300)
	(402,325)	(407,684)
Change in inventories	**(4,073)**	(1,382)
Change in trade receivables	**(56,340)**	(98,031)
Change in prepayments and other receivables	**(1,266)**	(70,632)
Change in trade and other payables	**186,253**	155,147
Change in unearned revenue	**204,500**	64,576
Change in deferred revenue	**(284)**	(1,853)
	328,790	47,825
Interest paid	**(19,210)**	(29,404)
Net cash used in operating activities	**(92,745)**	(389,263)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,004,207)**	(1,322,324)
Proceeds from disposal of property, plant and equipment	**45**	299
Acquisition of intangible assets	**(4,046)**	(2,355)
Acquisition of other investments	**(476,717)**	-
Interest received	**31,899**	9,917
Net cash used in investing activities	**(1,453,026)**	(1,314,463)

Etihad Airways PJSC

Statement of cash flows *(continued)*

for the year ended 31 December 2007

	2007 USD '000	2006 USD '000
Cash flows from financing activities		
Proceeds from issue of share capital	**1,238,977**	-
Proceeds from loan from the Shareholder	**532,185**	343,529
Proceeds from short term loans	**158,000**	676,037
Repayment of short term loans	**(533,397)**	(422,540)
Increase in finance lease liability	**1,415,219**	798,000
Repayment of finance lease liability	**(54,552)**	(17,964)
Interest paid	**(99,679)**	(41,248)
Net cash from financing activities	**2,656,753**	1,335,814
Net increase / (decrease) in cash and cash equivalents	**1,110,982**	(367,912)
Cash and cash equivalents at 1 January	**(441,112)**	(74,583)
Effect of exchange rate fluctuations on cash held	**1,379**	1,383
Cash and cash equivalents at 31 December *(Note 15)*	**671,249**	(441,112)

The notes set out on pages 8 to 39 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Notes to the financial statements

1. Legal status and principal activities

Etihad Airways PJSC ("the Company" or "Etihad") is a public joint stock company incorporated in the Emirate of Abu Dhabi in accordance with Article 1 of Abu Dhabi's Law No. 1 of 2003 dated 5 January 2003. The Company was commercially registered in August 2003 and commenced commercial operations in November 2003. The Company's share capital is wholly contributed by the Government of Abu Dhabi ("the Shareholder"). Pursuant to State Cabinet approval dated 29 March 2004, the Company is exempt from various provisions of the United Arab Emirates ("UAE") Federal Law No. 8 of 1984 (as amended).

The principal activities of the Company are to provide commercial air transportation which includes passenger, cargo and holiday packages on scheduled and charter basis.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for derivative financial instruments and land which are measured at fair value.

The methods used to measure fair values are described further in Notes 4 and 10 respectively.

(c) Functional and presentation currency

The functional currency of the Company is UAE Dirhams ("AED"). These financial statements are presented in United States Dollars ("USD" or "$"). All financial information presented in USD has been rounded to the nearest thousand. All internal financial and management reporting is expressed in USD. Hence, to maintain consistency and uniformity in the reporting, these financial statements are presented in USD.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 27.

Notes to the financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Revenue

Passenger and cargo sales are recognised as revenue when the transportation service is provided. Passenger tickets and cargo airway bills sold but unused are held in the balance sheet under current liabilities as unearned revenue. Commission costs are recognised in the same time period as the revenue to which they relate and are charged to expenditure. Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends.

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

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into AED at the exchange rate at that date. The foreign currency gains or losses on monetary items is the difference between the amortised cost in AED at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the income statement, except for differences arising on retranslation of qualifying cash flow hedges, which are recognised directly in equity.

Foreign operations

The assets and liabilities of foreign operations are translated to AED at the exchange rate at the balance sheet date. The income and expenses of foreign operations are translated to AED at the exchange rates at the dates of the transactions.

(c) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the asset until such time the assets are substantially ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(d) Financial instruments

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Non derivative financial instruments

Non derivative financial instrument comprises trade and other receivables, financial assets at fair value through profit or loss, cash and cash equivalents, borrowings from banks, trade and other payables and finance lease liabilities.

Non derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is described in Note 3 (m).

Fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Other

Other non derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its jet fuel price risk exposure.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and the changes therein are accounted as described below.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(d) Financial instruments *(continued)*
Derivative financial instruments and hedge accounting (continued)

Hedge accounting

It is the Company's policy to document, at the inception of a hedge, the relationship between hedging instruments and hedged items, as well as risk management objective and strategy. The policy also requires documentation of the assessment, at inception and on an ongoing basis, of the effectiveness of the hedge.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period as the hedged item affects the income statement.

Other derivatives

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting or are not designated as such are recognised immediately in the income statement as a component of finance income/expense.

(e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (except for land as referred to in Note 10) and impairment losses, if any (refer to the accounting policy on impairment). Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When major parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within other income in the income statement.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(e) Property, plant and equipment *(continued)*

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each part of items of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

	Years
Aircraft	20
Aircraft engines and components	15 - 20
Buildings and leasehold property	5 - 20
Other property, plant and equipment	3 - 5

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset. Subsequent major overhaul expenditure is depreciated over the period to the next major overhaul.

No depreciation is charged on land.

Depreciation methods, useful lives and residual values are reviewed annually.

Capital projects

Expenditure incurred on property, plant and equipment, which are not complete and ready for use at the balance sheet date are treated as capital projects. Depreciation is not provided on such assets until they are transferred from capital projects to the appropriate category under property, plant and equipment.

Manufacturers' credits

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



Notes to the financial statements

3. Significant accounting policies *(continued)*

(f) Leases

Finance leases

Leases in terms of which Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The corresponding lease obligations are included under liabilities. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance lease are apportioned between finance expense and reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Other leases are operating leases and the leased assets are not recognised on the Company's balance sheet. Lease payments made under operating lease are recognised in the income statement on a systematic basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(g) Intangible assets

Recognition and measurement

Intangible assets acquired by the Company, with finite useful lives, are measured at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement when incurred.

Amortisation

Amortisation is recognised in the income statement on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Software	3 – 5
Intellectual property	5

Notes to the financial statements

3. Significant accounting policies *(continued)*

(h) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that the asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative impact on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(j) Staff terminal benefits and pension

Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement when they are due.

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Certain of the Company's overseas stations outside the UAE make contributions to their respective countries' pension schemes.

Termination benefits

Provision for staff terminal benefits included under trade and other payables is made in accordance with the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff was terminated at the balance sheet date. Staff terminal benefits for employees based outside the UAE are provided in accordance with the relevant local regulations.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing of which is uncertain.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(l) Taxation

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

(m) Finance income and finance expenses

Finance income mainly comprises interest on term deposits and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest on finance leases, interest on loans and borrowings and foreign currency losses. All finance expenses are recognised in the period in which they are incurred in the income statement using the effective interest method. Also refer policy on borrowing cost.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(n) Frequent flyer programme

The Company manages a travel incentive programme called "Etihad Guest", which allows members travelling on the Company's (and certain partner airlines') flights to accumulate Guest Miles that entitle them to various awards.

The estimated direct incremental cost of providing services, in exchange for redemption of miles earned by members is accrued as participants earn miles from the purchase of airline tickets. The provision is based on the expected incremental direct cost of providing the travel rewards on the Company's flights and on non-airline or other partner airlines. The provision is reduced to reflect the outstanding obligation as members redeem miles or as their entitlement to awards expires.

The Company has not applied *IFRIC 13 Customer Loyalty Programmes,* which is not yet effective for the year ended 31 December 2007. IFRIC 13 addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods and services. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have any significant impact on the financial statements.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Financial assets at fair value through profit or loss

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted price at the reporting date.

Notes to the financial statements

5. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk,
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the design, establishment, oversight and monitoring of the Company's risk management framework and is assisted by the Risk Management Committee and the Treasury department (the "Treasury"). The Risk Management Committee is responsible for developing and monitoring the Company's risk management policies, which are approved by the Board. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Risk Management Committee is responsible for overall risk management covering specific areas, such as commodity price risk, currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity, based on principles provided by the Board.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and countries in which customers operate, has less of an influence on credit risk. At the reporting date, approximately 50% of the company's trade receivables are from customers domiciled in the UAE.

The Company has policies in place to ensure that sales of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn has adequate securities in place. Where the customers are not members of the clearing house adequate securities are taken for the appropriate level of commercial activity. Sales to retail customers are made in cash or credit cards.

Notes to the financial statements

5. Financial risk management *(continued)*

Credit risk *(continued)*
Trade and other receivables (continued)

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Derivative financial instruments

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Company. Derivative contracts are entered into with high-credit-quality financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution.

Investments

The Company limits its exposure to credit risk by investing only in capital guaranteed investments having fixed maturity terms. The management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Treasury ensures that the Company has sufficient cash and marketable securities and funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Company maintains USD 620 million worth of unsecured overdraft facilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by Risk Management Committee. Generally the Company seeks to apply hedge accounting in order to manage volatility in the income statement.

Notes to the financial statements

5. Financial risk management *(continued)*

Market risk *(continued)*

Currency risk

The Company operates internationally and is exposed to currency risk arising from various currency exposures that are denominated in currencies other than the functional currency of the Company. The currencies in which these transactions primarily are denominated are Euro ("EUR") and Pound Sterling ("GBP"). In respect of the Company's transactions denominated in the functional currency and other currencies that are pegged to USD the Company is currently not exposed to currency risk as AED is pegged to USD at a fixed rate of exchange. Treasury is responsible for managing the net foreign exchange exposures by using derivative contracts when deemed necessary.

Commodity price risk

The Company's main commodity price risk relates to the purchase price of its jet fuel. The Company's risk management policy is to hedge between 50% and 80% of anticipated exposure for the subsequent 12 months, and up to 50% and 25% of exposure for periods up to 24 months and 36 months respectively. Treasury is responsible for managing the commodity price exposure of the Company by using derivative contracts to maintain hedge levels within policy parameters laid down by the Board.

Interest rate risk

The Company's policy is to secure a significant proportion of its borrowings in fixed rate instruments in the short to medium term, allowing an increased proportion of floating interest exposure in the medium to long term.

Capital management

The Company's policy is to maintain a strong capital base with the support of the Shareholder in order to support the investment, operations and to sustain future development of the business.

The Company is not subject to externally imposed capital requirements.

Notes to the financial statements

6. Revenue

	2007 USD '000	2006 USD '000
Passenger	1,209,855	567,188
Cargo	275,378	187,748
Non scheduled chartered	20,181	16,019
Non scheduled chartered *(Note 20)*	284	1,853
Destination and leisure	9,791	5,906
Other revenue	10,357	5,890
	1,525,846	784,604

7. Direct operating costs

	2007 USD '000	2006 USD '000
Aviation fuel *(Note 17)*	599,467	369,331
Aircraft operating leases	97,749	104,428
Aircraft maintenance	230,773	137,433
Overflying	76,548	49,038
Landing and parking	46,901	20,249
Handling	118,841	78,399
Inflight expenses	107,824	69,384
Commission and incentives	88,440	29,498
Reservation expenses	43,701	29,035
Staff related costs	167,860	100,468
Destination and leisure expenses	8,290	4,429
Depreciation	123,008	62,048
Other operating expenses	67,144	36,813
	1,776,546	1,090,553

Notes to the financial statements

	2007 USD '000	2006 USD '000
8. Administrative and marketing expenses		
Staff related costs	**118,532**	60,283
Advertisement and promotion	**55,632**	42,639
Rent and utilities	**14,596**	12,715
Training expenses	**7,024**	3,291
Communication expenses	**16,832**	9,462
Legal and consultancy charges	**30,083**	3,726
Depreciation	**7,178**	3,257
Amortisation of intangible assets	**3,395**	2,042
Other administrative expenses	**39,284**	33,986
	292,556	171,401

	2007 USD '000	2006 USD '000
9. Net finance expense		
Aircraft financing costs	**99,679**	41,248
Interest cost	**19,210**	29,404
Finance expense	**118,889**	70,652
Interest on deposits	**(31,899)**	(9,917)
Foreign exchange gain	**(1,379)**	(1,383)
Finance income	**(33,278)**	(11,300)
Net finance expense	**85,611**	59,352

Notes to the financial statements

10. Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on pages 37 and 38.

11. Intangible assets

Details of intangible assets are set out in Schedule II on page 39.

12. Investments and derivatives

	2007 USD '000	2006 USD '000
(a) Non current:		
Derivatives used for hedging	6,158	-
	6,158	-
(b) Current:		
Financial assets at fair value through profit or loss	326,701	-
Derivatives used for hedging	79,993	-
	406,694	-

Financial assets at fair value through profit or loss are capital guaranteed and having fixed maturity terms.

The Company's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 25.

Notes to the financial statements

13. Inventories

	2007 USD '000	2006 USD '000
In-flight consumables	9,471	8,340
Other consumables	9,569	6,627
	19,040	14,967

Inventories are shown net of an allowance for impairment of USD 182 thousand *(2006: Nil)*.

14. Trade and other receivables

	2007 USD '000	2006 USD '000
(a) Trade receivables:		
Trade receivables	162,088	105,748
	162,088	105,748
(b) Prepayments and other receivables:		
Prepayments	63,272	44,830
Deposits	36,694	9,017
Other receivables	62,247	33,244
Advance to aircraft manufacturers	68,609	142,465
	230,822	229,556

Trade receivables are shown net of an allowance for impairment of USD 7,223 thousand *(2006: USD 687 thousand)*.

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 25.

Notes to the financial statements

	2007 USD '000	2006 USD '000
15. Cash and cash equivalents		
Term deposits	692,175	63,674
Cash at bank		
- in call accounts	78,844	19,919
- in current accounts	94,505	37,319
Cash in hand	241	258
Cash in hand and at banks	865,765	121,170
Less: Bank overdrafts	(44,500)	(562,282)
Less: Term deposits over three months	(150,016)	-
Cash and cash equivalents	671,249	(441,112)

The Company's exposure to interest rate risk for financial assets and liabilities are disclosed in Note 25.

	2007 USD '000	2006 USD '000
16. Share capital		
(a) **Authorised:**		
50.52 million shares of AED 100 each	1,375,068	136,091
(2006: 5 million shares of AED 100 each)		
(b) **Issued and fully paid:**		
At 1 January	136,091	136,091
Issued and paid up during the year	1,238,977	-
At 31 December	1,375,068	136,091

During the year 45.52 million shares of AED 100 (USD 27.22) each were issued and fully paid up in cash.

Notes to the financial statements

17. Hedging reserve

	2007 USD '000	2006 USD '000
At 1 January	-	-
Effective portion of changes in fair value of cash flow hedges	130,802	-
Net change in fair value of cash flow hedges transferred to aviation fuel *(Note 7)*	(44,651)	-
At 31 December	86,151	-

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

18. Loans and borrowings

	2007 USD '000	2006 USD '000
(a) Loan from Shareholder		
At 1 January	1,457,491	1,113,962
Borrowed during the year	532,185	343,529
At 31 December	1,989,676	1,457,491
(b) Borrowings from banks		
At 1 January	375,397	121,900
Borrowed during the year	158,000	676,037
Repaid during the year	(533,397)	(422,540)
At 31 December	-	375,397

The Company obtained a term loan facility ("facility") from the Shareholder for partial financing of the acquisition of aircraft fleet and related assets. On 9 April 2007 the Shareholder approved the financial restructuring plan and granted additional facility to the Company. However, the terms and conditions of repayment of the facility have not been finalised. The management believes that no amount is repayable during the financial year ending 31 December 2008. Further, due to a likelihood of the terms and conditions of the facility being renegotiated, the carrying value of the facility has not been adjusted to reflect its fair value at the reporting date on account of ongoing discussion in this regard with the Shareholder.

Borrowings from banks comprise bridge loans and a term loan. These borrowings were unsecured and carried interest rates ranging between 0.40% to 0.75% p.a. over three months USD LIBOR.



Notes to the financial statements

	2007 USD '000	2006 USD '000
19. Finance lease liabilities		
At 1 January	**780,036**	-
Additions during the year	**1,415,219**	798,000
Repayments during the year	**(54,552)**	(17,964)
Outstanding lease liabilities	**2,140,703**	780,036
Gross lease liabilities :		
Not later than one year	**255,303**	81,982
Later than one year but not later than five years	**990,765**	327,489
Later than five years	**1,890,666**	827,597
Gross lease liabilities	**3,136,734**	1,237,068
Future interest	**(996,031)**	(457,032)
Net lease liabilities	**2,140,703**	780,036
Net lease liabilities are payable as follows:		
Not later than one year *(current)*	**120,889**	30,031
Later than one year but not later than five years	**542,489**	141,727
Later than five years	**1,477,325**	608,278
Total over one year *(non current)*	**2,019,814**	750,005
Total net lease liabilities	**2,140,703**	780,036

The carrying amount of net lease liabilities appropriate their fair value.

Notes to the financial statements

20. Deferred revenue

	2007 USD '000	2006 USD '000
Value of aircraft	**40,168**	40,168
Fair value of hours provided	**(9,487)**	(9,203)
Fair value of unutilised hours transferred to income statement	**(30,681)**	-
	-	30,965

The Company acquired an aircraft (Boeing 767-341ER) in 2004 from a related party, at a nominal value of USD 1 with a condition to provide 2,000 flight hours to the related party, without any charge in future. The aircraft was valued at USD 40 million, based on an independent valuation undertaken by a professional and independent valuer on 17 December 2004. The value of providing these flight hours is recorded as deferred revenue, measured at the fair value of the services to be provided by the Company.

During the current year, the Company returned the aircraft at its nominal value of USD 1. As a result of the aircraft having been returned, the Company is no more liable to provide the unutilised flight hours and consequently the fair value of the unutilised hours are recognised in the income statement as part of other income.

21. Trade and other payables

	2007 USD '000	2006 USD '000
Trade payables	**82,984**	115,827
Amount due to related parties	**11,087**	23,489
Accruals and other payables	**348,297**	131,257
Provision for staff terminal benefits	**21,611**	7,153
	463,979	277,726

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

Movement in the provision for staff terminal benefits is as follows:

	2007 USD '000	2006 USD '000
At 1 January	**7,153**	2,947
Provided during the year	**15,504**	4,779
Paid during the year	**(1,046)**	(573)
At 31 December	**21,611**	7,153



Notes to the financial statements

22. Related parties

Identity of related parties

The Company, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Company has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company).

Transactions with key management personnel

	2007 USD '000	2006 USD '000
Short term employee benefits	**4,785**	2,369
End of service benefits	**288**	549
	5,073	2,918

Other related party transactions

	2007 USD '000	2006 USD '000
Maintenance charges	**-**	47,238
Handling charges	**28,417**	11,651
Catering charges	**53,829**	32,918
Landing and parking	**11,208**	-
Other services	**17,909**	6,022

During the current year, the maintence service provider of the Company does not qualify to be a related party.

Notes to the financial statements

	2007 USD '000	2006 USD '000
23. Capital commitments		
Capital commitments		
Authorised and contracted capital commitments are as follows.		
Not later than one year	**328,319**	721,902
Later than one year but not later than five years	**771,511**	545,002
Later than five years	**664,875**	-
	1,764,705	1,266,904
Operating leases		
Future minimum lease payments are as follows.		
Not later than one year	**125,443**	90,564
Later than one year but not later than five years	**370,538**	179,519
Later than five years	**374,918**	79,119
	870,899	349,202
Operating lease commitments represent:		
Aircraft leases	**657,129**	257,106
Other leases	**213,770**	92,096
	870,899	349,202

	2007 USD '000	2006 USD '000
24. Contingent liablilities		
Letters of guarantee	**7,503**	2,725
Letters of credit	**19,146**	16,878

Notes to the financial statements

25. Financial instruments

(a) Credit Risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2007 USD '000	2006 USD '000
Financial assets at fair value through profit or loss	12	326,701	-
Derivatives used for hedging	12	86,151	-
Trade receivables	14	162,088	105,748
Other receivables	14	167,550	184,726
Cash and cash equivalents	15	865,765	121,170
		1,608,255	411,644

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2007 USD '000	2006 USD '000
Domestic (UAE)	85,060	63,651
Middle East and Africa	25,187	15,544
Asia Pacific	19,814	7,322
Europe and Americas	32,027	19,231
	162,088	105,748

The sale of passenger and cargo transportation mostly takes place through International Air Transport Association ("IATA") approved sales agents. These sale points are mostly connected to Billing Settlement Plans ("BSP") administered by IATA. The credit worthiness of the agents are reviewed by the clearing systems responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide.

Receivables and liabilities between airlines are offset through bilateral agreements or through the IATA clearing house, insofar as the contracts underlying the services do not explicitly specify otherwise. Systematic settlement of monthly receivables and liability balances significantly reduce the default risk.

Notes to the financial statements

25. Financial instruments *(continued)*

(a) Credit Risk (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

USD '000

	31 December 2007		31 December 2006	
	Gross	Impairment	Gross	Impairment
Not past due	**127,111**	-	82,089	-
Past due 0-30 days	**26,754**	**645**	13,112	-
Past due 30-180 days	**10,749**	**3,351**	7,654	-
More than 180 days	**4,697**	**3,227**	3,580	687
	169,311	**7,223**	106,435	687

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2007	2006
	USD '000	USD '000
At 1 January	**687**	-
Add: Impairment loss recognised	**6,536**	687
At 31 December	**7,223**	687

The allowance account in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable is written off against the financial asset directly. At 31 December 2007, the Company does not have any collective impairments in its trade receivables *(2006: Nil)*.

Notes to the financial statements

25. Financial instruments *(continued)*

(a) Credit Risk (continued)

Derivative financial assets

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and affect the income statement.

USD '000

	Carrying amount	Expected cash flows	1 year or less	2 - 5 years
31 December 2007	**86,151**	**57,339**	**48,232**	**9,107**
31 December 2006	-	-	-	-

The Company enters into forward swap and option contracts to protect against unforeseen variations in jet fuel prices.

(b) Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2007	2006
	USD '000	USD '000
Fixed rate instruments		
Financial assets	**771,019**	83,593
Financial liabilities	**(2,140,703)**	(780,036)
	(1,369,684)	(696,443)
Variable rate instruments		
Financial liabilities	**(44,500)**	(937,679)

Notes to the financial statements

25. Financial instruments *(continued)*

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2007

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	**2,140,703**	**(3,136,734)**	**(255,303)**	**(990,765)**	**(1,890,666)**
Trade and other payables	**463,979**	**(463,979)**	**(463,979)**	**-**	**-**
Bank overdrafts	**44,500**	**(44,500)**	**(44,500)**	**-**	**-**
	2,649,182	**(3,645,213)**	**(763,782)**	**(990,765)**	**(1,890,666)**

31 December 2006

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	780,036	(1,237,068)	(81,982)	(327,489)	(827,597)
Unsecured bank facilities	375,397	(382,721)	(382,721)	-	-
Trade and other payables	277,726	(277,726)	(277,726)	-	-
Bank overdrafts	562,282	(562,282)	(562,282)	-	-
	1,995,441	(2,459,797)	(1,304,711)	(327,489)	(827,597)

Notes to the financial statements

25. Financial instruments *(continued)*

(d) Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2007		31 December 2006	
	EUR	GBP	EUR	GBP
Trade receivables	**11,373**	**4,423**	6,595	3,814
Trade payables	**(5,566)**	**(1,954)**	(7,364)	(4,082)
Gross balance sheet exposure	**5,807**	**2,469**	(769)	(268)
Estimated forecast sales	**151,182**	**82,219**	101,483	57,999
Estimated forecast purchases	**(120,548)**	**(51,108)**	(82,388)	(37,282)
Gross exposure	**30,634**	**31,111**	19,095	20,717
Net exposure	**36,441**	**33,580**	18,326	20,449

(e) Fair values

The fair values of the Company's financial instruments are not materially different from their carrying amounts.

Notes to the financial statements

26. Taxation

The Company has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. In other jurisdictions, where the Company's operations are taxable, no tax liability has been recorded in the financial statements due to losses for the year.

27. Accounting estimates and judgements

In the process of applying the Company's accounting policies, which are detailed in Note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Qualifying hedge relationships

In designating financial instruments as qualifying hedge relationships, the Company has determined that it expects the hedge to be highly effective over the life of the hedging relationship.

(c) Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include following:

- Significant decline in the market value beyond that which would be expected from the passage of time or normal use.
- Significant changes in the technology and regulatory environments.
- Evidence from internal reporting which indicates that the economic performance of the assets is, or will be, worse than expected.

Notes to the financial statements

27. Accounting estimates and judgements *(continued)*

(d) Provision for obsolete inventory

The Company reviews its inventory to assess losses on account of obsolescence on a regular basis. In determining whether a provision for obsolescence should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that the product is useable in the future and the net realisable value for the product. Accordingly, provision for impairment is made where the net realisable value is less than cost, based on best estimates by the management. The provision for obsolescence is based on the ageing and the past consumption of the stocks.

(e) Estimated useful lives of property, plant and equipment

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

(f) Estimated useful lives of intangible assets

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

(g) Provision for the frequent flyer programme

The provision is based on miles outstanding valued at the incremental direct cost of providing the service. These estimates are reviewed on an annual basis and the liability suitably adjusted as appropriate.

Notes to the financial statements

Schedule I

USD '000

Property, plant and equipment

	Aircraft[1]	Aircraft engines and components	Land[2], buildings and leaseholds	Other property, plant and equipment	Capital projects	Total
Cost						
At 1 January 2006	40,168	5,421	50,847	11,070	1,074,857	1,182,363
Additions	864,252	102,901	243	4,634	350,294	1,322,324
Transfers	860,658	44,896	1,484	1,180	(908,218)	-
Transfer to intangible assets	-	-	-	(3,355)	(6,903)	(10,258)
Disposals	-	-	(296)	(319)	(87)	(702)
Write off	-	-	-	-	(13,545)	(13,545)
31 December 2006	**1,765,078**	**153,218**	**52,278**	**13,210**	**496,398**	**2,480,182**
At 1 January 2007	1,765,078	153,218	52,278	13,210	496,398	2,480,182
Additions	525,150	52,130	1,904	38,935	385,995	1,004,114
Transfers	566,185	13,728	2,160	393	(582,466)	-
Disposals	(40,168)	(33)	(269)	(117)	(2)	(40,589)
Write off[3]	-	-	-	-	(16,238)	(16,238)
Effect of movement in exchange rates	-	-	2	14	77	93
At 31 December 2007	**2,816,245**	**219,043**	**56,075**	**52,435**	**283,764**	**3,427,562**
Depreciation and impairment losses						
At 1 January 2006	4,033	35	1,656	4,843	-	10,567
Charge for the year	56,585	5,120	1,004	2,596	-	65,305
Impairment loss	151,280	-	-	-	-	151,280
Transfer to intangible assets	-	-	-	(642)	-	(642)
Disposals	-	-	(50)	(232)	-	(282)
31 December 2006	**211,898**	**5,155**	**2,610**	**6,565**	**-**	**226,228**
At 1 January 2007	211,898	5,155	2,610	6,565	-	226,228
Charge for the year	113,359	9,304	1,491	6,032	-	130,186
Disposals	(9,024)	(4)	(183)	(96)	-	(9,307)
Effect of movement in exchange rates	-	-	5	23	-	28
At 31 December 2007	**316,233**	**14,455**	**3,923**	**12,524**	**-**	**347,135**
Carrying amounts						
At 31 December 2006	1,553,180	148,063	49,668	6,645	496,398	2,253,954
At 31 December 2007	**2,500,012**	**204,588**	**52,152**	**39,911**	**283,764**	**3,080,427**

Notes to the financial statements

Schedule I

Property, plant and equipment *(continued)*

1 Includes an aircraft (Boeing 767-341ER) acquired from a related party, at a nominal value of USD 1 with a condition to provide 2,000 flight hours to the related party, without any charge in future. The aircraft was valued at USD 40 million on 17 December 2004, based on an independent valuation undertaken by a professional and independent valuer. The independent valuation was based on an open market basis for existing use *(Note 20)*.

2 Based on the records of the Planning Department of the Government of Abu Dhabi, land registered in the name of the Company, is included in the financial statements. The land was valued at USD 47 million on 28 March 2006 by a professional and independent valuer. The corresponding credit to this valuation is included under development reserve *(refer to statement of changes in equity on page 5)*.

3 Write off of Buyer Furnished Equipments (BFE) of destroyed A340-600 aircraft USD 10 million and airport hotel project USD 6 million.

Notes to the financial statements

Schedule II

USD '000

Intangible assets	Software	Intellectual property	Total
Cost			
At 1 January 2006	-	184	184
Additions	2,355	-	2,355
Transfer from property, plant and equipment	10,258	-	10,258
Disposals	(115)	-	(115)
31 December 2006	**12,498**	**184**	**12,682**
At 1 January 2007	12,498	184	12,682
Additions	4,046	-	4,046
At 31 December 2007	**16,544**	**184**	**16,728**
Depreciation and impairment losses			
At 1 January 2006	-	74	74
Charge for the year	2,005	37	2,042
Transfer from property, plant and equipment	642	-	642
Disposals	(40)	-	(40)
31 December 2006	**2,607**	**111**	**2,718**
At 1 January 2007	2,607	111	2,718
Charge for the year	3,354	41	3,395
At 31 December 2007	**5,961**	**152**	**6,113**
Carrying amounts			
At 31 December 2006	9,891	73	9,964
At 31 December 2007	**10,583**	**32**	**10,615**

Etihad Airways PJSC

Consolidated financial statements

31 December 2008

Registered Office: P O Box 35566 | Abu Dhabi | United Arab Emirates

Etihad Airways PJSC

Consolidated financial statements

31 December 2008

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Independent auditors' report

The Shareholder
Etihad Airways PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Etihad Airways PJSC ("the Company"), and its subsidiary (the "Group") which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association of the Company and the applicable provisions of UAE Federal Law No.8 of 1984 (as amended).

Report on other requirements

As required by article 29 of the Company's Articles of Association, we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group and that a physical count of inventories was carried out by Management in accordance with established principles. We are not aware of any violation of the Articles of Association having occurred during the year ended 31 December 2008, which may have had a material adverse effect on the business of the Group or its financial position.

KPMG

20 May 2009

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Etihad Airways PJSC

Consolidated income statement

for the year ended 31 December

	Note	2008 USD '000	2007 USD '000
Revenue	*6*	**2,453,553**	1,525,846
Direct operating costs	*7*	**-2,638,283**	-1,776,546
Gross loss		**-184,730**	-250,700
Other income	*8*	**141,395**	6,766
Administrative and marketing expenses	*9*	**-425,669**	-299,358
Results from operating activities		**-469,004**	-543,292
Finance income	*10*	**49,230**	31,899
Finance expense	*10*	**-140,580**	-118,889
Net finance expense		**-91,350**	-86,990
Foreign exchange (loss) / gain		**-34,619**	8,181
Early lease termination charges	*11*	**(18,000)**	-
Write off of property, plant and equipment	*12*	**-**	(16,238)
		-52,619	-8,057
Share of profit of an equity accounted investee	*15*	**2,083**	-
Loss for the year		**-610,890**	-638,339
Attributable to:			
Equity holders		**-613,914**	-638,339
Minority interest		**3,024**	-
Loss for the year		**-610,890**	-638,339

The notes set out on pages 8 to 39 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated balance sheet

as at 31 December

	Note	2008 USD '000	2007 USD '000
Assets			
Non current assets			
Property, plant and equipment	12	**4,133,319**	3,080,427
Intangible assets	13	**11,682**	10,615
Investment in equity accounted investee	15	**2,103**	-
Investments and derivatives	17	**-**	6,158
Total non current assets		**4,147,104**	3,097,200
Current assets			
Inventories	18	**25,104**	19,040
Trade receivables	19	**142,119**	162,088
Prepayments and other receivables	19	**302,096**	256,749
Loan to equity accounted investee	16	**45,818**	-
Investments and derivatives	17	**54,451**	406,694
Cash in hand and at banks	20	**934,115**	865,765
Total current assets		**1,503,703**	1,710,336
Total assets		**5,650,807**	4,807,536
Equity and liabilities			
Equity			
Share capital	21	**1,950,913**	1,375,068
Accumulated losses		**-2,280,684**	-1,666,770
Development reserve	12	**46,952**	46,952
Foreign currency translation reserve		**-421**	-
Hedging reserve	22	**-234,949**	86,151
Total equity attributable to equity holders of the Group		**-518,189**	-158,599
Minority interest		**1,662**	-
Total equity		**-516,527**	-158,599

Etihad Airways PJSC

Consolidated balance sheet *(continued)*

as at 31 December

	Note	2008 USD '000	2007 USD '000
Equity and liabilities *(continued)*			
Non current liabilities			
Loan from the Shareholder	*23*	**2,652,102**	1,989,676
Finance lease liabilities	*24*	**2,016,246**	2,019,814
Derivatives	*17*	**146,729**	-
Total non current liabilities		**4,815,077**	4,009,490
Current liabilities			
Finance lease liabilities	*24*	**215,406**	120,889
Payables and accruals	*25*	**699,477**	523,269
Derivatives	*17*	**88,219**	-
Unearned revenue		**336,347**	267,987
Bank overdraft	*20*	**12,808**	44,500
Total current liabilities		**1,352,257**	956,645
Total liabilities		**6,167,334**	4,966,135
Total equity and liabilities		**5,650,807**	4,807,536

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 MAY 2009 and signed on their behalf by:

James Reginald Hogan
Chief Executive Officer

His Highness Sheikh Hamed bin Zayed Al Nahyan
Chairman

James Denis Rigney
Chief Financial Officer

The notes set out on pages 8 to 39 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of changes in equity

for the year ended 31 December

USD '000

	Attributable to equity holders							
	Share capital	Accumulated losses	Development reserve	Foreign currency translation reserve	Hedging reserve	Total	Minority interest	Total equity
At 1 January 2007	136,091	(1,028,431)	46,952	-	-	(845,388)	-	-845,388
Share capital introduced *(Note 21)*	1,238,977	-	-	-	-	1,238,977	-	1,238,977
Loss for the year	-	(638,339)	-	-	-	(638,339)	-	-638,339
Net change in fair value of cash flow hedges *(Note 22)*	-	-	-	-	130,802	130,802	-	130,802
Change in fair value of cash flow hedges transferred to income statement *(Note 22)*	-	-	-	-	(44,651)	(44,651)	-	-44,651
At 31 December 2007	**1,375,068**	**-1,666,770**	**46,952**	**-**	**86,151**	**-158,599**	**-**	**-158,599**
At 1 January 2008	1,375,068	-1,666,770	46,952	-	86,151	(158,599)	-	-158,599
Share capital introduced *(Note 21)*	575,845	-	-	-	-	575,845	-	575,845
Acquisition of minority interest	-	-	-	-	-	-	(1,362)	-1,362
(Loss) / profit for the year	-	-613,914	-	-	-	(613,914)	3,024	-610,890
Net change in fair value of cash flow hedges *(Note 22)*	-	-	-	-	(264,619)	(264,619)	-	-264,619
Change in fair value of cash flow hedges transferred to income statement *(Note 22)*	-	-	-	-	(56,481)	(56,481)	-	-56,481
Foreign currency translation differences	-	-	-	(421)	-	(421)	-	-421
At 31 December 2008	**1,950,913**	**-2,280,684**	**46,952**	**(421)**	**-234,949**	**-518,189**	**1,662**	**-516,527**

The notes set out on pages 8 to 39 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of cash flows

for the year ended 31 December

	2008 USD '000	2007 USD '000
Cash flows from operating activities		
Loss for the year	**-610,890**	-638,339
Adjustments for :		
Depreciation	**179,333**	130,186
Amortisation of intangible assets	**4,267**	3,395
Impairment of goodwill	**2,741**	-
(Gain) / loss on disposal of property, plant and equipment	**-12**	556
Write off of property, plant and equipment	**-**	16,238
Finance expense	**140,580**	118,889
Interest income	**-49,230**	-31,899
Share of profit of an equity accounted investee	**-2,083**	-
	-335,294	-400,974
Change in inventories	**-6,064**	(4,073)
Change in trade receivables	**19,969**	(56,340)
Change in prepayments and other receivables	**-45,347**	(1,266)
Change in payables and accruals	**176,208**	186,253
Change in unearned revenue	**68,360**	204,500
Change in deferred revenue	**-**	(284)
	213,126	328,790
Net cash used in operating activities	**-122,168**	-72,184
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,232,046)**	(1,004,207)
Proceeds from disposal of property, plant and equipment	**23**	45
Acquisition of intangible assets	**-5,334**	(4,046)
Acquisition of subsidiaries - net of cash acquired	**-4,248**	-
Investment in equity accounted investee	**-20**	-
Acquisition of other investments	**(150,086)**	(476,717)
Proceeds from maturity of investments	**272,250**	-
Income from investments	**6,320**	-
Interest received	**42,910**	31,899
Loan to equity accounted investee	**-45,818**	-
Net cash used in investing activities	**-1,116,049**	-1,453,026

Etihad Airways PJSC

Consolidated statement of cash flows *(continued)*

for the year ended 31 December

	2008 USD '000	2007 USD '000
Cash flows from financing activities		
Proceeds from issue of share capital	**575,845**	1,238,977
Proceeds from loan from the Shareholder	**662,426**	532,185
Proceeds from short term loans	**-**	158,000
Repayment of short term loans	**-**	-533,397
Increase in finance lease liability	**212,700**	1,415,219
Repayment of finance lease liability	**-121,751**	(54,552)
Interest paid	**(140,580)**	(118,889)
Net cash from financing activities	**1,188,640**	2,637,543
Net (decrease) / increase in cash and cash equivalents	**-49,577**	1,112,333
Cash and cash equivalents at 1 January	**671,249**	(441,112)
Effect of exchange rate fluctuation	**-467**	28
Cash and cash equivalents at 31 December *(Note 20)*	**621,205**	671,249

The notes set out on pages 8 to 39 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Notes to the consolidated financial statements

1. Legal status and principal activities

Etihad Airways PJSC ("the Company" or "Etihad") is a public joint stock company incorporated in the Emirate of Abu Dhabi in accordance with Article 1 of Abu Dhabi's Law No. 1 of 2003 dated 5 January 2003. The Company was commercially registered in August 2003 and commenced commercial operations in November 2003. The Company's share capital is wholly contributed by the Government of Abu Dhabi ("the Shareholder"). Pursuant to State Cabinet approval dated 29 March 2004, the Company is exempt from various provisions of the United Arab Emirates ("UAE") Federal Law No. 8 of 1984 (as amended). The consolidated financial statements as at and for the year ended 31 December 2008 comprise the Company, its subsidiaries and jointly controlled entity (together referred to as "the Group" and individually as "Group entities").

The principal activities of the Company are to provide commercial air transportation which includes passenger and cargo on scheduled and charter basis. The Group entities provide Global Distribution System (GDS) services, acting as a technology provider serving the sales, marketing and distribution needs of various travel and tourism entities, investing in property to earn rentals and providing call centre services.

2. Basis of preparation

(a) Going concern

These financial statements have been prepared on a going concern basis. As at 31 December 2008, the Group had accumulated losses of USD 2,281 million *(2007: USD 1,667 million)*. The Company's financial restructuring plan has been approved by the Executive Council of the Emirate of Abu Dhabi pursuant to their decisions No. (17) of 2007 and No. (53) of 2008 comprising of additional cash flows in the form of equity participation and loans from the Shareholder. Furthermore as required by the Company's Articles of Association, the Board of Directors decided that the Company continues its business and operations. Accordingly, the continuity of the Group as a going concern is secured.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the requirements of UAE Federal Law No. 8 of 1984 (as amended).

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and financial assets at fair value through profit or loss, which are measured at fair value. The methods used to measure fair values are described further in Note 4.

(d) Functional and presentation currency

The functional currency of the Company is UAE Dirhams ("AED"). Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which they operate. These consolidated financial statements are presented in United States Dollars ("USD" or "$"). All financial information presented in USD has been rounded to the nearest thousand, unless stated otherwise. All internal financial and management reporting is expressed in USD. Hence, to maintain consistency and uniformity in the reporting, these consolidated financial statements are presented in USD.

Notes to the consolidated financial statements

2. Basis of preparation *(continued)*

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in Note 31.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of net interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Consolidation based on management accounts

The result of the operations and the financial positions of the subsidiaries and joint venture have been consolidated on the basis of unaudited financial statements prepared by management. The net profit of the subsidiaries and the Group's share of profit of the joint venture included in these consolidated financial statements aggregate to USD 6,884 thousand *(2007: USD Nil)*. Similarly the net assets of the subsidiaries included in these consolidated financial statements aggregate to USD 4,877 thousand *(2007: USD Nil)*.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

Passenger and cargo sales are recognised as revenue when the transportation service is provided. Passenger tickets and cargo airway bills sold but unused are classified in the consolidated balance sheet under current liabilities as unearned revenue. Commission costs are recognised in the same time period as the revenue to which they relate and are charged to expenditure. Tickets sold but unused for more than 24 months are accounted for as income.

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to AED at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into AED at the exchange rate at that date. The foreign currency gains or losses on monetary items are the differences between the amortised cost in AED at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on the translation are recognised in the consolidated income statement, except for differences arising on retranslation of qualifying cash flow hedges, which are recognised directly in equity.

Foreign operations

The assets and liabilities of foreign operations are translated to AED at the exchange rate at the balance sheet date. The income and expenses of foreign operations are translated to AED at the exchange rates at the date of the transaction.

Foreign currency differences are recognised directly in equity as foreign currency translation reserve.

(d) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such 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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(e) Financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non derivative financial instruments

Non derivative financial instrument comprises trade and other receivables, financial assets at fair value through profit or loss, cash and cash equivalents, payables and accruals and finance lease liabilities.

Non derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition financial instruments are measured as described below.

Cash and cash equivalents

For the purposes of consolidated statement of cash flows, cash and cash equivalents comprise cash balances, term deposits with original maturities of three months or less and bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Accounting for finance income and expense is described in Note 3 (n).

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognised in the consolidated income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the consolidated income statement.

Other

Other non derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its jet fuel price risk exposure.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the consolidated income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and the changes therein are accounted as described below.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

Hedge accounting

It is the Group's policy to document, at the inception of a hedge, the relationship between hedging instruments and hedged items, as well as risk management objective and strategy. The policy also requires documentation of the assessment, at inception and on an ongoing basis, of the effectiveness of the hedge.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the consolidated income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the consolidated income statement in the same period as the hedged item affects the consolidated income statement.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in the consolidated income statement as a component of finance income / expense.

(f) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within other income in the consolidated income statement.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated income statement as incurred.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(f) Property, plant and equipment *(continued)*

Depreciation

Depreciation is recognised in the consolidated income statement on a straight line basis over the estimated useful lives of each part of items of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	Years
Aircraft	20
Components and parts	15 - 20
Buildings and leaseholds	5 - 20
Other property, plant and equipment	3 - 5

Depreciation methods, useful lives and residual values are reviewed annually.

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset. Subsequent major overhaul expenditure is depreciated over the period to the next major overhaul.

Capital projects

Expenditure incurred on property, plant and equipment, which are not complete and ready for use at the balance sheet date are treated as capital projects. Depreciation is not provided on such assets until they are transferred from capital projects to the appropriate category under property, plant and equipment.

Manufacturers' credits

The Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on the nature of credits, 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, the credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease.

(g) Leases

Finance leases

Leases in terms of which Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The corresponding lease obligations are included under liabilities. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance lease are apportioned between finance expense and reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Payments made under operating lease are recognised in the consolidated income statement on a systematic basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense, over the term of the lease.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(h) Intangible assets

Goodwill

Recognition and measurement

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Subsequent measurement

Goodwill is measured at cost less impairment losses.

Other intangible assets

Recognition and measurement

Intangible assets acquired by the Group, with finite useful lives, are measured at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated income statement when incurred.

Amortisation

Amortisation is recognised in the consolidated income statement on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Software	3 – 5
Intellectual property	5

(i) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative impact on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the consolidated income statement.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

***(i) Impairment** (continued)*

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

(k) Staff terminal benefits and pension

Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the consolidated income statement when they are due.

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Certain of the Group's overseas stations outside the UAE make contributions to their respective countries' pension schemes.

Termination benefits

Provision for staff terminal benefits included under payables and accruals is made in accordance with the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff was terminated at the balance sheet date. Staff terminal benefits for employees based outside the UAE are provided in accordance with the relevant local regulations.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing of which is uncertain.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(m) Taxation

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

(n) Finance income and finance expenses

Finance income mainly comprises interest on term deposits and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest on finance leases, interest on loans and borrowings and foreign currency losses. All finance expenses are recognised in the period in which they are incurred in the consolidated income statement using the effective interest method. Also refer *Note 3(d)* for policy on borrowing costs.

(o) Frequent flyer programme

The Group manages a travel incentive programme called "Etihad Guest", which allows members travelling on the Group's (and certain partner airlines') flights to accumulate Guest Miles that entitle them to various awards.

The estimated direct incremental cost of providing services, in exchange for redemption of miles earned by members is accrued as participants earn miles from the purchase of airline tickets. The provision is based on the expected incremental direct cost of providing the travel rewards on the Group's flights and on non-airline or other partner airlines. The provision is reduced to reflect the outstanding obligation as members redeem miles or as their entitlement to awards expires.

(p) Government grants

Government grants are recognised in the consolidated income statement on a systematic basis in the period to which they relate.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(q) New standards and interpretations not yet adopted *(continued)*

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for Group's 2009 consolidated financial statements, is expected to have an impact on the consolidated financial statements.

Revised IAS 1 Presentation of Financial Statements (2007)

Revised IAS 1 introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-shareholder changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1 becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have an impact on the presentation of the consolidated financial statements.

Revised IAS 23 Borrowing Costs

Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements. Since the Group's current accounting policy for borrowing costs is consistent with the revised IAS 23, there will be no impact on prior periods in the Group's 2009 consolidated financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements

Amended IAS 27 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements are not expected to have a significant impact on the consolidated financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Notes to the consolidated financial statements

4. Determination of fair values *(continued)*

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Financial assets at fair value through profit or loss

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted price at the reporting date.

5. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the design, establishment, oversight and monitoring of the Group's risk management framework and is assisted by the Risk Management Committee ("the Committee") and the Treasury department (the "Treasury"). The Committee is responsible for developing and monitoring the Group's risk management policies, which are approved by the Board. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Risk Management Committee is responsible for overall risk management covering specific areas, such as commodity price risk, currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity, based on principles provided by the Board.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.



Notes to the consolidated financial statements

5. Financial risk management *(continued)*

Credit risk *(continued)*

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, has less of an influence on credit risk. At the reporting date, approximately 31% of the Group's trade receivables are from customers domiciled in the UAE.

The Group has policies in place to ensure that sales of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn has adequate securities in place. Where the customers are not members of the clearing house adequate securities are taken for the appropriate level of commercial activity. Sales to retail customers are made in cash or credit cards.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Derivative financial instruments

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. Derivative contracts are entered into with high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Investments

The Group limits its exposure to credit risk by investing only in capital guaranteed investments having fixed maturity terms. The management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Treasury ensures that the Group has sufficient cash and marketable securities and funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group maintains USD 607 million worth of unsecured overdraft facilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the consolidated financial statements

5. Financial risk management *(continued)*

Market risk *(continued)*

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in the consolidated income statement.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures that are denominated in currencies other than the functional currency of the Group. The currencies in which these transactions primarily are denominated are Euro ("EUR"), Pound Sterling ("GBP") and Australian Dollar ("AUD"). In respect of the Group's transactions denominated in the functional currency and other currencies that are pegged to USD the Group is currently not exposed to currency risk, as these currencies are pegged to USD at a fixed rate of exchange. Treasury is responsible for managing the net foreign exchange exposures by using derivative contracts when deemed necessary.

Commodity price risk

The Group's main commodity price risk relates to the purchase price of its jet fuel. The Group's risk management policy is to hedge between 50% and 80% of anticipated exposure for the subsequent 12 months, and up to 50% and 25% of exposure for periods up to 24 months and 36 months respectively. Treasury is responsible for managing the commodity price exposure of the Group by using derivative contracts to maintain hedge levels within policy parameters laid down by the Board.

Interest rate risk

The Group's policy is to secure a significant proportion of its borrowings in fixed rate instruments in the short to medium term, allowing an increased proportion of floating interest exposure in the medium to long term.

Capital management

The Group's policy is to maintain a strong capital base with the support of the Shareholder in order to support the investment, operations and to sustain future development of the business.

The Group is not subject to externally imposed capital requirements.

Notes to the consolidated financial statements

6. Revenue

	2008 USD '000	2007 USD '000
Passenger	**1,987,851**	1,209,855
Cargo	**391,795**	275,378
Non scheduled chartered	**23,793**	20,465
Destination and leisure	**17,366**	9,791
Distribution income	**14,858**	-
Other revenue	**17,890**	10,357
	2,453,553	1,525,846

7. Direct operating costs

	2008 USD '000	2007 USD '000
Aviation fuel *(Note 22)*	**1,094,075**	599,467
Aircraft operating leases	**108,745**	97,749
Aircraft maintenance expenses	**267,953**	230,773
Overflying expenses	**106,438**	76,548
Landing and parking expenses	**67,394**	46,717
Handling expenses	**150,912**	119,025
Inflight expenses	**138,130**	107,824
Commission and incentives	**122,453**	88,440
Reservation expenses	**57,569**	43,701
Staff related costs	**271,163**	167,860
Destination and leisure expenses	**8,599**	8,290
Depreciation	**167,197**	123,008
Other operating expenses	**77,655**	67,144
	2,638,283	1,776,546

Aviation fuel is stated net of hedging gain of USD 56,481 thousand *(2007: USD 44,651 thousand)*.

8. Other income

In view of its economic contribution and its role in the development of Abu Dhabi in its campaign "Abu Dhabi to the world", the Government of Abu Dhabi has decided to contribute for 2008 an amount of USD 111 million which has been recognised in "other income" in the consolidated income statement *(Refer Note 19)*.

Notes to the consolidated financial statements

9. Administrative and marketing expenses

	2008 USD '000	2007 USD '000
Staff related costs	**182,814**	118,532
Advertisement and promotion	**79,721**	55,632
Rent and utilities	**23,406**	14,596
Training expenses	**16,000**	7,024
Communication expenses	**22,741**	16,832
Legal and consultancy charges	**23,988**	30,084
Depreciation	**12,136**	7,178
Amortisation of intangible assets	**4,267**	3,395
Impairment of goodwill	**2,741**	-
Other administrative expenses	**57,855**	46,085
	425,669	299,358

10. Net finance expense

	2008 USD '000	2007 USD '000
Aircraft financing costs	**130,987**	99,679
Interest cost	**9,593**	19,210
Finance expense	**140,580**	118,889
Interest on deposits	**-42,910**	-31,899
Gain on financial assets at fair value through profit and loss	**-6,320**	-
Finance income	**-49,230**	-31,899
Net finance expense	**91,350**	86,990

11. Early lease termination charges

During the year, the Group entered into an agreement with one of the lessors for prepayment of junior loan in respect of finance lease liability. According to the terms of the agrreement, the Group is liable to pay a sum of USD 6 million per aircraft as prepayment fee to the lessor, in addition to the principal amount due and accrued interest thereon.

Notes to the consolidated financial statements

12. Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on pages 37 and 38.

13. Intangible assets

Details of intangible assets are set out in Schedule II on page 39.

14. Acquisitions of subsidiaries

(a) Amadeus Gulf LLC ("Amadeus")

The Company acquired 357 shares (51%) in Amadeus for a total consideration of USD 1,324 thousand in cash on 18 March 2008. Amadeus contributed a profit of USD 6,171 thousand from the date of acquisition to 31 December 2008. If the acquisition was made on 1 January 2008, management estimates that consolidated revenue would have been USD 2,456,065 thousand and the consolidated loss for the year would have been USD 610,284 thousand.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

	Pre-acquisition carrying amount	Fair value adjustment	USD '000 Recognised values on acquisition
Property, plant and equipment	823	-	**823**
Trade and other receivables	1,374	-	**1,374**
Cash and cash equivalents	87	-	**87**
Finance lease liabilities	(187)	-	**(187)**
Payables and accruals	(3,514)	-	**(3,514)**
Net identifiable assets and liabilites	(1,417)	-	**(1,417)**
Goodwill on acquisition			**2,741**
Consideration paid, satisfied in cash			**1,324**
Cash acquired			**(87)**
Net cash outflow			**1,237**

Pre-acquisition carrying amounts were determined based on applicable IFRSs immdediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values and hence there is no fair value adjustment.

The goodwill recognised on acquisition is attributable mainly to the acquired business travel agent network and the synergies expected to be achieved from integrating the Company into the Group's existing business. *(Note 13)*

(b) Airline Service Centre (Private) Limited ("ASC")

The Company has invested USD 3,011 thousand in ASC which was established to provide call centre services to Etihad and is expected to commence commercial operations in 2009.

Notes to the consolidated financial statements

15. Investment in equity accounted investee

	2008 USD '000	2007 USD '000
Cost of investment	**20**	-
Share of profit for the year	**2,083**	-
At 31 December	**2,103**	-

The Group's share of profit in equity accounted investees for the year was USD 2,083 thousand.

This represents the joint control of the Group in AlDar Etihad Investment Properties LLC ("joint venture"). The joint venture was formed to purchase properties and earn rental income. Summary financial information for the joint venture, not adjusted for the percentage ownership held by the Group is set out below:

	2008 USD '000	2007 USD '000
Ownership interest	**50%**	-
Non - current assets	**91,637**	-
Current assets	**50,054**	-
Total assets	**141,691**	-
Current liabilities	**137,485**	-
Total liabilities	**137,485**	-
Revenue	**4,196**	-
Expenses	**-30**	-
Profit	**4,166**	-

16. Loan to equity accounted investee

	2008 USD '000	2007 USD '000
AlDar Etihad Investment Properties LLC	**45,818**	-
	45,818	-

The loan is interest free and repayable on demand.

Notes to the consolidated financial statements

17. Investments and derivatives

	2008 USD '000	2007 USD '000
(a) Assets		
(i) Non current:		
Derivatives used for hedging	-	6,158
	-	6,158
(ii) Current:		
Financial assets at fair value through profit or loss	**54,451**	326,701
Derivatives used for hedging	-	79,993
	54,451	406,694
(b) Liabilities		
(i) Non current:		
Derivatives used for hedging	**146,729**	-
	146,729	-
(ii) Current:		
Derivatives used for hedging	**88,219**	-
	88,219	-

Financial assets at fair value through profit or loss are capital guaranteed and having fixed maturity terms.

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in Note 29.

18. Inventories

	2008 USD '000	2007 USD '000
In-flight consumables	**17,469**	9,471
Other consumables	**7,635**	9,569
	25,104	19,040

Inventories are stated net of an allowance for obsolescence of USD 886 thousand *(2007: USD 182 thousand).*

19. Trade and other receivables

	2008 USD '000	2007 USD '000
(a) Trade receivables:		
Trade receivables	**142,119**	162,088
	142,119	162,088

Notes to the consolidated financial statements

	2008	2007
	USD '000	USD '000
19. Trade and other receivables *(continued)*		
(b) Prepayments and other receivables:		
Prepayments	**70,702**	63,272
Deposits	**45,604**	36,694
Other receivables	**154,309**	62,247
Advance to suppliers	**31,481**	25,927
Advance to aircraft manufacturers	**-**	68,609
	302,096	256,749

Trade receivables are stated net of an allowance for impairment of USD 8,046 thousand *(2007: USD 7,223 thousand).*

Other receivables include USD 111 million due from the Government of Abu Dhabi on account of economic contribution of Etihad to Abu Dhabi as part of its campaign "Abu Dhabi to the World" *(Refer Note 8)*.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 29.

	2008	2007
	USD '000	USD '000
20. Cash and cash equivalents		
Term deposits	**840,464**	692,175
Cash at bank		
- in call accounts	**27,288**	78,844
- in current accounts	**65,972**	94,505
Cash in hand	**391**	241
Cash in hand and at banks	**934,115**	865,765
Bank overdraft	**-12,808**	-44,500
Less: Term deposits over three months	**-300,102**	-150,016
Cash and cash equivalents for cash flow purposes	**621,205**	671,249

The Group's exposure to interest rate risk for financial assets and liabilities are disclosed in Note 29.

	2008	2007
	USD '000	USD '000
21. Share capital		
***(a)* Authorised:**		
239.18 million shares of AED 100 each	**6,511,818**	1,375,068
(2007: 50.52 million shares of AED 100 each)		
***(b)* Issued and fully paid:**		
At 1 January	**1,375,068**	136,091
Issued and paid up during the year	**575,845**	1,238,977
At 31 December	**1,950,913**	1,375,068

Notes to the consolidated financial statements

21. Share capital *(continued)*

The authorised share capital of the Company vide decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007 was increased to AED 5,052 million (USD 1,375 million). A decision No (53) of 2008 dated 2 September 2008 of the President of the Executive Council further increased the authorised share capital to AED 23,917 million (USD 6,512 million). During the current year 21.15 million shares *(2007: 45.52 million shares)* of AED 100 (USD 27.22) each were issued and fully paid up in cash.

	2008 USD '000	2007 USD '000
22. Hedging reserve		
At 1 January	**86,151**	-
Effective portion of changes in fair value of cash flow hedges	**-264,619**	130,802
Net change in fair value of cash flow hedges transferred to aviation fuel *(Note 7)*	**-56,481**	(44,651)
At 31 December	**(234,949)**	86,151

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

	2008 USD '000	2007 USD '000
23. Loan from the Shareholder		
At 1 January	**1,989,676**	1,457,491
Borrowed during the year	**662,426**	532,185
At 31 December	**2,652,102**	1,989,676

The Company obtained subordinated loans from the Shareholder amounting to USD 3,012 million vide a decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007. A further decision No (53) of 2008 of the President of the Executive Council dated 2 September 2008 increased these loans to USD 5,213 million. At 31 December 2008, an amount of USD 2,652 million was drawn down and provided by the Shareholder. The remaining loan amount is required to be utilised by the Company to finance the purchase of aircraft.

All the above loans are without any interest and would be paid by the Company in accordance with a timetable to be agreed with the Shareholder such that the first installment will be paid in the year 2027. The subordinated loans referred to in the above decisions give priority to paying off loans obtained by the Company from other institutions and sources other than that obtained from the Shareholder.

The Board of Directors of the Company believe that this loan be measured at cost given that it is in the nature of quasi equity and the repayment profile has not yet been agreed with the Shareholder.

Notes to the consolidated financial statements

	2008 USD '000	2007 USD '000
24. Finance lease liabilities		
At 1 January	**2,140,703**	780,036
Additions during the year	**212,700**	1,415,219
Repayments during the year	**-121,751**	(54,552)
Outstanding lease liabilities	**2,231,652**	2,140,703
Gross lease liabilities :		
Not later than one year	**341,032**	255,303
Later than one year but not later than five years	**987,651**	990,765
Later than five years	**1,656,830**	1,890,666
Gross lease liabilities	**2,985,513**	3,136,734
Future interest	**-753,861**	-996,031
Net lease liabilities	**2,231,652**	2,140,703
Net lease liabilities are payable as follows:		
Not later than one year *(current)*	**215,406**	120,889
Later than one year but not later than five years	**619,998**	542,489
Later than five years	**1,396,248**	1,477,325
Total over one year *(non current)*	**2,016,246**	2,019,814
Total net lease liabilities	**2,231,652**	2,140,703

The carrying amount of net lease liabilities appropriate their fair value.

Notes to the consolidated financial statements

25. Payables and accruals

	2008 USD '000	2007 USD '000
Trade payables	**53,583**	156,048
Accruals and other payables	**606,264**	345,610
Provision for staff terminal benefits	**39,630**	21,611
	699,477	523,269

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29.

Movement in the provision for staff terminal benefits is as follows:

	2008 USD '000	2007 USD '000
At 1 January	**21,611**	7,153
Accquisition through business combinations	**174**	-
Provided during the year	**27,025**	15,504
Paid during the year	**(9,180)**	(1,046)
At 31 December	**39,630**	21,611

26. Related parties

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Group has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company or the Group).

Transactions with key management personnel

	2008 USD '000	2007 USD '000
Short term employee benefits	**5,149**	4,785
End of service benefits	**332**	288
	5,481	5,073

Notes to the consolidated financial statements

26. Related parties *(continued)*

Other related party transactions

In accordance with the provisions of the revised IAS 24, the Group being an ultimate government owned entity is required to disclose transactions with other state / government owned entities in the consolidated financial statements. The Group enters into transactions with various other governments owned entities which are entered into in the normal course of business on an arm's length basis. Such entities include utility companies, airport authorities and financial institutions. Hence, management considers that detailed disclosure of such transactions does not benefit the users of these consolidated financial statements.

	2008	2007
	USD '000	USD '000
Rent	**4,092**	-
Loan to equity accounted investee	**45,818**	-

	2008	2007
	USD '000	USD '000
27. Commitments		
Capital commitments		
Not later than one year	**660,440**	328,319
Later than one year but not later than five years	**4,399,978**	771,511
Later than five years	**7,683,677**	664,875
	12,744,095	1,764,705
Operating lease commitments		
Future minimum lease payments are as follows:		
Not later than one year	**169,006**	125,443
Later than one year but not later than five years	**430,235**	370,538
Later than five years	**458,211**	374,918
	1,057,452	870,899
Operating lease commitments represent:		
Aircraft leases	**802,349**	657,129
Other leases	**255,103**	213,770
	1,057,452	870,899

	2008	2007
	USD '000	USD '000
28. Contingent liabilities		
Letters of guarantee	**7,988**	7,503
Letters of credit	**17,891**	19,146

Notes to the consolidated financial statements

29. Financial instruments

(a) Credit Risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2008 USD '000	2007 USD '000
Investment in equity accounted investee	15	**2,103**	-
Loan to equity accounted investee	16	**45,818**	-
Financial assets at fair value through profit or loss	17	**54,451**	326,701
Derivatives used for hedging	17	**-**	86,151
Trade receivables	19	**142,119**	162,088
Other receivables	19	**199,913**	167,550
Cash and cash equivalents	20	**933,724**	865,524
		1,378,128	1,608,014

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2008 USD '000	2007 USD '000
Domestic (UAE)	**44,558**	85,060
Middle East and Africa	**29,442**	25,187
Asia Pacific	**24,007**	19,814
Europe and Americas	**44,112**	32,027
	142,119	162,088

The sale of passenger and cargo transportation mostly takes place through International Air Transport Association ("IATA") approved sales agents. These sale points are mostly connected to Billing Settlement Plans ("BSP") and Cargo Accounting and Settlement System ("CASS") administered by IATA. The credit worthiness of the agents are reviewed by the clearing systems responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide.

Receivables and liabilities between airlines are offset through bilateral agreements or through the IATA clearing house, insofar as the contracts underlying the services do not explicitly specify otherwise. Systematic settlement of monthly receivables and liability balances significantly reduce the default risk.

Notes to the consolidated financial statements

29. Financial instruments *(continued)*

(a) ***Credit Risk*** *(continued)*

Impairment losses

The ageing of trade receivables at the reporting date was:

	USD '000 31 December 2008		USD '000 31 December 2007	
	Gross	**Impairment**	Gross	Impairment
Not past due	**76,865**	**16**	127,111	-
Past due 0-30 days	**54,610**	**1**	26,754	645
Past due 30-180 days	**11,015**	**356**	10,749	3,351
More than 180 days	**7,675**	**7,673**	4,697	3,227
	150,165	**8,046**	169,311	7,223

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008	2007
	USD '000	USD '000
At 1 January	**7,223**	687
Add: Impairment loss recognised	**823**	6,536
At 31 December	**8,046**	7,223

The allowance account in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable is written off against the financial asset directly. At 31 December 2008, the Group does not have any collective impairments in its trade receivables *(2007: USD Nil)*.

Notes to the consolidated financial statements

29. Financial instruments *(continued)*

(a) Credit Risk (continued)

Derivative financial assets

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and affect the consolidated income statement.

				USD '000
	Carrying amount	Expected cash flows	1 year or less	2 - 5 years
31 December 2008	-	-	-	-
31 December 2007	86,151	57,339	48,232	9,107

The Group enters into swap and option contracts to protect against unforeseen variations in jet fuel prices.

(b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2008	2007
	USD '000	USD '000
Fixed rate instruments		
Financial assets	**867,752**	771,018
Financial liabilities	**-1,902,287**	-2,017,484
	-1,034,535	-1,246,466
Variable rate instruments		
Financial liabilities	**-342,173**	-167,719

Notes to the consolidated financial statements

29. Financial instruments *(continued)*

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2008

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	**2,231,652**	**-2,985,513**	**-341,032**	**-987,651**	**-1,656,830**
Trade and other payables	**699,477**	**-699,477**	**-699,477**	**-**	**-**
Bank overdrafts	**12,808**	**-12,808**	**-12,808**	**-**	**-**
Derivative financial liabilities					
Derivatives used for hedging	**234,949**	**(260,294)**	**(164,013)**	**(96,281)**	**-**
	3,178,886	**-3,958,092**	**-1,217,330**	**-1,083,932**	**-1,656,830**

31 December 2007

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	2,140,703	-3,136,734	-255,303	-990,765	-1,890,666
Trade and other payables	523,269	-523,269	-523,269	-	-
Bank overdrafts	44,500	-44,500	-44,500	-	-
Derivative financial liabilities					
Derivatives used for hedging	-	-	-	-	-
	2,708,472	-3,704,503	(823,072)	-990,765	-1,890,666

Notes to the consolidated financial statements

29. Financial instruments *(continued)*

(d) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2008			31 December 2007		
	EUR	**GBP**	**AUD**	EUR	GBP	AUD
Trade receivables	**14,050**	**4,437**	**8,300**	11,373	4,423	4,845
Trade payables	**-1,915**	**-1,774**	**-3,478**	-5,566	-1,954	(1,501)
Gross balance sheet exposure	**12,135**	**2,663**	**4,822**	5,807	2,469	3,344
Estimated forecast sales	**338,192**	**150,102**	**507,993**	151,182	82,219	166,171
Estimated forecast purchases	**(163,004)**	**(42,363)**	**(116,108)**	-120,548	-51,108	-24,652
Gross exposure	**175,188**	**107,739**	**391,885**	30,634	31,111	141,519
Net exposure	**187,323**	**110,402**	**396,707**	36,441	33,580	144,863

(e) Fair values

The fair values of the Group's financial instruments within the category of loans and receivables are not materially different from their carrying amounts, as stated in the balance sheet.

30. Taxation

The Group has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. In other jurisdictions, where the Group's operations are taxable, no tax liability has been recorded in the consolidated financial statements due to losses for the year.

31. Accounting estimates and judgements

In the process of applying the Group's accounting policies, which are detailed in Note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the consolidated financial statements

31. Accounting estimates and judgements *(continued)*

(a) Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Qualifying hedge relationships

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects the hedge to be highly effective over the life of the hedging relationship.

(c) Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include following:

(i) Significant decline in the market value beyond that which would be expected from the passage of time or normal use.
(ii) Significant changes in the technology and regulatory environments.
(iii) Evidence from internal reporting which indicates that the economic performance of the assets is, or will be, worse than expected.

(d) Estimated useful lives of property, plant and equipment

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

(e) Estimated useful lives of intangible assets

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

(f) Provision for the frequent flyer programme

The provision is based on miles outstanding valued at the incremental direct cost of providing the service. These estimates are reviewed on an annual basis and the liability suitably adjusted as appropriate.

Notes to the consolidated financial statements

Schedule I

USD '000

Property, plant and equipment

	Aircraft	Components and parts	Land[1], buildings and leaseholds	Other property, plant and equipment	Capital projects[2]	Total
Cost						
At 1 January 2007	1,765,078	153,218	52,278	13,210	496,398	**2,480,182**
Additions	525,150	52,130	1,904	38,935	385,995	**1,004,114**
Transfers	566,185	13,728	2,160	393	(582,466)	**-**
Disposals	(40,168)	(33)	(269)	-117	(2)	**(40,589)**
Write off	-	-	-	-	(16,238)	**(16,238)**
Effect of movement in exchange rates	-	-	2	14	77	**93**
At 31 December 2007	**2,816,245**	**219,043**	**56,075**	**52,435**	**283,764**	**3,427,562**
At 1 January 2008	2,816,245	219,043	56,075	52,435	283,764	**3,427,562**
Acquisition through business combinations	-	-	-	5,319	-	**5,319**
Additions	421,626	40,506	5,474	12,125	750,181	**1,229,912**
Transfers	86,921	11,197	2,149	16,889	(117,156)	**-**
Disposals	-	-	-	-103	-	**(103)**
Effect of movement in exchange rates	767	59	(193)	(190)	77	**520**
At 31 December 2008	**3,325,559**	**270,805**	**63,505**	**86,475**	**916,866**	**4,663,210**
Depreciation and impairment losses						
At 1 January 2007	211,898	5,155	2,610	6,565	-	**226,228**
Charge for the year	113,359	9,304	1,491	6,032	-	**130,186**
Disposals	(9,024)	(4)	(183)	(96)	-	**(9,307)**
Effect of movement in exchange rates	-	-	5	23	-	**28**
At 31 December 2007	**316,233**	**14,455**	**3,923**	**12,524**	**-**	**347,135**
At 1 January 2008	316,233	14,455	3,923	12,524	-	**347,135**
Acquisition through business combinations	-	-	-	3,705	-	**3,705**
Charge for the year	154,438	12,470	2,189	10,236	-	**179,333**
Disposals	-	-	-	(92)	-	**(92)**
Effect of movement in exchange rates	83	(3)	(94)	(176)	-	**(190)**
At 31 December 2008	**470,754**	**26,922**	**6,018**	**26,197**	**-**	**529,891**
Carrying amounts						
At 1 January 2007	1,553,180	148,063	49,668	6,645	496,398	2,253,954
At 31 December 2007	2,500,012	204,588	52,152	39,911	283,764	3,080,427
At 31 December 2008	**2,854,805**	**243,883**	**57,487**	**60,278**	**916,866**	**4,133,319**

Notes to the consolidated financial statements

Schedule I

Property, plant and equipment *(continued)*

1 Based on the records of the Planning Department of the Government of Abu Dhabi, land registered in the name of the Company, is included in the consolidated financial statements. The land was valued at USD 47 million on 28 March 2006 by a professional and independent valuer. The corresponding credit to this valuation is included under development reserve *(refer to consolidated statement of changes in equity on page 5).*

2 Capital projects include advance paid to aircraft manufacturers (pre delivery payments) of USD 735,062 thousand *(2007: USD 244,165 thousand)* and option fees of USD 83,600 thousand *(2007: USD Nil)* paid against options granted by them for purchase of aircraft.

Notes to the consolidated financial statements

Schedule II

USD '000

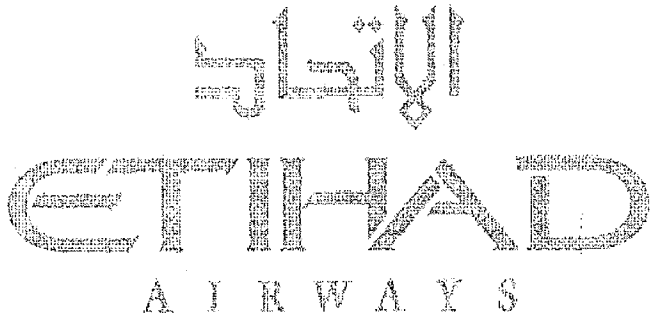
Intangible assets

	Goodwill	Software	Intellectual property	Total
Cost				
At 1 January 2007	-	12,498	184	12,682
Additions	-	4,046	-	4,046
At 31 December 2007	**-**	**16,544**	**184**	**16,728**
At 1 January 2008	-	16,544	184	16,728
Additions *(Note 14)*	2,741	5,341	-	8,082
Effect of movement in exchange rates	-	(7)	-	-7
At 31 December 2008	**2,741**	**21,878**	**184**	**24,803**
Depreciation				
At 1 January 2007	-	2,607	111	2,718
Charge for the year	-	3,354	41	3,395
At 31 December 2007		**5,961**	**152**	**6,113**
At 1 January 2008	-	5,961	152	6,113
Charge for the year	-	4,235	32	4,267
Impairment	2,741	-	-	2,741
At 31 December 2008	**2,741**	**10,196**	**184**	**13,121**
Carrying amounts				
At 1 January 2007	-	9,891	73	9,964
At 31 December 2007	-	10,583	32	10,615
At 31 December 2008	**-**	**11,682**	**-**	**11,682**

Etihad Airways PJSC

Consolidated financial statements

31 December 2009



Registered Office: P O Box 35566 | Abu Dhabi | United Arab Emirates

Etihad Airways PJSC

Consolidated financial statements

31 December 2009

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Independent auditors' report
The Shareholder
Etihad Airways PJSC

We have audited the accompanying consolidated financial statements of Etihad Airways PJSC ("the Company"), and its subsidiary (the "Group") which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the Articles of Association of the Company and the applicable provisions of UAE Federal Law No.8 of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association of the Company and the applicable provisions of UAE Federal Law No.8 of 1984 (as amended).

Report on other requirements

As required by article 29 of the Company's Articles of Association, we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group and that a physical count of inventories was carried out by Management in accordance with established principles. We are not aware of any violation of the Articles of Association having occurred during the year ended 31 December 2009, which may have had a material adverse effect on the business of the Group or its financial position.

16 June 2010

KPMG

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Etihad Airways PJSC

Consolidated statement of comprehensive income

for the year ended 31 December

	Note	2009 USD '000	2008 USD '000 Restated*
Revenue	6	2,274,585	2,411,421
Direct operating costs	7	2,540,790	2,618,013
Gross loss		(266,205)	(206,592)
Other income		22,537	141,395
Administrative and marketing expenses	8	(561,554)	(425,669)
Results from operating activities		(805,222)	(490,866)
Finance income	9	32,787	49,230
Finance costs	9	(136,302)	(140,580)
Net finance costs	9	(103,515)	(91,350)
Foreign exchange gain / (loss)		1,461	(34,619)
Early lease termination charges	10	(18,000)	(18,000)
		(16,539)	(52,619)
Share of profit of an equity accounted investee	14	51	2,083
Loss for the year		(925,225)	(632,752)
Other comprehensive income			
Net change in fair value of cash flow hedges (Note 21)		88,501	(264,619)
Net change in fair value of cash flow hedges transferred to income statement (Note 21)		157,061	(56,481)
Foreign currency translation differences for foreign operations		728	(421)
Other comprehensive income / (loss) for the year		246,290	(321,521)
Total comprehensive loss for the year		(678,935)	(954,273)

Etihad Airways PJSC

Consolidated statement of comprehensive income *(continued)*

for the year ended 31 December

	Note	2009 USD '000	2008 USD '000 Restated*
(Loss) / profit attributable to:			
Equity holders		**(925,646)**	(635,776)
Non - controlling interest		**421**	3,024
Loss for the year		**(925,225)**	(632,752)
Total comprehensive loss attributable to:			
Equity holders		**(679,356)**	(957,297)
Non - controlling interest		**421**	3,024
Total comprehensive loss for the year		**(678,935)**	(954,273)

* Refer change in accounting policies - Note 2(f)

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of financial position

as at 31 December

	Note	2009 USD '000	2008 USD '000 Restated*	2007 USD '000 Restated*
Assets				
Non current assets				
Property, plant and equipment	11	4,884,833	4,133,319	3,080,427
Intangible assets	12	15,379	11,682	10,615
Investment in an equity accounted investee	14	2,154	2,103	-
Investments and derivatives	16	64,957	-	6,158
Total non current assets		4,967,323	4,147,104	3,097,200
Current assets				
Inventories	17	19,747	25,104	19,040
Trade and other receivables	18	355,410	439,964	418,837
Loan to an equity accounted investee	15	45,818	45,818	-
Investments and derivatives	16	38,124	54,451	406,694
Cash in hand and at banks	19	407,559	934,115	865,765
Total current assets		866,658	1,499,452	1,710,336
Total assets		5,833,981	5,646,556	4,807,536
Equity and liabilities				
Equity				
Share capital	20	2,281,678	1,950,913	1,375,068
Accumulated losses		(3,247,428)	(2,321,782)	(1,686,006)
Development reserve	11	46,952	46,952	46,952
Foreign currency translation reserve		307	(421)	-
Hedging reserve	21	10,613	(234,949)	86,151
Total equity attributable to equity holders of the Group		(907,878)	(559,287)	(177,835)
Non - controlling interest		2,083	1,662	-
Total equity		(905,795)	(557,625)	(177,835)

Etihad Airways PJSC

Consolidated statement of financial position *(continued)*

as at 31 December

	Note	2009 USD '000	2008 USD '000 Restated*	2007 USD '000 Restated*
Non current liabilities				
Loan from the Shareholder	22	3,012,298	2,652,102	1,989,676
Finance lease liabilities	23	2,299,687	2,016,246	2,019,814
Derivatives	16	4,481	146,729	-
Total non current liabilities		5,316,466	4,815,077	4,009,490
Current liabilities				
Finance lease liabilities	23	175,714	215,406	120,889
Payables and accruals	24	697,109	677,880	542,505
Derivatives	16	87,364	88,219	-
Unearned revenue		439,071	394,791	267,987
Bank overdraft	19	24,052	12,808	44,500
Total current liabilities		1,423,310	1,389,104	975,881
Total liabilities		6,739,776	6,204,181	4,985,371
Total equity and liabilities		5,833,981	5,646,556	4,807,536

* Refer change in accounting policies - Note 2(f)

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 MAY 2010 and signed on their behalf by:

James Reginald Hogan
Chief Executive Officer

His Highness Sheikh Hamed Bin Zayed Al Nahyan
Chairman of the Board of Directors

James Denis Rigney
Chief Financial Officer

His Excellency Mubarak Hamad Al Muhairi
Chairman of the Executive Committee

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of changes in equity

for the year ended 31 December

USD '000

	Attributable to equity holders of the Company							
	Share capital	Accumulated losses	Development reserve	Translation reserve	Hedging reserve	Total	Non-controlling interest	Total equity
At 1 January 2008	1,375,068	(1,666,770)	46,952	-	86,151	(158,599)	-	(158,599)
Change in accounting policy (Note 2f)	-	(19,236)	-	-	-	(19,236)	-	(19,236)
Restated balance	1,375,068	(1,686,006)	46,952	-	86,151	(177,835)	-	(177,835)
Share capital introduced (Note 20)	575,845	-	-	-	-	575,845	-	575,845
Acquisition of non controlling interest	-	-	-	-	-	-	(1,362)	(1,362)
Total comprehensive loss for the year	-	(635,776)	-	(421)	(321,100)	(957,297)	3,024	(954,273)
At 31 December 2008	1,950,913	(2,321,782)	46,952	(421)	(234,949)	(559,287)	1,662	(557,625)
At 1 January 2009	1,950,913	(2,321,782)	46,952	(421)	(234,949)	(559,287)	1,662	(557,625)
Share capital introduced (Note 20)	330,765	-	-	-	-	330,765	-	330,765
Total comprehensive loss for the year	-	(925,646)	-	728	245,562	(679,356)	421	(678,935)
At 31 December 2009	2,281,678	(3,247,428)	46,952	307	10,613	(907,878)	2,083	(905,795)

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of cash flows

for the year ended 31 December

	Note	2009 USD '000	2008 USD '000 Restated*
Cash flows from operating activities			
Loss for the year		**(925,225)**	(632,752)
Adjustments for:			
Depreciation	*7 & 8*	**231,037**	179,333
Amortisation of intangible assets	*8*	**6,307**	4,267
Impairment of goodwill		**-**	2,741
Write off of property, plant and equipment		**1,546**	-
Gain on disposal of property, plant and equipment		**(254)**	(12)
Change in fair value of derivatives		**(624)**	-
Provsion for doubtful debts	*18*	**4,682**	823
Provsion for slow moving / obsolete stock	*17*	**3,878**	705
Finance costs	*9*	**136,302**	140,580
Finance income	*9*	**(32,787)**	(49,230)
Share of profit of an equity accounted investee	*14*	**(51)**	(2,083)
		(575,189)	(355,628)
Change in inventories		**1,479**	(6,768)
Change in trade and other receivables		**76,838**	(21,707)
Change in derivatives		**(624)**	-
Change in payables and accruals		**19,064**	135,339
Change in unearned revenue		**44,280**	126,804
		141,037	233,668
Net cash used in operating activities		**(434,152)**	(121,960)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(519,574)**	(1,015,311)
Proceeds from disposal of property, plant and equipment		**1,903**	23
Acquisition of intangible assets		**(10,003)**	(5,334)
Acquisition of subsidiaries - net of cash acquired		**-**	(4,248)
Investment in an equity accounted investee		**-**	(20)
Proceeds from / (acquisition of) term deposits over three months		**250,122**	(150,086)
Proceeds from maturity of investments		**54,451**	272,250
Income from investments		**205**	6,320
Interest received		**35,616**	42,667
Loan to an equity accounted investee		**-**	(45,818)
Net cash used in investing activities		**(187,280)**	(899,557)

Etihad Airways PJSC

Consolidated statement of cash flows *(continued)*

for the year ended 31 December

	Note	2009 USD '000	2008 USD '000 Restated*
Cash flows from financing activities			
Proceeds from issue of share capital	20	330,765	575,845
Proceeds from loan from the Shareholder	22	360,196	662,426
Repayment of finance lease liability	23	(220,060)	(121,751)
Interest paid		(138,182)	(144,580)
Net cash from financing activities		332,719	971,940
Net decrease in cash and cash equivalents		(288,713)	(49,577)
Cash and cash equivalents at 1 January		621,205	671,249
Effect of exchange rate fluctuations		1,035	(467)
Cash and cash equivalents at 31 December	19	333,527	621,205

* Refer change in accounting policies - Note 2(f)

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Notes to the consolidated financial statements

1 Legal status and principal activities

Etihad Airways PJSC ("the Company" or "Etihad") is a public joint stock company incorporated in the Emirate of Abu Dhabi in accordance with Article 1 of Abu Dhabi Law No. 1 of 2003 dated 5 January 2003. The Company was commercially registered in August 2003 and commenced commercial operations in November 2003. The Company's share capital is wholly contributed by the Government of Abu Dhabi ("the Shareholder"). Pursuant to State Cabinet approval dated 29 March 2004, the Company is exempt from various provisions of the United Arab Emirates ("UAE") Federal Law No. 8 of 1984 (as amended). The consolidated financial statements as at and for the year ended 31 December 2009 comprise the Company, its subsidiaries and jointly controlled entity (together referred to as "the Group" and individually as "Group entities").

The principal activities of the Company are to provide commercial air transportation which includes passenger and cargo services on scheduled and charter basis. The Group entities provide Global Distribution System (GDS) services, acting as a technology provider serving the sales, marketing and distribution needs of various travel and tourism entities, investing in property to earn rentals and providing call centre services.

2 Basis of preparation

(a) Going concern

These financial statements have been prepared on a going concern basis. As at 31 December 2009, the Group had accumulated losses of USD 3,248 million *(2008: USD 2,322 million)* and net liabilities of USD 906 million *(2008: USD 558 million)*. The Company's financial restructuring plan has been approved by the Executive Council of the Emirate of Abu Dhabi pursuant to their decisions No. (17) of 2007 and No. (53) of 2008 comprising of additional cash flows in the form of equity participation and loans from the Shareholder. Furthermore as required by the Company's Articles of Association, the Board of Directors decided that the Company continues its business and operations. Accordingly, the continuity of the Group as a going concern is secured.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the applicable provisions of UAE Federal Law No. 8 of 1984 (as amended).

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and financial assets at fair value through profit or loss, which are measured at fair value. The methods used to measure fair values are described further in Note 4.

(d) Functional and presentation currency

The functional currency of the Company is UAE Dirhams ("AED"). Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which they operate. These consolidated financial statements are presented in United States Dollars ("USD" or "$"). All financial information presented in USD has been rounded to the nearest thousand, unless stated otherwise. All internal financial and management reporting is expressed in USD. Hence, to maintain consistency and uniformity in the reporting, these consolidated financial statements are presented in USD.

Notes to the consolidated financial statements

2 Basis of preparation (continued)

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in Note 30.

(f) Changes in accounting policies

Effective 1 January 2009, the Group has changed its accounting policies in the following areas:

(i) Accounting for customer loyalty programme

IFRIC 13 Customer loyalty programme, effective for periods beginning on or after July 1 2008, addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The interpretation requires that an entity recognises credits that it awards to customers as a separately identifiable component of revenue, which would be deferred at the date of the initial sale. The net impact on the statement of comprehensive income for the year ended 31 December 2008, 2007 and 2006 is decrease in revenue and expenditure by USD 42,132 thousand and USD 20,270 thousand, USD 25,322 thousand and USD 8,496 thousand and USD 2,976 thousand and USD 566 thousand respectively. The net impact on the statement of financial position as at 31 December 2008, 2007 and 2006 is increase in accumulated losses and payables and accruals by USD 41,098 thousand, USD 16,826 thousand and USD 2,410 thousand respectively.

(ii) Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in *note 2(f)*, which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

***(a) Basis of consolidation** (continued)*

(ii) Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Consolidation based on management accounts

The result of the operations and the financial positions of the subsidiaries and joint venture have been consolidated on the basis of unaudited financial statements prepared by management. The net profit of the subsidiaries and the Group's share of profit of the joint venture included in these consolidated financial statements aggregate to USD 592 thousand *(2008: USD 6,884 thousand)*. Similarly the net assets of the subsidiaries included in these consolidated financial statements aggregate to USD 41,883 thousand *(2008: USD 4,877 thousand)*.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

Passenger and cargo sales are recognised as revenue when the transportation service is provided. Passenger tickets and cargo airway bills sold but unused are classified in the consolidated statement of financial position under current liabilities as unearned revenue. Commission costs are recognised in the same time period as the revenue to which they relate and are charged to expenditure. Tickets sold, initially accounted for as unearned revenue, but unused for more than 24 months are transferred to revenue. Distribution income is recognised as revenue when service is rendered.

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or losses on monetary items are the differences between the amortised cost in AED at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

***(c) Foreign currency** (continued)*

Foreign currency transactions (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on the translation are recognised in the consolidated statement of comprehensive income, except for differences arising on retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated to USD at the exchange rate at the balance sheet date. The income and expenses of foreign operations are translated to USD at the exchange rates at the date of the transaction.

Foreign currency differences on translation of foreign operations are recognised in other comprehensive income as foreign currency translation reserve.

(d) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such 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.

(e) Financial instruments

(i) Non derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The non-derivative financial assets of the Group include loans and receivables and cash and cash equivalents.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

***(e) Financial instruments** (continued)*

(i) Non derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade receivables, deposits and other receivables and loan to an equity accounted investee.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call and term deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in consolidated income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in consolidated income statement.

(ii) Non derivative financial liabilities

The Group initially recognises subordinated liability on the date that they are originated. All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The non-derivative financial liabilities of the Group include financial lease liabilities, loan from the shareholder, bank overdrafts and payables and accruals.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its jet fuel price, interest rate and foreign currency risk exposure.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

***(e) Financial instruments** (continued)*

(iii) Derivative financial instruments and hedge accounting (continued)

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in consolidated statement of comprehensive income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect income statement, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in consolidated statement of comprehensive income in the same period as the hedged cash flows affect profit or loss under the same line item in the consolidated statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in consolidated statement of comprehensive income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in the consolidated statement of comprehensive income as a component of finance income / expense.

(f) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

*(f) **Property, plant and equipment** (continued)*

Recognition and measurement

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within other income in the consolidated statement of comprehensive income.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of comprehensive income as incurred.

Depreciation

Depreciation is recognised in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of each part of items of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	Years
Aircraft	20
Components and parts	15 - 20
Buildings and leasehold improvements	5 - 20
Other property, plant and equipment	3 - 5

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset. Subsequent major overhaul expenditure is amortised over the period to the next major overhaul.

Capital projects

Expenditure incurred on property, plant and equipment, which are not complete and ready for use at the balance sheet date are treated as capital projects. Depreciation is not provided on such assets until they are transferred from capital projects to the appropriate category under property, plant and equipment.

Manufacturers' credits

The Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on the nature of credits, 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, the credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease.

Notes to the consolidated financial statements

(g) Leases

Finance leases as lessee

Leases in terms of which Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The corresponding lease obligations are included under liabilities. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases as lessee

Payments made under operating lease are recognised in the consolidated statement of comprehensive income over the term of the lease. Lease incentives received are recognised in the consolidated statement of comprehensive income as an integral part of the total lease expense, over the term of the lease.

Operating leases as lessor

Lease income from operating lease is recognised in the consolidated statement of comprehensive income over the term of the lease.

(h) Intangible assets

(i) Goodwill

Recognition and measurement

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

(ii) Subsequent measurement

Goodwill is measured at cost less impairment losses.

Other intangible assets

Recognition and measurement

Intangible assets acquired by the Group, with finite useful lives, are measured at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated statement of comprehensive income when incurred.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(h) Intangible assets (continued)

Amortisation

Amortisation is recognised in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Software	3 - 5
Intellectual property	5

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(i) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated income statement.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(i) Impairment (continued)

Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

(k) Staff terminal benefits and pension

Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the consolidated income statement when they are due.

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Certain of the Group's overseas stations outside the UAE make contributions to their respective countries' pension schemes.

Termination benefits

Provision for staff terminal benefits included under payables and accruals is made in accordance with the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff was to be terminated at the balance sheet date. Staff terminal benefits for employees based outside the UAE are provided in accordance with the relevant local regulations.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Taxation

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

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(n) Finance income and finance expenses

Finance income mainly comprises interest on term deposits. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on finance leases, loans and borrowings and losses on hedging instruments that are recognised in consolidated statement of comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Also refer *Note 3(d)* for policy on borrowing costs.

Foreign currency gains and losses are reported on a net basis.

(o) Frequent flyer programme

The Group manages a travel incentive programme called "Etihad Guest", which allows members travelling on the Group's flights to accumulate Guest Miles that entitle them to various awards primarily free travel. The fair value attributed to the awarded mileage credits is deferred as a liability and recognised as revenue on redemption of the miles by the members to whom the miles are issued.

In addition, miles are also sold to commercial partners. The fair value of the miles sold is deferred and recognised as revenue on redemption of the miles by the participants to whom the miles are issued.

The accounting policy for frequent flyer programme was amended during the year in line with IFRIC 13 *Customer loyalty Programmes*. Also refer *Note 2(f) Change in Accounting Policies* for impact of the change in policy.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. The amendment, which becomes mandatory for the Group's 2010 consolidated financial statements, is not expected to have a significant impact on the consolidated financial statements.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Notes to the consolidated financial statements

6 Financial risk management

Overview

The Group has exposure to the following risks from its use of:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the design, establishment, oversight and monitoring of the Group's risk management framework and is assisted by the Risk Management Committee ("the Committee") and the Treasury department (the "Treasury"). The Committee is responsible for developing and monitoring the Group's risk management policies, which are approved by the Board. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Risk Management Committee is responsible for overall risk management covering specific areas, such as commodity price risk, currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity, based on principles provided by the Board.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, has less of an influence on credit risk. At the reporting date, approximately 33% of the Group's trade receivables are from customers domiciled in the UAE. However, geographically there is no concentration of credit risk.

The Group has policies in place to ensure that sales of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn has adequate securities in place. Where the customers are not members of the clearing house adequate securities are taken for the appropriate level of commercial activity. Sales to retail customers are made in cash or credit cards.

Notes to the consolidated financial statements

5 Financial risk management (continued)

***Credit risk** (continued)*

Trade and other receivables (continued)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Derivative financial instruments

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. Derivative contracts are entered into with high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Treasury ensures that the Group has sufficient cash and marketable securities and funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group maintains USD 648 million worth of unsecured overdraft facilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in the consolidated statement of comprehensive income.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures that are denominated in currencies other than the functional currency of the Group. The currencies in which these transactions primarily are denominated are Euro ("EUR"), Pound Sterling ("GBP") and Australian Dollar ("AUD"). In respect of the Group's transactions denominated in the functional currency and other currencies that are pegged to USD the Group is currently not exposed to currency risk, as these currencies are pegged to USD at a fixed rate of exchange. Treasury is responsible for managing the net foreign exchange exposures by using derivative contracts when deemed necessary.

Notes to the consolidated financial statements

3 Financial risk management *(continued)*

***Market risk** (continued)*

Commodity price risk

The Group's main commodity price risk relates to the purchase price of its jet fuel. The Group's risk management policy is to hedge between 50% and 80% of anticipated exposure for the subsequent 12 months, and up to 50% and 25% of exposure for periods up to 24 months and 36 months respectively. Treasury is responsible for managing the commodity price exposure of the Group by using derivative contracts to maintain hedge levels within policy parameters laid down by the Board.

Interest rate risk

The Group's policy is to secure a significant proportion of its borrowings in fixed rate instruments in the short to medium term, allowing an increased proportion of floating interest exposure in the medium to long term.

Capital management

The Group's policy is to maintain a strong capital base with the support of the Shareholder in order to support the investment, operations and to sustain future development of the business.

The Group is not subject to externally imposed capital requirements.

Notes to the consolidated financial statements

6 Revenue

	2009 USD '000	2008 USD '000 *Restated**	2007 USD '000 *Restated**
Passenger	1,976,545	1,948,541	1,184,766
Cargo	216,243	391,795	275,378
Non scheduled chartered	34,459	23,793	20,465
Destination and leisure	15,009	17,366	9,791
Distribution income	13,207	14,858	-
Other revenue	19,122	15,068	10,124
	2,274,585	2,411,421	1,500,524

* Refer change in accounting policies - Note 2(f)

7 Direct operating costs

	2009 USD '000	2008 USD '000 *Restated**	2007 USD '000 *Restated**
Aviation fuel *(Note 21)*	919,797	1,094,075	599,467
Aircraft operating leases	121,100	108,745	97,749
Aircraft maintenance expenses	281,541	267,953	230,773
Overflying expenses	124,401	106,438	76,548
Landing and parking expenses	68,154	67,394	46,717
Handling expenses	160,733	150,912	119,025
Inflight expenses	146,215	138,130	107,824
Commission and incentives	79,198	102,183	79,944
Reservation expenses	58,079	57,569	43,701
Staff related costs	295,637	271,163	167,860
Destination and leisure expenses	7,964	8,599	8,290
Depreciation	201,170	167,197	123,008
Other operating expenses	76,801	77,655	67,144
	2,540,790	2,618,013	1,768,050

* Refer change in accounting policies - Note 2(f)

Aviation fuel is stated net of hedging (gain) / loss of:

	2009 USD '000	2008 USD '000	2007 USD '000
Aviation fuel	786,736	1,150,556	644,118
Fuel hedging loss / (gain)	133,061	(56,481)	(44,651)
	919,797	1,094,075	599,467

Notes to the consolidated financial statements

	2009 USD '000	2008 USD '000
8 Administrative and marketing expenses		
Staff related costs	245,717	182,814
Advertisement and promotion	93,549	79,721
Rent and utilities	35,122	23,406
Training expenses	19,143	16,000
Communication expenses	40,418	22,741
Legal and consultancy charges	21,228	23,988
Depreciation	29,867	12,136
Amortisation of intangible assets	6,307	4,267
Impairment of goodwill	-	2,741
Other administrative expenses	70,203	57,855
	561,554	425,669

	2009 USD '000	2008 USD '000
9 Net finance costs		
Aircraft financing costs	125,756	130,987
Interest cost	10,546	9,593
Finance costs	136,302	140,580
Interest on deposits	(32,582)	(42,910)
Gain on financial assets at fair value through profit and loss	(205)	(6,320)
Finance income	(32,787)	(49,230)
Net finance costs	103,515	91,350

Aircraft financing costs are stated net of hedging loss of USD 24,000 thousand *(2008: Nil)*.

10 Early lease termination charges

During the year 2008, the Group entered into an agreement with one of the aircraft lessors for prepayment of junior loan in respect of finance lease liability. According to the terms of the agreement, the Group is liable to pay a sum of USD 6 million per aircraft as prepayment fee to the lessor, in addition to the principal amount due and accrued interest thereon.

Notes to the consolidated financial statements

11 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on pages 38 and 39.

12 Intangible assets

Details of intangible assets are set out in Schedule II on page 40.

13 Investment in subsidiaries

(a) Amadeus Gulf LLC ("Amadeus")

The Company acquired 357 shares (51%) in Amadeus for a total consideration of USD 1,324 thousand in cash on 18 March 2008. Amadeus contributed a profit of USD 859 thousand for the year ended 31 December 2009.

(b) Airline Service Centre (Private) Limited ("ASC")

The Company has invested USD 3,011 thousand in ASC which was established to provide call centre services to Etihad. The commercial operations commenced during the year and ASC contributed a profit of USD 182 thousand for the year ended 31 December 2009

(c) Etihad EHL Leasing Limited ("EHL")

The Company also invested USD 35,649 thousand in EHL which was established to provide leasing services to the Company. EHL obtains aircraft on finance lease and provide them on operating lease to the Company. EHL contributed a loss of USD 501 thousand for the year ended 31 December 2009

14 Investments in equity accounted investees

	2009 USD '000	2008 USD '000
At 1 January	2,103	-
Cost of investment	-	20
Share of profit for the year	51	2,083
At 31 December	2,154	2,103

The Group's share of profit of equity accounted investee for the year was USD 51 thousand.

This represents the joint control of the Group in Aldar Etihad Investment Properties LLC ("joint venture"). The joint venture was formed to purchase properties and earn rental income. Summary financial information for the joint venture, not adjusted for the percentage ownership held by the Group is set out below:

Notes to the consolidated financial statements

	2009 USD '000	2008 USD '000
7 Investments in investments accounted for using the equity method		
Ownership interest	50%	50%
Non - current assets	305,456	91,637
Current assets	12,201	50,054
Total assets	317,657	141,691
Non - current liabilities	(211,094)	-
Current liabilities	(91,701)	137,485
Total liabilities	(302,795)	137,485
Revenue	13,265	4,196
Expenses	(2,586)	(30)
Profit	10,679	4,166

	2009 USD '000	2008 USD '000
8 Loan to an equity accounted investee		
Aldar Etihad Investment Properties LLC	45,818	45,818
	45,818	45,818

The loan is interest free and repayable on demand.

	2009 USD '000	2008 USD '000
9 Investments and derivatives		
(a) Assets		
(i) Non current:		
Derivatives	64,957	-
	64,957	-
(ii) Current:		
Financial assets at fair value through profit or loss	-	54,451
Derivatives	38,124	-
	38,124	54,451
(b) Liabilities		
(i) Non current:		
Derivatives	4,481	146,729
	4,481	146,729

Notes to the consolidated financial statements

16. Investments and derivatives (continued)	2009 USD '000	2008 USD '000
(b) Liabilities		
(ii) Current:		
Derivatives	**87,364**	88,219
	87,364	88,219

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in Note 28.

17. Inventories	2009 USD '000	2008 USD '000
In-flight consumables	**15,455**	17,469
Other consumables	**4,292**	7,635
	19,747	25,104

Inventories are stated net of an allowance for obsolescence of USD 4,764 thousand *(2008: USD 886 thousand)*.

18. Trade and other receivables	2009 USD '000	2008 USD '000
Trade receivables	**169,293**	142,119
Prepayments	**84,082**	66,451
Deposits	**22,763**	45,604
Other receivables	**62,803**	154,309
Advance to suppliers	**16,469**	31,481
	355,410	439,964

Trade receivables are stated net of an allowance for impairment of USD 12,728 thousand *(2008: USD 8,046 thousand)*.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 28.

19. Cash and cash equivalents	2009 USD '000	2008 USD '000
Term deposits	**332,865**	840,464
Cash at bank		
- in call accounts	**23,845**	27,288
- in current accounts	**50,430**	65,972
Cash in hand	**419**	391
Cash in hand and at banks	**407,559**	934,115
Bank overdraft	**(24,052)**	(12,808)
Term deposits over three months	**(49,980)**	(300,102)
Cash and cash equivalents for cash flow purposes	**333,527**	621,205

The Group's exposure to interest rate risk for financial assets and liabilities are disclosed in Note 28.

Notes to the consolidated financial statements

	2009 USD '000	2008 USD '000
20 Share capital		
***(a)* Authorised:**		
239.18 million shares of AED 100 each *(2008: 239.18 million shares of AED 100 each)*	**6,511,818**	6,511,818
***(b)* Issued and fully paid:**		
At 1 January	**1,950,913**	1,375,068
Issued and paid up during the year	**330,765**	575,845
At 31 December	**2,281,678**	1,950,913

The authorised share capital of the Company vide decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007 was increased to AED 5,052 million (USD 1,375 million). A decision No (53) of 2008 dated 2 September 2008 of the President of the Executive Council further increased the authorised share capital to AED 23,917 million (USD 6,512 million). During the year 12.15 million *(2008: 21.15 million)* shares of AED 100 (USD 27.22) were issued and fully paid in cash.

	2009 USD '000	2008 USD '000
21 Hedging reserve		
At 1 January	**(234,949)**	86,151
Effective portion of changes in fair value of cash flow hedges	**88,501**	(264,619)
Net change in fair value of cash flow hedges transferred to aviation fuel *(Note 7)*	**133,061**	(56,481)
Net change in fair value of cash flow hedges transferred to aircraft financing costs *(Note 9)*	**24,000**	-
At 31 December	**10,613**	(234,949)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

	2009 USD '000	2008 USD '000
22 Loan from the Shareholder		
At 1 January	**2,652,102**	1,989,676
Borrowed during the year	**360,196**	662,426
At 31 December	**3,012,298**	2,652,102

Notes to the consolidated financial statements

22 Loan from the Shareholder (continued)

The Company obtained subordinated loans from the Shareholder amounting to USD 3,012 million vide a decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007. A further decision No (53) of 2008 of the President of the Executive Council dated 2 September 2008 increased these loans to USD 5,213 million. At 31 December 2009, an amount of USD 3,012 million *(2008: USD 2,652 million)* was drawn down and provided by the Shareholder. The remaining loan amount is required to be utilised by the Company to finance the purchase of aircraft.

All the above loans are without any interest and would be paid by the Company in 20 installments such that the first installment will be paid in the year 2027. The subordinated loans referred to in the above decisions give priority to paying off loans obtained by the Company from other institutions and sources other than that obtained from the Shareholder.

The Board of Directors of the Company believe that this loan be measured at cost given that it is in the nature of quasi equity and the repayment profile has not yet been agreed with the Shareholder.

23 Finance lease liabilities

	2009 USD '000	2008 USD '000
At 1 January	2,231,652	2,140,703
Additions during the year	463,809	212,700
Repayments during the year	(220,060)	(121,751)
Outstanding lease liabilities	2,475,401	2,231,652
Gross lease liabilities:		
Not later than one year	300,907	341,032
Later than one year but not later than five years	1,169,758	987,651
Later than five years	1,782,464	1,656,830
Gross lease liabilities	3,253,129	2,985,513
Future interest	(777,728)	(753,861)
Net lease liabilities	2,475,401	2,231,652
Net lease liabilities are payable as follows:		
Not later than one year *(current)*	175,714	215,406
Later than one year but not later than five years	779,138	619,998
Later than five years	1,520,549	1,396,248
Total over one year *(non current)*	2,299,687	2,016,246
Total net lease liabilities	2,475,401	2,231,652

The carrying amount of net lease liabilities approximate their fair value.

Notes to the consolidated financial statements

24 Payables and accruals

	2009 USD '000	2008 USD '000 Restated*	2007 USD '000 Restated*
Trade payables	71,398	48,678	156,048
Accruals and other payables	565,023	589,572	364,846
Provision for staff terminal benefits	60,688	39,630	21,611
	697,109	677,880	542,505

* Refer change in accounting policies - Note 2(f)

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

Movement in the provision for staff terminal benefits is as follows:

	2009 USD '000	2008 USD '000	2007 USD '000
At 1 January	39,630	21,611	7,153
Acquistion through business combination	-	174	-
Provided during the year	23,023	27,025	15,504
Paid during the year	(1,965)	(9,180)	(1,046)
At 31 December	60,688	39,630	21,611

25 Related parties

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Group has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company or the Group).

Transactions with key management personnel

	2009 USD '000	2008 USD '000
Short term employee benefits	2,273	5,149
End of service benefits	211	332
	2,484	5,481

Other significant related party transactions

In accordance with the provisions of the revised IAS 24, the Group being an ultimate government owned entity is required to disclose transactions with other state / government owned entities in the consolidated financial statements. The Group enters into transactions with various other governments owned entities in the normal course of business on an arm's length basis. Such entities include utility companies, airport authorities and financial institutions. Hence, management considers that detailed disclosure of such transactions does not benefit the users of these consolidated financial statements.

Notes to the consolidated financial statements

25 Related parties *(continued)*

Other significant related party transactions *(continued)*

During the year, the Group had following transactions with related parties

	2009 USD '000	2008 USD '000
Rent	13,163	4,092
Loan to an equity accounted investee	-	45,818

26 Commitments

	2009 USD '000	2008 USD '000
Capital commitments		
Not later than one year	1,083,970	660,440
Later than one year but not later than five years	4,318,465	4,399,978
Later than five years	9,048,687	7,683,677
	14,451,122	12,744,095
Operating lease commitments		
Leases as lessee		
Not later than one year	233,862	169,006
Later than one year but not later than five years	576,795	430,235
Later than five years	1,064,008	458,211
	1,874,665	1,057,452
Operating lease commitments as lessee represent:		
Aircraft leases	718,966	802,349
Other leases	1,155,699	255,103
	1,874,665	1,057,452
Leases as lessor		
Not later than one year	1,611	-
Later than one year but not later than five years	6,144	-
Later than five years	2,121	-
	9,876	-
Sponsorship commitments		
Not later than one year	46,141	-
Later than one year but not later than five years	33,714	-
	79,855	-

Notes to the consolidated financial statements

27 Contingent liabilities

(a) A legal action has been brought by a party against the Group. The plantiff is claiming USD 3,642 thousand in damages. Although the decision was made in favour of the plantiff in a lower court, management is defending the case and has filed an appeal in a higher court. Management, based on the advise of its legal advisor, estimates that the likely outcome against the Group is remote.

(b) The following guarantees were entered in the ordinary course of business:

	2009	2008
	USD '000	USD '000
Letters of guarantee	11,107	7,988
Letters of credit	12,239	17,891

28 Financial instruments

(a) Credit Risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2009	2008
		USD '000	USD '000
Loan to an equity accounted investee	15	45,818	45,818
Financial assets at fair value through profit or loss	16	-	54,451
Derivatives	16	103,081	-
Trade receivables	18	169,293	142,119
Other receivables	18	85,566	199,913
Cash and cash equivalents	19	407,140	933,724
		810,898	1,376,025

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2009	2008
	USD '000	USD '000
Domestic (UAE)	55,397	44,558
Middle East and Africa	21,258	29,442
Asia Pacific	26,674	24,007
Europe and Americas	65,964	44,112
	169,293	142,119

Notes to the consolidated financial statements

31 Financial instruments (continued)

(a) Credit Risk (continued)

Exposure to credit risk (continued)

The sale of passenger and cargo transportation mostly takes place through International Air Transport Association ("IATA") approved sales agents. These sale points are mostly connected to Billing Settlement Plans ("BSP") and Cargo Accounting and Settlement System ("CASS") administered by IATA. The credit worthiness of the agents are reviewed by the clearing systems responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide.

Receivables and liabilities between airlines are offset through bilateral agreements or through the IATA clearing house, insofar as the contracts underlying the services do not explicitly specify otherwise. Systematic settlement of monthly receivables and liability balances significantly reduce the default risk.

Impairment losses

The ageing of trade receivables at the reporting date was:

	USD '000		USD '000	
	31 December 2009		31 December 2008	
	Gross	Impairment	Gross	Impairment
Not past due	139,598	1,281	76,865	16
Past due 0-30 days	991	155	54,610	1
Past due 30-180 days	30,639	652	11,015	356
More than 180 days	10,793	10,640	7,675	7,673
	182,021	12,728	150,165	8,046

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009 USD '000	2008 USD '000
At 1 January	8,046	7,223
Add: Impairment loss recognised	4,682	823
At 31 December	12,728	8,046

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable is written off against the financial asset directly. At 31 December 2009, the Group does not have any collective impairment in its trade receivables *(2008: USD Nil)*.

(b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2009 USD '000	2008 USD '000
Fixed rate instruments		
Financial assets	356,710	867,752
Financial liabilities	(2,230,049)	(1,902,287)
	(1,873,339)	(1,034,535)
Variable rate instruments		
Financial liabilities	(269,404)	(342,173)

Notes to the consolidated financial statements

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2009

USD '000

	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	2,475,401	(3,253,129)	(300,907)	(1,169,758)	(1,782,464)
Payables and accruals	697,109	(697,109)	(697,109)	-	-
Bank overdrafts	24,052	(24,052)	(24,052)	-	-
Derivative financial liabilities					
Fuel derivatives	64,878	(63,799)	(62,949)	(850)	-
Interest rate swaps	26,967	(33,620)	(31,178)	(4,684)	2,242
Forward exchange contracts					
Outflow	13,907	(13,907)	(13,907)	-	-
Inflow	(14,531)	14,531	14,531	-	-
	3,287,783	(4,071,085)	(1,115,571)	(1,175,292)	(1,780,222)

31 December 2008

USD '000

	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	2,231,652	(2,985,513)	(341,032)	(987,651)	(1,656,830)
Trade and other payables	677,880	(677,880)	(677,880)	-	-
Bank overdrafts	12,808	(12,808)	(12,808)	-	-
Derivative financial liabilities					
Fuel derivatives	234,949	(260,294)	(164,013)	(96,281)	-
Interest rate swaps	-	-	-	-	-
Forward exchange contracts					
Outflow	-	-	-	-	-
Inflow	-	-	-	-	-
	3,157,289	(3,936,495)	(1,195,733)	(1,083,932)	(1,656,830)

Notes to the consolidated financial statements

28 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges expected to occur

31 December 2009

USD '000

	Carrying amount	Contractual cash flows	1 year or less	1 to 2 years	2 to 5 years
Fuel derivatives					
Assets	96,635	64,416	22,279	42,137	-
Liabilities	(64,878)	(63,799)	(62,949)	(850)	-
Interest rate swaps					
Assets	5,822	7,388	-	1,614	5,774
Liabilities	(26,967)	(33,620)	(31,178)	(4,684)	2,242
Forward exchange contracts					
Assets	14,531	14,531	14,531	-	-
Liabilities	(13,907)	(13,907)	(13,907)	-	-
	11,236	(24,991)	(71,224)	38,217	8,016

31 December 2008

USD '000

	Carrying amount	Contractual cash flows	1 year or less	1 to 2 years	2 to 5 years
Fuel derivatives					
Assets	-	-	-	-	-
Liabilities	(234,949)	260,294	164,013	96,281	-
Interest rate swaps					
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-
Forward exchange contracts					
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-
	(234,949)	260,294	164,013	96,281	-

(d) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Notes to the consolidated financial statements

29 Financial instruments *(continued)*

***(d) Currency risk** (continued)*

Exposure to currency risk (continued)

	31 December 2009			31 December 2008		
	EUR	GBP	AUD	EUR	GBP	AUD
Trade receivables	18,045	8,067	6,347	14,050	4,437	8,300
Trade payables	(1,886)	(1,061)	(1,301)	(1,915)	(1,774)	(3,478)
Gross balance sheet exposure	16,159	7,006	5,046	12,135	2,663	4,822
Estimated forecast sales	276,843	131,641	384,310	338,192	150,102	507,993
Estimated forecast purchases	(213,811)	(42,937)	(77,439)	(163,004)	(42,363)	(116,108)
Gross exposure	63,032	88,704	306,871	175,188	107,739	391,885
Net exposure	79,191	95,710	311,917	187,323	110,402	396,707

(e) Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities are not materially different from the carrying amounts shown in the statement of financial position.

Fair value hierarchy

The different levels of valuation for financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation method used to measure Group's derivative financial instruments is categorised in Level 2 of the fair value hierarchy.

29 Taxation

The Group has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. In other jurisdictions, where the Group's operations are taxable, no tax liability has been recorded in the consolidated financial statements due to losses for the year.

30 Accounting estimates and judgements

In the process of applying the Group's accounting policies, which are detailed in Note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the consolidated financial statements

3 Accounting estimates and judgements (continued)

(a) Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Qualifying hedge relationships

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects the hedge to be highly effective over the life of the hedging relationship.

(c) Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include following:

(i) Significant decline in the market value beyond that which would be expected from the passage of time or normal use.
(ii) Significant changes in the technology and regulatory environments.
(iii) Evidence from internal reporting which indicates that the economic performance of the aircraft is, or will be, worse than expected.

(d) Estimated useful lives of property, plant and equipment

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

(e) Estimated useful lives of intangible assets

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

(f) Estimated fair value of miles awarded

Management computes fair value of miles based on the benefits for which they can be redeemed. Subsequent changes to breakages on account of expiry of miles and change in the redemption profile of miles could result in change in fair value which may differ from initial estimate. Management has reviewed the fair value of miles and determined that no adjustment is necessary.

Notes to the consolidated financial statements

Schedule I

USD '000

	Aircraft	Components and parts	Land[1], buildings and leasehold improvements	Other property, plant and equipment	Capital projects[2]	Total
COST						
At 1 January 2008	2,816,245	219,043	56,075	52,435	283,764	3,427,562
Acquisition through business combinations	-	-	-	5,319	-	5,319
Additions	421,626	40,506	5,474	12,125	750,181	1,229,912
Transfers	86,921	11,197	2,149	16,889	(117,156)	-
Disposals	-	-	-	(103)	-	(103)
Effect of movement in exchange rates	767	59	(193)	(190)	77	520
At 31 December 2008	**3,325,559**	**270,805**	**63,505**	**86,475**	**916,866**	**4,663,210**
At 1 January 2009	3,325,559	270,805	63,505	86,475	916,866	4,663,210
Additions	335,458	11,694	37,660	38,875	561,740	985,427
Transfers	142,443	20,689	83,755	20,643	(267,530)	-
Disposals	-	(1,765)	(573)	(2,004)	-	(4,342)
Effect of movement in exchange rates	-	-	497	246	48	791
At 31 December 2009	**3,803,460**	**301,423**	**184,844**	**144,235**	**1,211,124**	**5,645,086**
ACCUMULATED DEPRECIATION						
At 1 January 2008	316,233	14,455	3,923	12,524	-	347,135
Acquisition through business combinations	-	-	-	3,705	-	3,705
Charge for the year	154,438	12,470	2,189	10,236	-	179,333
Disposals	-	-	-	(92)	-	(92)
Effect of movement in exchange rates	83	(3)	(94)	(176)	-	(190)
At 31 December 2008	**470,754**	**26,922**	**6,018**	**26,197**	**-**	**529,891**
At 1 January 2009	470,754	26,922	6,018	26,197	-	529,891
Charge for the year	184,064	14,244	12,365	20,364	-	231,037
Disposals	-	(200)	(114)	(833)	-	(1,147)
Effect of movement in exchange rates	89	-	43	340	-	472
At 31 December 2009	**654,907**	**40,966**	**18,312**	**46,068**	**-**	**760,253**
NET BOOK VALUE						
At 1 January 2008	2,500,012	204,588	52,152	39,911	283,764	3,080,427
At 31 December 2008	**2,854,805**	**243,883**	**57,487**	**60,278**	**916,866**	**4,133,319**
At 31 December 2009	**3,148,553**	**260,457**	**166,532**	**98,167**	**1,211,124**	**4,884,833**

Notes to the consolidated financial statements

Schedule I *(continued)*

Property, plant and equipment *(continued)*

1 Based on the records of the Planning Department of the Government of Abu Dhabi, land registered in the name of the Company, is included in the financial statements. The land was valued at USD 47 million on 28 March 2006 by a professional and independent valuer. The corresponding credit to this valuation is included under development reserve *(refer to consolidated statement of changes in equity on page 6)*.

2 Capital projects include advance paid to aircraft manufacturers (pre delivery payments) of USD 900,195 thousand *(2008: USD 735,062 thousand)* and option fees of USD 83,600 thousand *(2008: USD 83,600 thousand)* paid against options granted by them for purchase of aircraft.

Notes to the consolidated financial statements

Schedule II

USD '000

	Goodwill	Software	Intellectual property	Total
Cost				
At 1 January 2008	-	16,544	184	16,728
Additions	2,741	5,341	-	8,082
Effect of movement in exchange rates	-	(7)	-	(7)
At 31 December 2008	**2,741**	**21,878**	**184**	**24,803**
At 1 January 2009	2,741	21,878	184	24,803
Additions	-	10,003	-	10,003
Effect of movement in exchange rates	-	11	-	11
At 31 December 2009	**2,741**	**31,892**	**184**	**34,817**
Amortisation				
At 1 January 2008	-	5,961	152	6,113
Charge for the year	-	4,235	32	4,267
Impairment	2,741	-	-	2,741
At 31 December 2008	**2,741**	**10,196**	**184**	**13,121**
At 1 January 2009	2,741	10,196	184	13,121
Charge for the year	-	6,307	-	6,307
Effect of movement in exchange rates	-	10	-	10
At 31 December 2009	**2,741**	**16,513**	**184**	**19,438**
Net book value				
At 1 January 2008	-	10,583	32	10,615
At 31 December 2008	-	11,682	-	11,682
At 31 December 2009	**-**	**15,379**	**-**	**15,379**

Etihad Airways PJSC

Consolidated financial statements

31 December 2010



Registered Office: P O Box 35566 | Abu Dhabi | United Arab Emirates

Etihad Airways PJSC

Consolidated financial statements

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Independent auditors' report
The Shareholder
Etihad Airways PJSC
Abu Dhabi, United Arab Emirates

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Etihad Airways PJSC ("Etihad" or "the Company"), and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the relevant Articles of Association of the Company and the applicable provisions of UAE Federal Law No. (8) of 1984 (as amended), 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association of the Company and the applicable provisions of UAE Federal Law No. 8 of 1984 (as amended).

Report on other requirements
As required by article 29 of the Company's Articles of Association, we further confirm that we have obtained all the information and explanations necessary for our audit, that proper financial records have been kept by the Group, and that physical counts of inventories were carried out by management in accordance with established principles. We are not aware of any violation of the Company's Articles of Association having occurred during the year ended 31 December 2010, which may have had a material adverse effect on the business of the Group or on its financial position.

24 April 2011

KPMG

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Etihad Airways PJSC

Consolidated statement of comprehensive income

for the year ended 31 December

	Note	2010 USD '000	2009 USD '000
Revenue	6	2,972,290	2,278,215
Direct operating costs	7	(2,929,809)	(2,540,790)
Gross profit / (loss)		42,481	(262,575)
Other income		21,894	18,907
Administrative and marketing expenses	8	(514,885)	(561,554)
Results from operating activities		(450,510)	(805,222)
Finance income	9	4,692	32,787
Finance costs	9	(142,693)	(136,302)
Net finance costs	9	(138,001)	(103,515)
Foreign exchange (loss) / gain		(6,449)	1,461
Early lease termination charges	10	-	(18,000)
		(6,449)	(16,539)
Share of profit of an equity accounted investee	14	645	51
Loss for the year		(594,315)	(925,225)
Other comprehensive income			
Net change in fair value of cash flow hedges	21	56,273	88,501
Net change in fair value of cash flow hedges transferred to income statement	21	80,096	157,061
Foreign currency translation differences for foreign operations		(4,068)	728
Other comprehensive income for the year		132,301	246,290
Total comprehensive loss for the year		(462,014)	(678,935)

Etihad Airways PJSC

Consolidated statement of comprehensive income *(continued)*

for the year ended 31 December

	Note	2010 USD '000	2009 USD '000
(Loss) / profit attributable to:			
Equity holders		(594,233)	(925,646)
Non - controlling interest		(82)	421
Loss for the year		(594,315)	(925,225)
Total comprehensive (loss) / profit attributable to:			
Equity holders		(461,932)	(679,356)
Non - controlling interest		(82)	421
Total comprehensive loss for the year		(462,014)	(678,935)

The notes set out on pages 9 to 41 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of financial position

as at 31 December

	Note	2010 USD '000	2009 USD '000
Assets			
Non current assets			
Property, plant and equipment	11	5,575,027	4,884,833
Intangible assets	12	40,335	15,379
Investment in an equity accounted investee	14	2,799	2,154
Derivatives	16	53,921	64,957
Total non current assets		5,672,082	4,967,323
Current assets			
Inventories	17	21,931	19,747
Trade and other receivables	18	616,021	355,410
Loan to an equity accounted investee	15	45,818	45,818
Derivatives	16	135,645	38,124
Cash in hand and at banks	19	359,381	407,559
Total current assets		1,178,796	866,658
Total assets		6,850,878	5,833,981
Equity and liabilities			
Equity			
Share capital	20	3,529,520	2,281,678
Accumulated losses		(3,841,661)	(3,247,428)
Development reserve	11	46,952	46,952
Foreign currency translation reserve		(3,761)	307
Hedging reserve	21	146,982	10,613
Loan from the Shareholder	22	3,012,298	3,012,298
Total equity attributable to equity holders of the Group		2,890,330	2,104,420
Non - controlling interest		2,001	2,083
Total equity		2,892,331	2,106,503

Etihad Airways PJSC

Consolidated statement of financial position *(continued)*

as at 31 December

	Note	2010 USD '000	2009 USD '000
Non current liabilities			
Finance lease liabilities	23	2,434,337	2,299,687
Derivatives	16	20,844	4,481
Total non current liabilities		2,455,181	2,304,168
Current liabilities			
Finance lease liabilities	23	208,329	175,714
Payables and accruals	24	789,366	697,109
Derivatives	16	22,118	87,364
Unearned revenue		479,918	439,071
Bank overdraft	19	3,635	24,052
Total current liabilities		1,503,366	1,423,310
Total liabilities		3,958,547	3,727,478
Total equity and liabilities		6,850,878	5,833,981

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 APR 2011 and signed on their behalf by:

James Reginald Hogan
Chief Executive Officer

His Highness Sheikh Hamed Bin Zayed Al Nahyan
Chairman of the Board of Directors

James Denis Rigney
Chief Financial Officer

His Excellency Mubarak Hamad Al Muhairi
Chairman of the Executive Committee

The notes set out on pages 9 to 41 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of changes in equity

for the year ended 31 December

USD '000

	Attributable to equity holders								
	Share capital (Note 20)	Accumulated losses	Development reserve (Note 11)	Foreign currency translation reserve	Hedging reserve (Note 21)	Loan from the Shareholder (Note 22)	Total	Non - controlling interest	Total equity
At 1 January 2009	1,950,913	(2,321,782)	46,952	(421)	(234,949)	2,652,102	2,092,815	1,662	2,094,477
Share capital introduced (Note 20)	330,765	-	-	-	-	-	330,765	-	330,765
Borrowed during the year (Note 22)	-	-	-	-	-	360,196	360,196	-	360,196
Total comprehensive loss for the year	-	(925,646)	-	728	245,562	-	(679,356)	421	(678,935)
At 31 December 2009	2,281,678	(3,247,428)	46,952	307	10,613	3,012,298	2,104,420	2,083	2,106,503
At 1 January 2010	2,281,678	(3,247,428)	46,952	307	10,613	3,012,298	2,104,420	2,083	2,106,503
Share capital introduced (Note 20)	1,247,842	-	-	-	-	-	1,247,842	-	1,247,842
Total comprehensive loss for the year	-	(594,233)	-	(4,068)	136,369	-	(461,932)	(82)	(462,014)
At 31 December 2010	3,529,520	(3,841,661)	46,952	(3,761)	146,982	3,012,298	2,890,330	2,001	2,892,331

The notes set out on pages 9 to 41 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of cash flows

for the year ended 31 December

	Note	2010 USD '000	2009 USD '000
Cash flows from operating activities			
Loss for the year		(594,315)	(925,225)
Adjustments for:			
Depreciation	11	291,147	231,037
Amortisation of intangible assets	12	5,506	6,307
Write off of property, plant and equipment		14,396	1,546
Gain on disposal of property, plant and equipment		(29)	(254)
Change in fair value of derivatives		-	(624)
Provsion for doubtful debts	18	(4,461)	4,682
Provsion for slow moving / obsolete stock	17	(1,242)	3,878
Finance costs	9	142,693	136,302
Finance income	9	(4,692)	(32,787)
Share of profit of an equity accounted investee	14	(645)	(51)
		(151,642)	(575,189)
Change in inventories		(942)	1,479
Change in trade and other receivables		(261,615)	76,838
Change in derivatives		1,002	(624)
Change in payables and accruals		89,697	19,064
Change in unearned revenue		40,847	44,280
		(131,011)	141,037
Net cash used in operating activities		(282,653)	(434,152)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(659,631)	(519,574)
Proceeds from disposal of property, plant and equipment		113	1,903
Acquisition of intangible assets		(17,715)	(10,003)
Proceeds from term deposits over three months		11,367	250,122
Proceeds from maturity of investments		-	54,451
Income from investments		-	205
Interest received		10,156	35,616
Net cash used in investing activities		(655,710)	(187,280)

Etihad Airways PJSC

Consolidated statement of cash flows *(continued)*

for the year ended 31 December

	Note	2010 USD '000	2009 USD '000
Cash flows from financing activities			
Proceeds from issue of share capital	*20*	1,247,842	330,765
Proceeds from loan from the Shareholder	*22*	-	360,196
Repayment of finance lease liability	*23*	(182,436)	(220,060)
Interest paid		(143,914)	(138,182)
Net cash from financing activities		921,492	332,719
Net decrease in cash and cash equivalents		(16,871)	(288,712)
Cash and cash equivalents at 1 January		333,527	621,205
Effect of exchange rate fluctuations		477	1,034
Cash and cash equivalents at 31 December	*19*	317,133	333,527

The notes set out on pages 9 to 41 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Notes to the consolidated financial statements

1. Legal status and principal activities

Etihad Airways PJSC ("the Company" or "Etihad") is a public joint stock company incorporated in the Emirate of Abu Dhabi in accordance with Article 1 of Abu Dhabi Law No. 1 of 2003 dated 5 January 2003. The Company was commercially registered in August 2003 and commenced commercial operations in November 2003. The Company is wholly owned by the Government of Abu Dhabi ("the Shareholder"). Pursuant to State Cabinet approval dated 29 March 2004, the Company is exempt from various provisions of the United Arab Emirates ("UAE") Federal Law No. 8 of 1984 (as amended). These consolidated financial statements include the financial performance and position of the Company, its subsidiaries and a jointly controlled entity (together referred to as "the Group" and individually as "Group entities").

The principal activities of the Company are to provide commercial air transportation which includes passenger and cargo services on scheduled and charter basis. The Group entities also provide Global Distribution System (GDS) services, acting as a technology provider serving the sales, marketing and distribution needs of various travel and tourism entities, investing in property to earn rentals and providing call centre services.

2. Basis of preparation

(a) Going concern

These financial statements have been prepared on a going concern basis. As at 31 December 2010, the Group had accumulated losses of USD 3,842 million *(2009: USD 3,248 million)* and net liabilities of USD 120 million *(2009: USD 906 million)*. The Company's financial restructuring plan has been approved by the Executive Council of the Emirate of Abu Dhabi pursuant to their decisions No. (17) of 2007 and No. (53) of 2008 comprising additional cash flows in the form of equity participation and loans from the Shareholder. Furthermore as required by the Company's Articles of Association, the Board of Directors have resolved that the Company continues its business and operations. Accordingly, the continuity of the Group as a going concern is secured.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), Articles of Associations of the Company and in accordance with the applicable provisions of UAE Federal Law No. 8 of 1984 (as amended).

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and financial assets at fair value through profit or loss, which are measured at fair value. The methods used to measure fair values are described further in Note 4.

(d) Functional and presentation currency

The functional currency of the Company is UAE Dirhams ("AED"). Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which they operate. These consolidated financial statements are presented in United States Dollars ("USD" or "$"). All financial information presented in USD has been rounded to the nearest thousand, unless stated otherwise. All internal financial and management reporting is expressed in USD. Hence, to maintain consistency and uniformity in the reporting, these consolidated financial statements are presented in USD.

Notes to the consolidated financial statements

2. Basis of preparation *(continued)*

(e) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in Note 30.

(f) Changes in accounting policies

(i) Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no impact on these consolidated financial statements.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

(ii) Accounting for acquisitions of non-controlling interests

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on these consolidated financial statements.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in *note 2(f)*, which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Business combinations

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2(f)(i) for further details.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(a) Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial performance and position of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

(iii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The cost of the investment includes transaction cost. These consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Consolidation based on management accounts

The financial performance and position of the subsidiaries and the jointly controlled entity have been consolidated on the basis of unaudited financial statements prepared by management. The net loss of the subsidiaries and the Group's share of profit of the joint venture included in these consolidated financial statements aggregate to net loss of USD 619 thousand *(2009: net profit of USD 592 thousand)*. Similarly the net assets of the subsidiaries included in these consolidated financial statements aggregate to USD 36,251 thousand *(2009: USD 41,883 thousand)*.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

Passenger and cargo sales including charter are recognised as revenue when the transportation service is provided, net of revenue on public service obligation destinations. Passenger tickets and cargo airway bills sold but unused are classified in the consolidated statement of financial position under current liabilities as unearned revenue. Commission costs are recognised in the same time period as the revenue to which they relate are recognised, and are charged to expenditure. Tickets sold, initially accounted for as unearned revenue, but unused for more than 24 months are transferred to revenue. Distribution income is recognised as revenue when the service is rendered.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

*(c) **Costs***

Costs include direct operating costs, administration costs and finance costs. Costs incurred are recognised in the period in which the services are provided net off reimbursement of expenses incurred on behalf of Abu Dhabi Government including public service obligations destinations. For accounting policy on finance cost refer note 3(n).

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or losses on monetary items are the differences between the amortised cost in AED at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the translation are recognised in the consolidated statement of comprehensive income, except for differences arising on the translation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented as foreign currency translation reserve (translation reserve) in equity.

(e) 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 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. Other borrowing costs are expensed in the period in which they are incurred.

(f) Financial instruments

(i) Non derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(f) Financial instruments (continued)

(i) Non derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The non-derivative financial assets of the Group include loans and receivables and cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade receivables, deposits, other receivables and loan to an equity accounted investee.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call and term deposits with original maturities of three months or less.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in consolidated income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in consolidated income statement.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

(ii) Non derivative financial liabilities

The Group initially recognises subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities of the Group comprise financial lease liabilities, loan from the shareholder, bank overdrafts and payables and accruals.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(f) Financial instruments (continued)

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its jet fuel price, interest rate and foreign currency risk exposure.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in consolidated statement of comprehensive income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect income statement, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in consolidated statement of comprehensive income.

When the hedged item is a non financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to consolidated statement of comprehensive income in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in consolidated statement of comprehensive income.

Other derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the consolidated statement of comprehensive income as a component of finance income / expense.

(g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(g) Property, plant and equipment (continued)

Recognition and measurement (continued)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income in the consolidated statement of comprehensive income.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of comprehensive income as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of each component of items of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for other items of property plant and equipments in the current and comparative years are as follows:

	Years
Aircraft	20
Components and parts	15 - 20
Buildings and leasehold improvements	5 - 20
Other property, plant and equipment	3 - 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset. Subsequent major overhaul expenditure is amortised over the period to the next major overhaul.

Capital projects

Expenditure incurred on property, plant and equipment, which are not complete and ready for use at the balance sheet date are treated as capital projects. Depreciation is not provided on such assets until they are transferred from capital projects to the appropriate category under property, plant and equipment.

Manufacturers' credits

The Group receives credits from manufacturers in connection with the acquisition of aircraft and engines. Depending on the nature of these credits, they 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, the credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(h) Leases

Finance leases as lessee

Leases in terms of which Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The corresponding lease obligations are included under liabilities. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases as lessee

Payments made under operating lease are recognised in the consolidated statement of comprehensive income over the term of the lease. Lease incentives received are recognised in the consolidated statement of comprehensive income as an integral part of the total lease expense, over the term of the lease.

Operating leases as lessor

Lease income from operating lease is recognised in the consolidated statement of comprehensive income over the term of the lease.

(i) Intangible assets

(i) Goodwill

Recognition and measurement

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred; plus the recognised amount of any non-controlling interests in the acquiree; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(i) Intangible assets (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated statement of comprehensive income when incurred.

Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

	Years
Software	3 - 5
Intellectual property	5

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor will enter bankruptcy.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(j) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated income statement.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(m) Staff terminal benefits and pension

Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the consolidated income statement in the periods during which services are rendered by employees.

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Certain of the Group's overseas stations outside the UAE make contributions to their respective countries' pension schemes.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(m) Staff terminal benefits and pension (continued)

Termination benefits

Provision for staff terminal benefits included under payables and accruals is made in accordance with the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff was to be terminated at the balance sheet date. Staff terminal benefits for employees based outside the UAE are provided in accordance with the relevant local regulations.

(n) Taxation

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

(o) Finance income and finance expenses

Finance income mainly comprises interest on term deposits. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on finance leases, bank overdrafts and losses on hedging instruments that are recognised in consolidated statement of comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Also refer *Note 3(e)* for policy on borrowing costs.

Foreign currency gains and losses are reported on a net basis, as either finance income or finance expenses depending on whether foreign currency movements are in a net gain or net loss position.

(p) Loyalty programme

The Group has a customer loyalty programme whereby customers are awarded miles entitling customers to the right to purchase tickets or other products from the Group. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the miles and the other components of the sale. The amount allocated to the miles is estimated by reference to the fair value of the right to purchase tickets or other products. The fair value of the miles is estimated based on price at which they are sold to third parties (commercial partners).

Such amount is deferred and revenue is recognised when the miles are redeemed and the Group has either issued tickets or sold other products. The amount of revenue recognised in those circumstances is based on the number of miles that have been redeemed in exchange for tickets or other products. Deferred revenue is also released to revenue on expiry of miles which is three years from the date those miles are awarded to customers.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the consolidated financial statements

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Deferred revenue

The amount allocated to the miles, granted through a customer loyalty programme, is estimated by reference to the fair value of those miles. The fair value of the miles is based on the price at which those miles can be sold to a commercial partner.

5. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment, oversight and monitoring of the Group's risk management framework and is assisted by the Risk Management Committee ("the Committee") and the Treasury department (the "Treasury"). The Committee is responsible for designing, developing and monitoring the Group's risk management policies, which are approved by the Board. The Committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to devolep a disciplined and constructive control environment in which all employees understand thier roles and obligations.

Notes to the consolidated financial statements

5. Financial risk management *(continued)*

The Risk Management Committee is responsible for overall risk management covering specific areas, such as commodity price risk, currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity, based on principles provided by the Board.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, as these factors may have an infulence on credit risk. Although geographically there is no concentration of risk, at the reporting date, the percentage of the Group's trade receivables from customers domiciled in various region are:

	2010	2009
Domestic (UAE)	41%	33%
Middle East and Africa	10%	13%
Asia Pacific	26%	16%
Europe and Americas	23%	38%

The Group has policies in place to ensure that sales of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn has adequate securities in place. Where the customers are not members of the clearing house adequate securities are taken for the appropriate level of commercial activity. Sales to retail customers are made only on prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Group held cash and cash equivalents of USD 317,133 thousand at 31 December 2010 (2009: USD 333,527 thousand), which represents its maximum credit exposure on these assets.

Derivative financial instruments

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. Derivative contracts are entered into with high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the consolidated financial statements

5. Financial risk management *(continued)*

Liquidity risk (continued)

Treasury ensures that the Group has sufficient cash and marketable securities and funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group maintains USD 648 million worth of unsecured overdraft facilities. In addition, The Group is entitled to receive cash flows in the form of equity participation and loans from the shareholder pursuant to the decisions No.(17) of 2007 and No.(53) OF 2008 as approved by the executive council of the emirate of Abu Dhabi.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in the consolidated statement of comprehensive income.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures that are denominated in currencies other than the functional currency of the Group. The currencies in which these transactions are primarily denominated are Euro ("EUR"), Pound Sterling ("GBP") and Australian Dollar ("AUD"). In respect of the Group's transactions denominated in the functional currency and other currencies that are pegged to USD the Group is currently not exposed to currency risk, as these currencies are pegged to USD at a fixed rate of exchange. Treasury is responsible for managing the net foreign exchange exposures by using derivative contracts when deemed necessary.

At Group level, a net position is aggregated for each currency in order that natural hedging can be achieved. At any point in time the Group hedges 50% of its estimated foreign currency exposure in EUR, GBP and AUD over the following twelve months. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD, but also EUR. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Commodity price risk

The Group's main commodity price risk relates to the purchase price of its jet fuel. The Group's risk management policy is to hedge between 50% and 80% of anticipated exposure for the subsequent 12 months, and up to 50% and 25% of exposure for periods up to 24 months and 36 months respectively. Treasury is responsible for managing the commodity price exposure of the Group by using derivative contracts to maintain hedge levels within policy parameters laid down by the Board.

Notes to the consolidated financial statements

5. Financial risk management *(continued)*

Market risk (continued)

Interest rate risk

The Group's cash flow exposure to interest rate risk arises primarily from long-term borrowings at floating rates. The Group's long-term borrowings are primarily denominated in USD and EUR. Interest rate swaps are used to manage the interest rate profile of interest-bearing financial liabilities on a currency by currency basis to maintain an appropriate fixed rate and floating rate ratio.

The Group's policy is to secure a significant proportion of its borrowings in fixed rate instruments in the short to medium term, allowing an increased proportion of floating interest exposure in the medium to long term.

Capital management

The Group's policy is to maintain a strong capital base with the support of the Shareholder in order to support the investment, operations and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

Notes to the consolidated financial statements

	2010 USD '000	2009 USD '000
6. Revenue		
Passenger services	2,381,089	1,901,654
Cargo services	478,188	294,764
Charter services	45,822	34,459
Destination and leisure	15,699	15,009
Distribution income	15,233	13,207
Other revenue	36,259	19,122
	2,972,290	2,278,215

	2010 USD '000	2009 USD '000
7. Direct operating costs		
Aviation fuel costs *(Note 21)*	1,169,532	919,797
Aircraft maintenance expenses	266,117	281,541
Handling expenses	158,356	160,733
Inflight expenses	137,500	146,215
Overflying expenses	135,930	124,401
Aircraft operating leases	148,381	121,100
Landing and parking expenses	74,183	68,154
Commission and incentives	104,118	79,198
Reservation expenses	58,773	58,079
Staff related costs	313,724	295,637
Depreciation	251,130	201,170
Ground passenger expenses	45,861	37,716
Crew layover expenses	19,352	19,910
Passenger and aircraft insurance	10,802	8,284
Destination and leisure expenses	9,964	7,964
Other direct operating costs	26,086	10,891
	2,929,809	2,540,790

Aviation fuel costs are stated net of hedging loss of:

	2010 USD '000	2009 USD '000
Aviation fuel	1,121,011	786,736
Fuel hedging loss (Note 21)	48,521	133,061
	1,169,532	919,797

Notes to the consolidated financial statements

	2010 USD '000	2009 USD '000
8. Administrative and marketing expenses		
Staff related costs	266,176	245,717
Advertisement and promotion	40,628	93,549
Communication expenses	42,203	40,418
Rent and utilities	40,344	35,122
Legal and consultancy charges	21,107	21,228
Training expenses	2,603	19,143
Depreciation	35,824	29,867
Amortisation of intangible assets	5,506	6,307
Duty travel expenses	7,015	7,557
Printing and office supplies	5,377	5,210
Fees and subscription	8,284	6,815
Bad debts and write off	11,786	14,457
Transport and vehicle expenses	4,926	6,019
General repairs and maintenance	5,690	8,931
Revenue processing charges	5,845	6,133
Other administrative expenses	11,571	15,081
	514,885	561,554

	2010 USD '000	2009 USD '000
9. Net finance costs		
Aircraft financing costs	126,656	125,756
Interest cost	16,037	10,546
Finance costs	142,693	136,302
Interest on deposits	(4,692)	(32,582)
Gain on financial assets at fair value through profit and loss	-	(205)
Finance income	(4,692)	(32,787)
Net finance costs	138,001	103,515

Aircraft financing costs are stated net of hedging loss of:

	2010 USD '000	2009 USD '000
Aircraft financing costs	97,597	101,756
Interest rate hedging loss (Note 21)	29,059	24,000
	126,656	125,756

10. Early lease termination charges

During the year 2008, the Group entered into an agreement with an aircraft lessor for the prepayment of a junior loan in respect of a finance lease liability. According to the terms of the agreement, the Group was liable to pay a sum of USD 6 million per aircraft as prepayment fee to the lessor, in addition to the principal amount due and accrued interest thereon. Accordingly, an amount of USD 18 million each was paid in 2008 and 2009.

Notes to the consolidated financial statements

11. Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on pages 39 and 40.

12. Intangible assets

Details of intangible assets are set out in Schedule II on page 41.

13. Investment in subsidiaries

At the reporting date the Group consist of following subsidiaries:

	Country of incorporation	Controlling interest 2010	Controlling interest 2009
(a) Amadeus Gulf LLC ("Amadeus")	UAE	51%	51%
(b) Airline Service Centre (Private) Limited ("ASC")	India	100%	100%
(c) Etihad EHL Leasing Limited ("EHL")	Cayman Island	100%	100%

14. Investment in an equity accounted investee

	2010 USD '000	2009 USD '000
At 1 January	2,154	2,103
Share of profit for the year	645	51
At 31 December	2,799	2,154

This represents the joint control of the Group in Aldar Etihad Investment Properties LLC ("joint venture"). The joint venture was formed to purchase properties and earn rental income. Summary financial information for the joint venture, not adjusted for the percentage ownership held by the Group is set out below:

	2010 USD '000	2009 USD '000
Ownership interest	50%	50%
Non - current assets	309,008	308,050
Current assets	11,669	9,607
Total assets	320,677	317,657

Notes to the consolidated financial statements

	2010 USD '000	2009 USD '000
14. Investment in an equity accounted investee *(continued)*		
Non - current liabilities	189,158	211,094
Current liabilities	109,431	91,701
Total liabilities	298,589	302,795
Revenue	28,398	13,265
Expenses	(16,154)	(2,586)
Profit	12,244	10,679

	2010 USD '000	2009 USD '000
15. Loan to an equity accounted investee		
Aldar Etihad Investment Properties LLC	45,818	45,818
	45,818	45,818

The loan is interest free and repayable on demand.

	2010 USD '000	2009 USD '000
16. Derivatives		
(a) Assets		
Non current:		
Derivatives	53,921	64,957
	53,921	64,957
Current:		
Derivatives	135,645	38,124
	135,645	38,124
(b) Liabilities		
Non current:		
Derivatives	20,844	4,481
	20,844	4,481
Current:		
Derivatives	22,118	87,364
	22,118	87,364

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in Note 28.

Notes to the consolidated financial statements

17. Inventories

	2010 USD '000	2009 USD '000
In-flight consumables	10,520	15,455
Other consumables	11,411	4,292
	21,931	19,747

Inventories are stated net of an allowance for obsolescence of USD 3,522 thousand *(2009: USD 4,764 thousand)*.

18. Trade and other receivables

	2010 USD '000	2009 USD '000
Trade receivables	214,353	169,293
Prepayments	80,467	84,082
Deposits	23,639	22,763
Other receivables	290,559	62,803
Advance to suppliers	7,003	16,469
	616,021	355,410

Trade receivables are stated net of an allowance for impairment of USD 8,267 thousand *(2009: USD 12,728 thousand)*.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 28.

19. Cash and cash equivalents

	2010 USD '000	2009 USD '000
Term deposits	274,751	332,865
Cash at bank		
- in call accounts	20,789	23,845
- in current accounts	63,172	50,430
Cash in hand	669	419
Cash in hand and at banks	359,381	407,559
Bank overdraft	(3,635)	(24,052)
Term deposits over three months	(38,613)	(49,980)
Cash and cash equivalents for cash flow purposes	317,133	333,527

The Group's exposure to interest rate risk for financial assets and liabilities are disclosed in Note 28.

Notes to the consolidated financial statements

20. Share capital

	2010 USD '000	2009 USD '000
(a) Authorised:		
239,179,071 shares of AED 100 each *(2009: 239,179,071 shares of AED 100 each)*	6,511,818	6,511,818
(b) Issued and fully paid:		
At 1 January	2,281,678	1,950,913
Issued and paid up during the year	1,247,842	330,765
At 31 December	3,529,520	2,281,678

The authorised share capital of the Company vide decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007 was increased to AED 5,052 million (USD 1,375 million). A decision No (53) of 2008 dated 2 September 2008 of the President of the Executive Council further increased the authorised share capital to AED 23,917 million (USD 6,512 million). During the year 45.83 million *(2009: 12.15 million)* shares of AED 100 (USD 27.22) were issued and fully paid in cash.

21. Hedging reserve

	2010 USD '000	2009 USD '000
At 1 January	10,613	(234,949)
Effective portion of changes in fair value of cash flow hedges	56,273	88,501
Net change in fair value of cash flow hedges transferred to aviation fuel *(Note 7)*	48,521	133,061
Net change in fair value of cash flow hedges transferred to aircraft financing costs *(Note 9)*	29,059	24,000
Net change in fair value of cash flow hedges transferred to foreign exchange gain / (loss)	2,516	-
At 31 December	146,982	10,613

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

22. Loan from the Shareholder

	2010 USD '000	2009 USD '000
At 1 January	3,012,298	2,652,102
Borrowed during the year	-	360,196
At 31 December	3,012,298	3,012,298

Notes to the consolidated financial statements

22. Loan from the Shareholder *(continued)*

The Company obtained subordinated loans from the Shareholder amounting to USD 3,012 million vide a decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007. A further decision No (53) of 2008 of the President of the Executive Council dated 2 September 2008 increased these loans to USD 5,213 million. At 31 December 2010, an amount of USD 3,012 million *(2009: USD 3,012 million)* was drawn down and provided by the Shareholder. The remaining loan amount is required to be utilised by the Company to finance the purchase of aircraft.

As per the terms of the arrangement, there are no contractual obligations to repay the loans in the foreseeable future. In addition, the terms of the arrangement specify that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the loan, shall rank pari passu with those attached to the share capital of the Company. Therefore, these loans are more akin to equity instruments rather than liabilities, and accordingly have been presented within equity.

23. Finance lease liabilities

	2010 USD '000	2009 USD '000
At 1 January	2,475,401	2,231,652
Additions during the year	363,927	463,809
Repayments during the year	(182,436)	(220,060)
Foreign currency translation difference	(14,226)	-
Outstanding lease liabilities	2,642,666	2,475,401
Gross lease liabilities:		
Not later than one year	305,060	300,907
Later than one year but not later than five years	1,280,548	1,169,758
Later than five years	1,733,686	1,782,464
Gross lease liabilities	3,319,294	3,253,129
Future interest	(676,628)	(777,728)
Net lease liabilities	2,642,666	2,475,401
Net lease liabilities are payable as follows:		
Not later than one year *(current)*	208,329	175,714
Later than one year but not later than five years	916,420	779,138
Later than five years	1,517,917	1,520,549
Total over one year *(non current)*	2,434,337	2,299,687
Total net lease liabilities	2,642,666	2,475,401

The carrying amount of net lease liabilities approximate their fair value.

Notes to the consolidated financial statements

24. Payables and accruals

	2010 USD '000	2009 USD '000
Trade payables	40,302	42,507
Accruals and other payables	669,710	593,914
Provision for staff terminal benefits	79,354	60,688
	789,366	697,109

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

Movement in the provision for staff terminal benefits is as follows:

	2010 USD '000	2009 USD '000
At 1 January	60,688	39,630
Provided during the year	22,565	23,023
Paid during the year	(3,899)	(1,965)
At 31 December	79,354	60,688

25. Related parties

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Group has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company or the Group).

Transactions with key management personnel

	2010 USD '000	2009 USD '000
Short term employee benefits	9,997	2,273
End of service benefits	168	211
	10,165	2,484

Other significant related party transactions

In accordance with the provisions of the revised IAS 24, the Group being an ultimate government owned entity is required to disclose transactions with other state / government owned entities in the consolidated financial statements. The Group enters into transactions with various other governments owned entities in the normal course of business on an arm's length basis. Such entities include utility companies, airport authorities and financial institutions. Hence, management considers that detailed disclosure of such transactions does not benefit the users of these consolidated financial statements

Notes to the consolidated financial statements

25. Related parties *(continued)*

Other significant related party transactions *(continued)*

During the year, the Group had following transactions with related parties

	2010 USD '000	2009 USD '000
Rent	25,518	13,163

	2010 USD '000	2009 USD '000
26. Commitments		
Capital commitments		
Not later than one year	1,130,732	1,083,970
Later than one year but not later than five years	3,940,128	4,318,465
Later than five years	7,952,317	9,048,687
	13,023,177	14,451,122
Operating lease commitments		
Leases as lessee		
Not later than one year	191,608	233,862
Later than one year but not later than five years	481,256	576,795
Later than five years	819,818	1,064,008
	1,492,682	1,874,665
Operating lease commitments as lessee represent:		
Aircraft leases	641,316	718,966
Other leases	851,366	1,155,699
	1,492,682	1,874,665
Leases as lessor		
Not later than one year	2,876	1,611
Later than one year but not later than five years	7,865	6,144
Later than five years	867	2,121
	11,608	9,876
Sponsorship commitments		
Not later than one year	18,147	46,141
Later than one year but not later than five years	13,041	33,714
	31,188	79,855

Notes to the consolidated financial statements

27. Contingent liabilities

The following guarantees were entered in the ordinary course of business:

	2010 USD '000	2009 USD '000
Letters of guarantee	11,258	11,107
Letters of credit	12,221	12,239

28. Financial instruments

(a) Credit Risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2010 USD '000	2009 USD '000
Loan to an equity accounted investee	16	45,818	45,818
Derivatives	16	189,566	103,081
Trade receivables	18	214,353	169,293
Other receivables	18	314,198	85,566
Cash and cash equivalents	19	358,712	407,140
		1,122,647	810,898

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2010 USD '000	2009 USD '000
Domestic (UAE)	88,701	55,397
Middle East and Africa	22,409	21,258
Asia Pacific	55,402	26,674
Europe and Americas	47,841	65,964
	214,353	169,293

Notes to the consolidated financial statements

28. Financial instruments *(continued)*

(a) Credit Risk (continued)

Exposure to credit risk (continued)

The sale of passenger and cargo transportation mostly takes place through International Air Transport Association ("IATA") approved sales agents. These sale points are mostly connected to Billing Settlement Plans ("BSP") and Cargo Accounting and Settlement System ("CASS") administered by IATA. The credit worthiness of the agents are reviewed by the clearing systems responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide.

Receivables and liabilities between airlines are offset through bilateral agreements or through the IATA clearing house, insofar as the contracts underlying the services do not explicitly specify otherwise. Systematic settlement of monthly receivables and liability balances significantly reduce the default risk.

Impairment losses

The ageing of trade receivables at the reporting date was:

	USD '000		USD '000	
	31 December 2010		31 December 2009	
	Gross	Impairment	Gross	Impairment
Not past due	212,766	1,241	139,598	1,281
Past due 0-30 days	1,381	160	991	155
Past due 30-180 days	5,454	3,893	30,639	652
More than 180 days	3,019	2,973	10,793	10,640
	222,620	8,267	182,021	12,728

Based on historic default rates, The Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by upto 180 days.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010	2009
	USD '000	USD '000
At 1 January	12,728	8,046
Add: Impairment loss (reversed) / recognised	(4,461)	4,682
At 31 December	8,267	12,728

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable is written off against the financial asset directly. At 31 December 2010, the Group does not have any collective impairment in its trade receivables *(2009: USD Nil)*.

(b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2010	2009
	USD '000	USD '000
Fixed rate instruments		
Financial assets	295,540	356,710
Financial liabilities	(1,595,427)	(2,230,049)
	(1,299,887)	(1,873,339)
Variable rate instruments		
Financial liabilities	(1,050,874)	(269,404)

Notes to the consolidated financial statements

28. Financial instruments *(continued)*

(b) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2010

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	2,642,666	(3,319,294)	(305,060)	(1,280,548)	(1,733,686)
Payables and accruals	789,366	(789,366)	(789,366)	-	-
Bank overdrafts	3,635	(3,635)	(3,635)	-	-
Derivative financial liabilities					
Fuel derivatives	-	-	-	-	-
Interest rate swaps	39,317	(42,060)	(18,882)	(24,985)	1,807
Forward exchange contracts					
Outflow	221,121	(221,121)	(221,121)	-	-
Inflow	(217,519)	217,519	217,519	-	-
	3,478,586	(4,157,957)	(1,120,545)	(1,305,533)	(1,731,879)

31 December 2009

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	2,475,401	(3,253,129)	(300,907)	(1,169,758)	(1,782,464)
Trade and other payables	697,109	(697,109)	(697,109)	-	-
Bank overdrafts	24,052	(24,052)	(24,052)	-	-
Derivative financial liabilities					
Fuel derivatives	64,878	(63,799)	(62,949)	(850)	-
Interest rate swaps	26,967	(33,620)	(31,178)	(4,684)	2,242
Forward exchange contracts					
Outflow	13,907	(13,907)	(13,907)	-	-
Inflow	(14,531)	14,531	14,531	-	-
	3,287,783	(4,071,085)	(1,115,571)	(1,175,292)	(1,780,222)

Notes to the consolidated financial statements

28. Financial instruments *(continued)*

(c) Liquidity risk (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedges expected to occur and the fair value of the related hedging instruments

31 December 2010

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Fuel derivatives					
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-
Interest rate swaps					
Assets	-	-	-	-	-
Liabilities	(39,362)	(42,060)	(18,882)	(24,985)	1,807
Forward exchange contracts					
Assets	217,519	217,519	217,519	-	-
Liabilities	(221,121)	(221,121)	(221,121)	-	-
	(42,964)	(45,662)	(22,484)	(24,985)	1,807

31 December 2009

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Fuel derivatives					
Assets	96,635	64,416	22,279	42,137	-
Liabilities	(64,878)	(63,799)	(62,949)	(850)	-
Interest rate swaps					
Assets	5,822	7,388	-	1,614	5,774
Liabilities	(26,967)	(33,620)	(31,178)	(4,684)	2,242
Forward exchange contracts					
Assets	14,531	14,531	14,531	-	-
Liabilities	(13,907)	(13,907)	(13,907)	-	-
	11,236	(24,991)	(71,224)	38,217	8,016

(d) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Notes to the consolidated financial statements

28. Financial instruments *(continued)*

(d) Currency risk (continued)

Exposure to currency risk (continued)

	31 December 2010			31 December 2009		
	EUR	GBP	AUD	EUR	GBP	AUD
Trade receivables	26,874	14,292	13,678	18,045	8,067	6,347
Trade payables	(2,025)	(1,128)	(1,785)	(1,886)	(1,061)	(1,301)
Gross statement of financial position exposure	24,849	13,164	11,893	16,159	7,006	5,046
Estimated forecast sales	320,826	138,407	390,679	276,843	131,641	384,310
Estimated forecast purchases	(188,950)	(61,048)	(95,534)	(213,811)	(42,937)	(77,439)
Gross exposure	131,876	77,359	295,145	63,032	88,704	306,871
Forward exchange contracts	(41,000)	(22,000)	(85,500)	(6,000)	-	(6,000)
Net exposure	115,725	68,523	221,538	73,191	95,710	305,917

(e) Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities are not materially different from the carrying amounts shown in the statement of financial position.

Fair value hierarchy

The different levels of valuation for financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation method used to measure Group's derivative financial instruments is categorised in Level 2 of the fair value hierarchy.

29. Taxation

The Group has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. In other jurisdictions, where the Group's operations are taxable, no tax liability has been recorded in the consolidated financial statements due to losses for the year.

30. Accounting estimates and judgements

In the process of applying the Group's accounting policies, which are detailed in Note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the consolidated financial statements

30. Accounting estimates and judgements *(continued)*

(a) Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Qualifying hedge relationships

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects the hedge to be highly effective over the life of the hedging relationship.

(c) Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include following:

(i) Significant decline in the market value beyond that which would be expected from the passage of time or normal use.
(ii) Significant changes in the technology and regulatory environments.
(iii) Evidence from internal reporting which indicates that the economic performance of the aircraft is, or will be, worse than expected.

(d) Estimated useful lives of property, plant and equipment

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

(e) Estimated useful lives of intangible assets

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

(f) Estimated fair value of miles awarded

Management computes fair value of miles based on the benefits for which they can be redeemed. Subsequent changes to breakages on account of expiry of miles and change in the redemption profile of miles could result in change in fair value which may differ from initial estimate. Management has reviewed the fair value of miles and determined that no adjustment is necessary.

Notes to the consolidated financial statements

Schedule I

USD '000

Property, plant and equipment

	Aircraft	Components and parts	Land[1], buildings and leasehold improvements	Other property, plant and equipment	Capital projects[2]	Total
Cost						
At 1 January 2009	3,325,559	270,805	63,505	86,475	916,866	4,663,210
Additions	335,458	11,694	37,660	38,875	561,740	985,427
Transfers	142,443	20,689	83,755	20,643	(267,530)	-
Disposals	-	(1,765)	(573)	(2,004)	-	(4,342)
Effect of movement in exchange rates	-	-	497	246	48	791
At 31 December 2009	3,803,460	301,423	184,844	144,235	1,211,124	5,645,086
At 1 January 2010	3,803,460	301,423	184,844	144,235	1,211,124	5,645,086
Transfer to intangible assets	-	-	-	-	(5,327)	(5,327)
Additions	331,939	52,152	1,252	9,332	625,366	1,020,041
Transfers	402,359	-	23,194	1,887	(427,440)	-
Disposals	-	(87)	(38)	-	-	(125)
Write Off	(37,582)	-	(2,402)	(3,222)	-	(43,206)
Reclassification	-	-	-	(256)	-	(256)
Effect of movement in exchange rates	(18,904)	-	(127)	(34)	(96)	(19,161)
At 31 December 2010	4,481,272	353,488	206,723	151,942	1,403,627	6,597,052
Depreciation and impairment losses						
At 1 January 2009	470,754	26,922	6,018	26,197	-	529,891
Charge for the year	184,064	14,244	12,365	20,364	-	231,037
Disposals	-	(200)	(114)	(833)	-	(1,147)
Effect of movement in exchange rates	89	-	43	340	-	472
At 31 December 2009	654,907	40,966	18,312	46,068	-	760,253
At 1 January 2010	654,907	40,966	18,312	46,068	-	760,253
Charge for the year	231,269	17,066	20,067	22,745	-	291,147
Disposals	-	(17)	(24)	-	-	(41)
Write Off	(24,605)	-	(1,067)	(3,138)	-	(28,810)
Reclassification	-	-	-	(133)	-	(133)
Effect of movement in exchange rates	(415)	-	82	(58)	-	(391)
At 31 December 2010	861,156	58,015	37,370	65,484	-	1,022,025
Carrying amounts						
At 1 January 2009	2,854,805	243,883	57,487	60,278	916,866	4,133,319
At 31 December 2009	3,148,553	260,457	166,532	98,167	1,211,124	4,884,833
At 31 December 2010	3,620,116	295,473	169,353	86,458	1,403,627	5,575,027

Notes to the consolidated financial statements

Schedule I *(continued)*

Property, plant and equipment *(continued)*

1 Based on the records of the Planning Department of the Government of Abu Dhabi, land registered in the name of the Company, is included in the financial statements. The land was valued at USD 47 million on 28 March 2006 by a professional and independent valuer. The corresponding credit to this valuation is included under development reserve *(refer to consolidated statement of changes in equity on page 6).*

2 Capital projects include advance paid to aircraft manufacturers (pre delivery payments) of USD 1,231,045 thousand *(2009: USD 900,195 thousand)* and option fees of USD 83,600 thousand *(2009: USD 83,600 thousand)* paid against options granted by them for purchase of aircraft.

Notes to the consolidated financial statements

Schedule II

USD '000

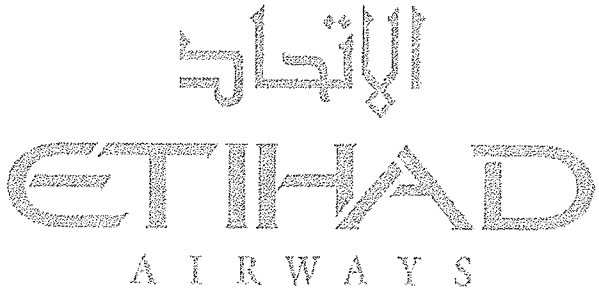
Intangible assets

	Goodwill	Software	Intellectual property	Capital projects	Total
Cost					
At 1 January 2009	2,741	21,878	184		24,803
Additions	-	10,003	-		10,003
Transfers	-	-	-	-	-
Effect of movement in exchange rates		11	-	-	11
At 31 December 2009	2,741	31,892	184	0	34,817
At 1 January 2010	2,741	31,892	184	0	34,817
Transfer from property, plant & eqiupment	-	-	-	5,327	5,327
Additions	-	11,118	-	13,895	25,013
Transfers	-	6,692	-	(6,692)	-
Reclassification	-	256	-	-	256
Effect of movement in exchange rates	-	(8)	-	-	(8)
At 31 December 2010	2,741	49,950	184	12,530	65,405
Amortisation					
At 1 January 2009	2,741	10,196	184	-	13,121
Charge for the year	-	6,307	-	-	6,307
Effect of movement in exchange rates	-	10	-	-	10
At 31 December 2009	2,741	16,513	184	-	19,438
At 1 January 2010	2,741	16,513	184	-	19,438
Charge for the year	-	5,506	-	-	5,506
Reclassification		133	-	-	133
Effect of movement in exchange rates	-	(7)	-	-	(7)
At 31 December 2010	2,741	22,145	184	-	25,070
Carrying amounts					
At 1 January 2009	-	11,682	-	0	11,682
At 31 December 2009	-	15,379	-	0	15,379
At 31 December 2010	-	27,805	-	12,530	40,335

Etihad Airways PJSC

Consolidated financial statements

31 December 2011



Registered Office: P O Box 35566 | Abu Dhabi | United Arab Emirates

Etihad Airways PJSC

Consolidated financial statements

31 December 2011

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Independent auditors' report
The Shareholder
Etihad Airways PJSC
Abu Dhabi, United Arab Emirates

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Etihad Airways PJSC ("Etihad" or "the Company"), and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the relevant Articles of Association of the Company and the applicable provisions of UAE Federal Law No. (8) of 1984 (as amended), 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association of the Company and the applicable provisions of UAE Federal Law No. (8) of 1984 (as amended).

Report on other requirements
As required by the Company's Articles of Association, we further confirm that we have obtained all the information and explanations necessary for our audit, that proper financial records have been kept by the Company, and that physical counts of inventories were carried out by management in accordance with established principles. We are not aware of any violation of the Company's Articles of Association having occurred during the year ended 31 December 2011, which may have had a material adverse effect on the business of the Company or on its financial position.

KPMG
31January 2012

Vijendra Nath Malhotra
Registration No. 488

KPMG Lower Gulf Limited, registered in the UAE and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Etihad Airways PJSC

Consolidated statement of comprehensive income

for the year ended 31 December

	Note	2011 USD '000	2010 USD '000
Revenue	6	3,827,043	2,972,290
Direct operating costs	7	(3,321,414)	(2,967,107)
Gross profit		505,629	5,183
Other income	8	219,946	21,894
Administrative and marketing expenses	9	(558,161)	(477,587)
Results from operating activities		167,414	(450,510)
Finance income	10	9,094	4,692
Finance costs	10	(139,285)	(142,693)
Net finance costs	10	(130,191)	(138,001)
Foreign exchange loss		(32,141)	(6,449)
		(32,141)	(6,449)
Share of profit of an equity accounted investee	15	8,558	645
Profit / (loss) for the year		13,640	(594,315)
Other comprehensive income			
Net change in fair value of cash flow hedges	23	180,717	56,273
Net change in fair value of cash flow hedges reclassified to profit or loss	23	(274,612)	80,096
Net change in fair value of available-for-sale financial assets	18	(2,665)	-
Foreign currency translation differences for foreign operations		244	(4,068)
Other comprehensive (loss) / income for the year		(96,316)	132,301
Total comprehensive loss for the year		(82,676)	(462,014)

Etihad Airways PJSC

Consolidated statement of comprehensive income *(continued)*

for the year ended 31 December

	Note	2011 USD '000	2010 USD '000
Profit / (loss) attributable to:			
Owners of the Company		13,723	(594,233)
Non - controlling interests		(83)	(82)
Profit / (loss) for the year		13,640	(594,315)
Total comprehensive loss attributable to:			
Owners of the Company		(82,593)	(461,932)
Non - controlling interests		(83)	(82)
Total comprehensive loss for the year		(82,676)	(462,014)

The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of financial position

as at 31 December

	Note	2011 USD '000	2010 USD '000
Assets			
Non current assets			
Property, plant and equipment	12	6,478,296	5,575,027
Intangible assets	13	119,450	40,335
Investment in an equity accounted investee	15	24,156	2,799
Derivative financial instruments	17	30,853	53,921
Total non current assets		6,652,755	5,672,082
Current assets			
Inventories	19	23,416	21,931
Trade and other receivables	20	564,897	616,326
Amounts due from a related party	28	-	12
Loan to an equity accounted investee	16	45,818	45,818
Derivative financial instruments	17	121,187	135,645
Available-for-sale financial asset	18	8,479	-
Cash and cash equivalents	21	676,511	355,429
Total current assets		1,440,308	1,175,161
Total assets		8,093,063	6,847,243
Equity and liabilities			
Equity			
Share capital	22	3,968,192	3,529,520
Accumulated losses		(3,827,938)	(3,841,661)
Development reserve	12	46,952	46,952
Foreign currency translation reserve		(3,517)	(3,761)
Fair value reserve	18	(2,665)	-
Hedging reserve	23	53,087	146,982
Loan from the Shareholder	24	3,459,419	3,012,298
Total equity attributable to equity holders of the Group		3,693,530	2,890,330
Non - controlling interest		1,918	2,001
Total equity		3,695,448	2,892,331

Etihad Airways PJSC

Consolidated statement of financial position *(continued)*

as at 31 December

	Note	2011 USD '000	2010 USD '000
Equity and liabilities			
Liabilities			
Non current liabilities			
Finance lease liabilities	25	2,909,601	2,434,337
Payables and accruals	27	80,028	79,354
Derivative financial instruments	17	76,752	20,844
Total non current liabilities		3,066,381	2,534,535
Current liabilities			
Finance lease liabilities	25	272,045	208,329
Payables and accruals	27	587,041	693,652
Amounts due to related parties	28	41,226	16,360
Derivative financial instruments	17	26,557	22,118
Unearned revenue	26	404,365	479,918
Total current liabilities		1,331,234	1,420,377
Total liabilities		4,397,615	3,954,912
Total equity and liabilities		8,093,063	6,847,243

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 JAN 2012 and signed on their behalf by:

James Reginald Hogan
President and Chief Executive Officer

His Highness Sheikh Hamed Bin Zayed Al Nahyan
Chairman of the Board of Directors

James Denis Rigney
Chief Financial Officer

His Excellency Mubarek Hamad Al Muhairi
Chairman of the Executive Committee

The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of changes in equity

for the year ended 31 December

USD '000

	Attributable to owners of the Company									
	Share capital (Note 22)	Accumulated losses	Revaluation reserve (Note 12)	Foreign currency translation reserve	Hedging reserve (Note 18)	Hedging reserve (Note 23)	Investments in Wizz Air (Note 24)	Total	Non-controlling interest	Total equity
At 1 January 2010	2,281,678	(3,247,428)	46,952	307	-	10,613	3,012,298	2,104,420	2,083	2,106,503
Share capital introduced (Note 22)	1,247,842	-	-	-	-	-	-	1,247,842	-	1,247,842
Total comprehensive loss for the year	-	(594,233)	-	(4,068)	-	136,369	-	(461,932)	(82)	(462,014)
At 31 December 2010	3,529,520	(3,841,661)	46,952	(3,761)	-	146,982	3,012,298	2,890,330	2,001	2,892,331
At 1 January 2011	3,529,520	(3,841,661)	46,952	(3,761)	-	146,982	3,012,298	2,890,330	2,001	2,892,331
Share capital introduced (Note 22)	438,672	-	-	-	-	-	-	438,672	-	438,672
Drawdown during the year (Note 24)	-	-	-	-	-	-	447,121	447,121	-	447,121
Total comprehensive loss for the year	-	13,723	-	244	(2,665)	(93,895)	-	(82,593)	(83)	(82,676)
At 31 December 2011	3,968,192	(3,827,938)	46,952	(3,517)	(2,665)	53,087	3,459,419	3,693,530	1,918	3,695,448

The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of cash flows

for the year ended 31 December

	Note	2011 USD '000	2010 USD '000
Cash flows from operating activities			
Profit / (loss) for the year		13,640	(594,315)
Adjustments for:			
Depreciation	*12*	341,685	291,147
Amortisation of intangible assets	*13*	8,131	5,506
Write off of property, plant and equipment	*12*	1,258	14,396
Gain on disposal of property, plant and equipment	*12*	(49,367)	(29)
Ineffective portion of cash flow hedges	*17 & 23*	3,978	1,002
Allowance for impairment of trade and other receivables	*20*	468	(4,461)
Provision for slow moving / obsolete stock	*19*	95	(1,242)
Finance costs	*10*	139,285	142,693
Finance income	*10*	(9,094)	(4,692)
Gain on remeasurement of defined benefit obligation	*27*	(22,476)	-
Share of results of an equity accounted investee	*15*	(21,357)	(645)
		406,246	(150,640)
Changes in:			
- inventories	*19*	(1,580)	(942)
- trade and other receivables	*20*	51,287	(261,932)
- amounts due from related parties	*28*	12	-
- payables and accruals	*27*	(75,228)	89,697
- amounts due to related parties	*28*	24,866	-
- unearned revenue	*26*	(75,553)	40,847
		(76,196)	(132,330)
Net cash generated from / (used in) operating activities		330,050	(282,970)
Cash flows from investing activities			
Acquisition of property, plant and equipment	*12*	(682,080)	(659,631)
Proceeds from disposal of property, plant and equipment	*12*	254,907	113
Acquisition of other investments	*18*	(11,144)	-
Acquisition of intangible assets	*13*	(94,389)	(17,715)
Proceeds from term deposits over three months	*21*	13,613	11,367
Interest received		8,769	10,156
Net cash used in investing activities		(510,324)	(655,710)

Etihad Airways PJSC

Consolidated statement of cash flows *(continued)*

for the year ended 31 December

	Note	2011 USD '000	2010 USD '000
Cash flows from financing activities			
Proceeds from issue of share capital	*22*	438,672	1,247,842
Proceeds from loan from the Shareholder	*24*	447,121	-
Repayment of finance lease liabilities	*25*	(229,986)	(182,436)
Interest paid		(140,163)	(143,914)
Net cash from financing activities		**515,644**	921,492
Net increase / (decrease) in cash and cash equivalents		**335,370**	(17,188)
Cash and cash equivalents at 1 January		**316,816**	333,527
Effect of exchange rate fluctuations		(675)	477
Cash and cash equivalents at 31 December	*21*	651,511	316,816

The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Notes to the consolidated financial statements

1 Legal status and principal activities

Etihad Airways PJSC ("the Company" or "Etihad") is a public joint stock company incorporated in the Emirate of Abu Dhabi in accordance with Article 1 of Abu Dhabi Law No. 1 of 2003 dated 5 January 2003. The Company was registered in August 2003 and commenced commercial operations in November 2003. The Company is wholly owned by the Government of Abu Dhabi ("the Shareholder"). Pursuant to State Cabinet approval dated 29 March 2004, the Company is exempt from various provisions of the United Arab Emirates ("UAE") Federal Law No. 8 of 1984 *(as amended)*. These consolidated financial statements include the financial performance and position of the Company, its subsidiaries and a jointly controlled entity (together referred to as "the Group" and individually as "Group entities").

The principal activities of the Company are to provide commercial air transportation which includes passenger and cargo services on scheduled and charter basis. The Group entities also provide Global Distribution System (GDS) services - acting as a technology provider serving the sales, marketing and distribution needs of various travel and tourism entities, investing in property to earn rentals, providing call centre services and operation of a travel management and distribution network.

2 Basis of preparation

(a) Going concern

These financial statements have been prepared on a going concern basis. As at 31 December 2011, the Group had accumulated losses of USD 3,828 million *(31 December 2010: USD 3,842 million)*. The Company's financial restructuring plan has been approved by the Executive Council of the Emirate of Abu Dhabi pursuant to their decisions No. (17) of 2007 and No. (53) of 2008 comprising additional cash flows in the form of equity participation and loan from the Shareholder. Furthermore as required by the Company's Articles of Association, the Board of Directors have resolved that the Company continues its business and operations. Accordingly, the continuity of the Group as a going concern is secured.

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), Articles of Association of the Company and in accordance with the applicable provisions of UAE Federal Law No. 8 of 1984 *(as amended)*.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- derivative financial instruments and available-for-sale financial asset are measured at fair value; and
- defined benefit obligations are measured as discussed in Note 3(m).

The methods used to measure fair values are described in Note 4.

(d) Functional and presentation currency

The functional currency of the Company is UAE Dirhams ("AED"). Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which they operate. These consolidated financial statements are presented in United States Dollars ("USD" or "$"). All financial information presented in USD has been rounded to the nearest thousand, except where otherwise indicated. All internal financial and management reporting is expressed in USD. Hence, to maintain consistency and uniformity in the reporting, these consolidated financial statements are presented in USD.

(e) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the consolidated financial statements

2 Basis of preparation *(continued)*

(e) Use of estimates and judgments (continued)

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in Note 34.

(f) Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform to the presentation adopted in these consolidated financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The Group measures goodwill at the acquisition dates as:

- the fair value of consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the consideration is negative, a bargain purchase option is recognised immediately in profit and loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

(iii) Investment in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of any investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(a) Basis of consolidation (continued)

(iv) Consolidation based on management accounts

The financial performance and position of the subsidiaries and the jointly controlled entity have been consolidated on the basis of unaudited financial statements prepared by management. The net result of the subsidiaries and the Group's share of results of the joint venture included in these consolidated financial statements aggregate to net profit of USD 19,045 thousand *(2010: net loss of USD 619 thousand)*. Similarly, the net assets of the subsidiaries included in these consolidated financial statements aggregate to USD 38,911 thousand *(2010: USD 36,251 thousand)*.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue and other income

Passenger and cargo sales including charter are recognised as revenue when the transportation service is provided, net of revenue on public service obligation destinations. Passenger tickets and cargo airway bills sold but unused are classified in the consolidated statement of financial position under current liabilities as unearned revenue. Unused coupons are recognised as revenue using estimates based on the terms and conditions of the ticket and historic trends. Estimates in respect of the recognition of unearned revenue, was revised during 2011 (refer Note 26).

Commission costs are recognised in the same period as the revenue to which they relate is recognised, and are included in direct operating costs.

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

Income from services including holiday, distribution and other services is recognised when the services are rendered.

Profit on disposal of property, plant and equipment is recognised in accordance with policies described in Notes 3 (g and h).

(c) Costs

Costs include direct operating costs, administration costs and finance costs. Costs incurred are recognised in the period in which the services are provided, net of reimbursement of expenses incurred on behalf of Abu Dhabi Government including public service obligation destinations. For accounting policy on finance costs refer Note 3(o).

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or losses on monetary items are the differences between the amortised cost in AED at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(d) Foreign currency (continued)

Foreign currency transactions (continued)

Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the translation are recognised in the consolidated statement of comprehensive income, except for differences arising on the translation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented as foreign currency translation reserve in equity.

(e) 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 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. Other borrowing costs are expensed in the period in which they are incurred.

(f) Financial instruments

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The non-derivative financial assets of the Group include loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade receivables, deposits, other receivables, amounts due from a related party, loan to an equity accounted investee and cash and cash equivalents.

Cash and cash equivalents comprise cash balances, call and term deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in management of its short-term commitments.

Notes to the consolidated financial statements

(f) Financial instruments (continued)

Available-for-sale financial assets

Available for sale financial asset are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial asset are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer Note 3(j)), are recognised in other comprehensive income and presented in the fair value reserve within equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial asset comprise equity securities.

(ii) Non derivative financial liabilities

The Group initially recognises subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities of the Group comprise financial lease liabilities, Loan from the Shareholder, payables and accruals and amounts due to related parties.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its jet fuel price, interest rate and foreign currency risk exposures.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in consolidated statement of comprehensive income as incurred. Subsequent to initial recognition, derivatives are remeasured at fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss and other fair value changes are accounted for as below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(f) Financial instruments (continued)

Cash flow hedges (continued)

When the hedged item is a non financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to consolidated statement of comprehensive income in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in consolidated statement of comprehensive income.

(g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of self constructed assets includes the following:
- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of comprehensive income.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the leased term and useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for other items of property plant and equipment in the current and comparative years are as follows:

	2011 Life in years	2010 Life in years
Aircraft	20	20
Components and parts	15 - 20	15 - 20
Buildings and leasehold improvements	5 - 20	5 - 20
Other property, plant and equipment	3 - 20	3 - 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives of certain components and parts, and other property plant and equipment were revised in 2011 (refer Note 12).

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

***(g) Property, plant and equipment** (continued)*

Depreciation (continued)

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset. Subsequent major overhaul expenditure is amortised over the period to the next major overhaul.

Capital projects

Expenditure incurred on property, plant and equipment, which are not complete and ready for use at the reporting date are treated as capital projects. Depreciation is not provided on such assets until they are transferred from capital projects to the appropriate category under property, plant and equipment.

Manufacturers' credits

The Group receives credits from manufacturers in connection with the acquisition of aircraft and engines. Depending on the nature of these credits, they 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, the credits are deferred and reduced from the operating lease rentals on a straight-line basis over the period of the related lease.

(h) Leases

Finance leases as lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The corresponding lease obligations are included under liabilities. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding lease liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases as lessee

Payments made under operating lease are recognised in the consolidated statement of comprehensive income over the term of the lease. Lease incentives received are recognised in the consolidated statement of comprehensive income as an integral part of the total lease expense, over the term of the lease.

Operating leases as lessor

Lease income from operating lease is recognised in the consolidated statement of comprehensive income over the term of the lease.

Sale and leaseback

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

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(i) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, refer Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Airport landing slots

Airport landing slots are stated at cost less accumulated impairment losses. Airport landing slots are not amortised as these are considered to have indefinite useful lives and are tested annually for impairment.

(iii) Other intangible assets

Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated statement of comprehensive income when incurred.

Amortisation

Except for goodwill and airport landing slots, intangible assets are amortised on a straight-line basis in the statement of comprehensive income over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

	Years
Software	3 - 5
Intellectual property	5

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Intangible assets with indefinite useful lives are reviewed at each reporting date to determine whether events and circumstances continue to support the assessment of an indefinite useful life assessment for the asset.

(j) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy or adverse changes in the payment status of the debtor, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition for an investment in equity security a significant prolonged decline in its fair value below cost is objective evidence of impairment.

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(j) Impairment (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to the application of effective interest method are reflected as a component of finance income. Any subsequent recovery in fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the consolidated financial statements

(l) Provisions (continued)

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(m) Employee benefits

Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the consolidated statement of comprehensive income in the periods during which services are rendered by employees.

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi - Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Certain of the Group's overseas stations outside the UAE make contributions to their respective countries' pension schemes.

Defined benefit plans

A defined benefit plan is a post employment benefit other than a defined contribution plan. The Group currently operates an unfunded scheme for employees' end of service benefits that follows relevant local regulations and is based on periods of cumulative service and levels of employees' final basic salaries. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Such benefit is based on the applicable provisions of the UAE Federal Labour Law. Any unrecognised past service costs are deducted. The discount rate is the yield at valuation date, on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is the relevant proxy market as determined by the actuaries.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans and all expenses related to defined benefit plans, immediately within profit or loss. Gains and losses on the curtailment or settlement of a defined benefit plan are recognised when the curtailment or settlement occurs.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(n) Taxation

Taxation is provided for as and when the liability arises except where the management is of the firm opinion that exemption from such taxation will ultimately be granted by virtue of double taxation treaty with the countries concerned.

(o) Finance income and finance costs

Finance income mainly comprises interest on term deposits. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance costs comprise interest expense on finance lease liabilities and bank overdrafts, unwinding of discounts on provisions, and losses on hedging instruments that are recognised in consolidated statement of comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Also refer Note 3(e) for policy on borrowing costs.

Foreign currency gains and losses are reported on a net basis, as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(p) Loyalty programme

The Group has a customer loyalty programme whereby customers are awarded miles entitling customers to the right to purchase tickets or other products from the Group. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the miles and the other components of the sale. The amount allocated to the miles is estimated by reference to the fair value of the right to purchase tickets or other products. The fair value of the miles is estimated by reference to the fair value of the awards for which they could be redeemed. The fair value of award credits takes into account the following:
- the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and
- the proportion of award credits that are not expected to be redeemed by customers.

Such amount is deferred and revenue is recognised when the miles are redeemed and the Group has either issued tickets or sold other products. The amount of revenue recognised in those circumstances is based on the number of miles that have been redeemed in exchange for tickets or other products. Deferred revenue is also released to revenue when it is no longer considered probable that the miles will be redeemed.

Estimates in respect of the fair value of award credits were revised in 2011 (see Note 27).

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Other non-derivative liabilities

Fair value is calculated based on the present value of future cash flows (including principal and interest payments), discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Equity securities

Fair value of equity securities is determined by reference to their quoted closing price at the reporting date, or if unquoted determined using a valuation technique.

Deferred revenue

Estimation techniques are used to determine the fair value of mile credits and reflect the weighted average of a number of factors including, fare by sector and class, fare rules on redemption of miles and partner rewards. Prior year historical trends form the basis of calculations. Adjustments to fair value are also made for miles not expected to be redeemed by members.

Notes to the consolidated financial statements

3 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment, oversight and monitoring of the Group's risk management framework and is assisted by the senior management. The senior management is responsible for designing, developing and monitoring the Group's risk management policies, which are approved by the Board. The senior management reports regularly to the Board and its committees on its risk management activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Treasury department is primarily responsible for specific areas, such as jet fuel price risk, emissions price risk, interest rate risk, foreign exchange risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of excess liquidity, based on principles provided by the Board.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, as these factors may have an influence on credit risk. Although geographically there is no concentration of risk, at the reporting date, the percentage of the Group's trade receivables from customers domiciled in various region are:

	2011	2010
Domestic (UAE)	38%	41%
Middle East and Africa	12%	10%
Asia Pacific	25%	26%
Europe and Americas	25%	23%

The Group has policies in place to ensure that sales of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn has adequate securities in place. Where the customers are not members of the clearing house adequate securities are taken for the appropriate level of commercial activity. Sales to retail customers are made only on prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Group held cash and cash equivalents of USD 676,111 thousand at 31 December 2011 *(31 December 2010: USD 355,077 thousand)*, which represents its maximum credit exposure on these assets.

Notes to the consolidated financial statements

Credit risk (continued)

Derivative financial instruments

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. Derivative contracts are entered into with high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Treasury ensures that the Group has sufficient cash and marketable securities and funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group maintains USD 508 million worth of unsecured overdraft facilities. In addition, the Group has received cash flows in the form of equity participation and loans from the Shareholder pursuant to the decisions No.(17) of 2007 (completely utilised) and No.(53) of 2008 as approved by the Executive Council of the emirate of Abu Dhabi. (Refer notes 22 and 24).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in the consolidated statement of comprehensive income.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures that are denominated in currencies other than the functional currency of the Group. The currencies in which these transactions are primarily denominated are Euro ("EUR"), Pound Sterling ("GBP") and Australian Dollar ("AUD"). In respect of the Group's transactions denominated in the functional currency and other currencies that are pegged to USD the Group is currently not exposed to currency risk, as these currencies are pegged to USD at a fixed rate of exchange. Treasury is responsible for managing the net foreign exchange exposures by using derivative contracts when deemed necessary.

At Group level, a net position is aggregated for each currency in order that natural hedging can be achieved. At any point in time the Group hedges 74% of its estimated foreign currency exposure in EUR, GBP and AUD over the following twelve months. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Commodity price risk

The Group's main commodity price risk relates to the purchase price of its jet fuel. The Group's risk management policy is to hedge between 50% and 80% of anticipated exposure for the subsequent 12 months, and up to 50% and 25% of exposure for periods up to 24 months and 36 months respectively. Treasury is responsible for managing the commodity price exposure of the Group by using derivative contracts to maintain hedge levels within policy parameters laid down by the Board.

Notes to the consolidated financial statements

Market risk (continued)

Interest rate risk

The Group's cash flow exposure to interest rate risk arises primarily from long-term borrowings at floating rates. The Group's long-term borrowings are primarily denominated in USD and EUR. Interest rate swaps are used to manage the interest rate profile of interest-bearing financial liabilities on a currency by currency basis to maintain an appropriate fixed rate and floating rate ratio.

The Group's policy is to secure a significant proportion of its borrowings in fixed rate instruments in the short to medium term, allowing an increased proportion of floating interest exposure in the medium to long term.

Capital management

The Board's policy is to maintain a strong capital base designed to provide sufficient liquidity to the business, maximise shareholder value, maintain market confidence and sustain future growth of the business. Etihad's main objectives when managing capital are:

- to ensure the Group has access to capital to fund contractual obligations as they become due;
- to maintain flexibility to pursue strategic business opportunities and ensure adequate liquidity to withstand weakening economic conditions;
- to maintain an appropriate balance between debt financing vis-a-vis shareholder capital as measured by gearing ratio; and
- to maintain a capital structure that matches an investment grade credit rating to facilitate access to public and private debt and capital markets at competitive interest rates.

There were no changes in the Group's approach to capital management during the year.

The Board regularly reviews the Group's capital structure and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The Group is not subject to any externally imposed capital requirements.

Notes to the consolidated financial statements

6 Revenue

	2011 USD '000	2010 USD '000
Passenger services	3,049,883	2,381,089
Cargo services	596,580	478,188
Charter services	67,024	45,822
Destination and leisure	18,588	15,699
Distribution income	16,308	15,233
Other revenue	78,660	36,259
	3,827,043	2,972,290

7 Direct operating costs

	2011 USD '000	2010 USD '000
Aviation fuel costs (see below)	1,422,820	1,169,532
Aircraft maintenance expenses	213,168	266,117
Handling expenses	193,211	158,356
In-flight expenses	147,343	137,500
Overflying expenses	151,651	135,930
Aircraft operating leases	143,956	148,381
Landing and parking expenses	80,771	74,183
Commission and incentives	108,267	104,118
Reservation expenses	66,936	58,773
Staff related costs (Note 11)	372,558	351,022
Depreciation	287,764	251,130
Ground passenger expenses	51,544	45,861
Crew layover expenses	21,677	19,352
Passenger and aircraft insurance	12,317	10,802
Destination and leisure expenses	10,776	9,964
Other direct operating costs	36,655	26,086
	3,321,414	2,967,107

Breakdown of aviation fuel costs is set out below:

	2011 USD '000	2010 USD '000
Aviation fuel	1,721,704	1,121,011
(Gain) / loss on fuel hedging (Note 23)	(298,884)	48,521
	1,422,820	1,169,532

8 Other income

Other income includes USD 48,600 thousand *(2010: USD nil)* from liquidated damages, USD 50,000 thousand *(2010: USD nil)* being compensation for contract non performance, USD 49,330 thousand *(2010: USD nil)* gain on sale and leaseback transactions and USD 54,000 thousand *(2010: USD nil)* from advertising and marketing services.

Notes to the consolidated financial statements

	2011 USD '000	2010 USD '000
9. Administrative and marketing expenses		
Staff related costs (Note 11)	263,502	228,878
Advertisement and promotion	62,892	40,628
Communication expenses	49,414	42,203
Rent and utilities	43,001	40,344
Legal and consultancy charges	39,164	21,107
Training expenses	3,267	2,603
Depreciation	37,136	35,824
Amortisation of intangible assets (Note 13)	8,131	5,506
Duty travel expenses	9,082	7,015
Printing and office supplies	5,539	5,377
Fees and subscription	8,052	8,284
Bad debts and write off	5,032	11,786
Transport and vehicle expenses	4,839	4,926
General repairs and maintenance	9,629	5,690
Revenue processing charges	4,816	5,845
Other administrative expenses	4,665	11,571
	558,161	477,587

	2011 USD '000	2010 USD '000
10. Finance income and finance costs		
Aircraft financing costs (see below)	118,090	126,656
Interest cost	21,195	16,037
Finance costs	139,285	142,693
Interest on deposits	(9,094)	(4,692)
Finance income	(9,094)	(4,692)
Net finance costs recognised in profit or loss	130,191	138,001

Breakdown of aircraft financing costs is set out below:

	2011 USD '000	2010 USD '000
Aircraft financing costs	98,281	97,597
Loss on interest rate hedging (Note 23)	19,809	29,059
	118,090	126,656

	2011 USD '000	2010 USD '000
11. Staff related costs		
Salaries and allowances	494,286	420,145
Other staff related costs	141,774	159,755
	636,060	579,900

Notes to the consolidated financial statements

12 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on pages 41 and 42.

During the year, the Group carried out a review of the expected usage and the resultant wear-and-tear of certain items within components and parts, which resulted in changes in their expected usage. As a result the estimated useful lives of these components and parts increased from 15 to 20 years. This change in estimate is applied prospectively and has an effect of decreasing the depreciation charge, recognised in direct operating costs, as compared to earlier years by USD 3,547 thousand for current year and by USD 3,517 thousand for each of the future years.

13 Intangible assets

Details of intangible assets are set out in Schedule II on page 43.

14 Investment in subsidiaries

At the reporting date, the Group consist of following subsidiaries:

	Country of incorporation	Controlling interest 2011	2010
(a) Amadeus Gulf LLC ("Amadeus")	UAE	51%	51%
(b) Airline Service Centre (Private) Limited ("ASC")	India	100%	100%
(c) Etihad EHL Leasing Limited ("EHL")	Cayman Islands	100%	100%
(d) Hala Travel Management LLC ("HTM")	UAE	80%	-

During 2011, the Company invested USD 2,400 thousand to acquire 8,816 shares in HTM, a company incorporated on 17 May 2011 to provide travel management and distribution network services to corporate and private clients. The value of ordinary shares issued was based on the par value of AED 1,000 per share at incorporation.

For the first period ended 31 December 2011, HTM contributed revenue of USD 73 thousand and loss of USD 2,255 thousand.

15 Investment in an equity accounted investee

	2011 USD '000	2010 USD '000
At 1 January	2,799	2,154
Share of results for the year	21,357	645
At 31 December	24,156	2,799

This represents the joint control of the Group in Aldar Etihad Investment Properties LLC ("joint venture"). The principal activity of the joint venture is to acquire / build properties and provide leasing services to the Group. Included in the Group's share of results of the joint venture is USD 12,799 thousand, which represents the Group's share in gross profit earned by the joint venture in providing leasing services to the Group. Accordingly, this intragroup profit is eliminated against corresponding staff accomodation costs of the Group and the net share of USD 8,558 thousand is presented in the consolidated statement of comprehensive income.

Summary financial information for the joint venture, not adjusted for the percentage ownership held by the Group is set out below:

	2011 USD '000	2010 USD '000
Ownership interest	50%	50%
Non - current assets	332,742	309,008
Current assets	34,433	11,669
Total assets	367,175	320,677

Notes to the consolidated financial statements

15 Investment in an equity accounted investee (continued)	2011 USD '000	2010 USD '000
Non - current liabilities	189,158	189,158
Current liabilities	103,657	109,431
Total liabilities	292,815	298,589
Income	57,644	28,398
Expenses	(14,931)	(16,154)
Profit	42,713	12,244

16 Loan to an equity accounted investee	2011 USD '000	2010 USD '000
Aldar Etihad Investment Properties LLC	45,818	45,818
	45,818	45,818

The loan is interest free and repayable on demand.

17 Derivative financial instruments	2011 USD '000	2010 USD '000
(a) Assets		
Non current:		
Derivatives	30,853	53,921
	30,853	53,921
Current:		
Derivatives	121,187	135,645
	121,187	135,645
(b) Liabilities		
Non current:		
Derivatives	76,752	20,844
	76,752	20,844
Current:		
Derivatives	26,557	22,118
	26,557	22,118

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in Note 31.

Notes to the consolidated financial statements

18 Available-for-sale financial asset	2011 USD '000	2010 USD '000
At 1 January	-	-
Investment in equity instruments	11,144	-
Unrealised losses during the year	(2,665)	-
At 31 December	8,479	-

During 2011, the Company acquired call options to purchase 2,584,263 (2.99%) equity shares of Air Berlin Plc ("Air Berlin", an airline incorporated under the the laws of England and Wales) for a consideration of USD 11,144 thousand. On 19 December 2011, the Company also entered into an investment agreement to increase its stake to 34,158,575 (29.25%) equity shares amounting to USD 108,378 thousand by subscribing to additional 31,574,312 shares. As part of the investment agreement, the Company is also committed to provide an amount of USD 255 million as debt finance in the form of term loans and pre delivery payments on behalf of Air Berlin. The investment is subject to a lock-in period of 2 years and will be effective after obtaining the relevant federal, antitrust and regulatory clearances.

19 Inventories	2011 USD '000	2010 USD '000
In-flight consumables	11,870	10,520
Other consumables	11,546	11,411
	23,416	21,931

Inventories are stated net of an allowance for obsolescence of USD 3,617 thousand *(2010: USD 3,522 thousand)*.

20 Trade and other receivables	2011 USD '000	2010 USD '000
Trade receivables	221,789	214,341
Prepayments	66,448	80,467
Deposits	26,829	23,956
Other receivables	225,435	290,559
Advance to suppliers	24,396	7,003
	564,897	616,326

Trade and other receivables are stated net of an allowance for impairment of USD 9,046 thousand *(2010: USD 8,267 thousand)* in respect of trade receivables and USD 400 thousand *(2010: USD 711 thousand)* in respect of other receivables.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 31.

21 Cash and cash equivalents	2011 USD '000	2010 USD '000
Term deposits	605,988	274,751
Cash at bank		
- in call accounts	37,780	17,154
- in current accounts	32,343	63,172
Cash in hand	400	352
Cash in hand and at banks	676,511	355,429
Term deposits over three months	(25,000)	(38,613)
Cash and cash equivalents for cash flow purposes	651,511	316,816

The Group's exposure to interest rate risk for financial assets and liabilities are disclosed in Note 31.

Notes to the consolidated financial statements

	2011 USD '000	2010 USD '000
22. Share capital		
(a) Authorised:		
239,179,071 shares of AED 100 each *(2010: 239,179,071 shares of AED 100 each)*	6,511,818	6,511,818
(b) Issued and fully paid:		
At 1 January	3,529,520	2,281,678
Issued and paid up during the year	438,672	1,247,842
At 31 December	3,968,192	3,529,520

The authorised share capital of the Company vide decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007 was increased to AED 5,052 million (USD 1,375 million). A decision No (53) of 2008 dated 2 September 2008 of the President of the Executive Council further increased the authorised share capital to AED 23,917 million (USD 6,512 million). During the year 16.11 million *(2010: 45.83 million)* shares of AED 100 (USD 27.22) were issued and fully paid in cash.

	2011 USD '000	2010 USD '000
23. Hedging reserve		
At 1 January	146,982	10,613
Effective portion of changes in fair value of cash flow hedges	180,717	56,273
Net change in fair value of cash flow hedges transferred to aviation fuel (Note 7)	(298,884)	48,521
Net change in fair value of cash flow hedges transferred to aircraft financing costs (Note 10)	19,809	29,059
Net change in fair value of cash flow hedges transferred to foreign exchange gain / (loss)	4,463	2,516
At 31 December	53,087	146,982

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

	2011 USD '000	2010 USD '000
24. Loan from the Shareholder		
At 1 January	3,012,298	3,012,298
Drawdown during the year	447,121	-
At 31 December	3,459,419	3,012,298

Notes to the consolidated financial statements

24 Loan from the Shareholder *(continued)*

The Company obtained subordinated loans from the Shareholder amounting to USD 3,012 million vide a decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007. A further decision No (53) of 2008 of the President of the Executive Council dated 2 September 2008 increased these loans to USD 5,213 million. At 31 December 2011, an amount of USD 3,459 million *(2010: USD 3,012 million)* was drawn down and provided by the Shareholder. The remaining loan amount is required to be utilised by the Company to finance the purchase of aircraft.

As per the arrangement, there are no contractual obligations to repay the loans in the foreseeable future. In addition, the arrangement specifies that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the loan, shall rank pari passu with those attached to the share capital of the Company. Therefore, these loans are more akin to equity instruments rather than liabilities, and accordingly have been presented within equity.

25 Finance lease liabilities

	2011 USD '000	2010 USD '000
At 1 January	2,642,666	2,475,401
Additions during the year	767,433	363,927
Repayments during the year	(229,986)	(182,436)
Foreign currency translation difference	1,533	(14,226)
Outstanding lease liabilities	**3,181,646**	**2,642,666**
Gross lease liabilities:		
Not later than one year	359,893	305,060
Later than one year but not later than five years	1,523,856	1,280,548
Later than five years	1,883,996	1,733,686
Gross lease liabilities	**3,767,745**	**3,319,294**
Future interest	(586,099)	(676,628)
Net lease liabilities	**3,181,646**	**2,642,666**
Net lease liabilities are payable as follows:		
Not later than one year *(current)*	272,045	208,329
Later than one year but not later than five years	1,193,696	916,420
Later than five years	1,715,905	1,517,917
Total over one year *(non current)*	2,909,601	2,434,337
Total net lease liabilities	**3,181,646**	**2,642,666**

The carrying amount of net lease liabilities approximate their fair value. Finance lease liabilities are secured in favour of lenders against aircraft (Refer Note 12).

Notes to the consolidated financial statements

26 Unearned revenue

As described in Note 3(b), unused coupons are recognised as revenue using estimates based on the terms and conditions of the ticket and historic trends.

During 2011, management carried out an analysis of the trends in utilisation of unused tickets based on usage periods, travel patterns and behavior of passengers observed historically. As a result, estimate of the period of utilisation of unused tickets (from issuance date) was revised.

This change in estimate is applied prospectively and has an effect of increasing passenger revenue transferred from unearned revenue by USD 106,113 thousand for the year. The impact of change in accounting estimate on future periods has not been estimated as it is impracticable to do so, considering the fact that the future travel patterns and utilisation trends cannot be predicted with certainty.

27 Payables and accruals

	2011 USD '000	2010 USD '000
Current portion		
Trade payables	14,294	23,942
Accruals and other payables	572,747	669,710
	587,041	693,652
Non- current portion		
Employee benefits	80,028	79,354

Included in accruals and other payables is an amount of USD 78,380 thousand *(31 December 2010: USD 69,173 thousand)* for passenger taxes payable, which relates to amounts payable by the Company to airport authorities of departing stations for passenger tickets sold / sold and flown. Following the reduction in period of utilisation of unused tickets described in Note 26 above, the related write-back of passenger taxes payable to passenger revenue has also increased by USD 7,902 thousand for the year. The impact on future periods has not been estimated as it is impracticable to do so, considering the fact that the future travel patterns and utilisation trends cannot be predicted with certainty.

Also included in accruals and other payables is an amount of USD 39,543 thousand *(31 December 2010: USD 122,401 thousand)* as deferred revenue, which relates to the component of miles earned by passengers on sale of tickets, deferred on initial sale and recognised in passenger revenue upon redemption / expiry of such miles by passengers. With availability of enhanced historic information about the Company's loyalty programme, management revised the technique for measurement of fair value of award credits, whereby fair value that was observable from the sale of miles to third parties, has been internally estimated through an evaluation of the actual value of financial benefit to passengers from redemption of miles. As a result, the estimated fair value of miles has reduced from USD 0.0135 to USD 0.009 per mile.

This change in estimate is applied prospectively and has an effect of increasing passenger revenue transferred from deferred revenue by USD 102,936 thousand for the year. The impact on future periods has not been estimated as it is impracticable to do so, considering the fact that future redemption patterns cannot be predicted with certainty.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 31.

Employee benefits

The Group's obligation in respect of retirement benefits is recognised in the consolidated statement of financial position at the present value of defined benefit at the end of the reporting period, together with adjustments of past service costs and unamortised actuarial gains / losses.

Notes to the consolidated financial statements

27 Payables and accruals *(continued)*

Employee benefits (continued)

Additionally, employees of the Group are entitled to a repatriation allowance upon end of service, when there is sufficient evidence of their intention to leave the UAE permanently. Although, such allowance falls within the definition of other long-term employee benefits within IAS 19, it is accounted for together with defined benefit obligations, as it is payable post employment. Following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2011	2010
Discount rate at 31 December	4.80%	-
Future salary increases	2.64%	-
Future repatriation allowance increases	0.00%	-
Average retirement age	51	-
Mortality, disability and withdrawal rates	12.07%	-

The movement in end-of-service benefit obligations is as follows:

	2011 USD '000	2010 USD '000
End-of-service benefit obligations at 1 January	79,354	60,688
Current service costs	29,805	22,565
Benefits paid	(6,655)	(3,899)
Gain on remeasurement	(22,476)	-
End-of-service benefit obligations at 31 December	80,028	79,354

The total amounts recognised in profit or loss are as follows:

	2011 USD '000	2010 USD '000
End-of-service benefit obligations		
Current service costs	29,805	22,565
Defined contributions		
Contributions expensed	6,029	5,049
	35,834	27,614

28 Related parties

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Group has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company or the Group).

Notes to the consolidated financial statements

26 Related parties (continued)

Transactions with government-owned entities

IAS 24,"Related Parties" (revised) requires Government owned entities to disclose transactions with other state / government owned entities. Most infrastructure related entities are owned by the Abu Dhabi Government and the Group necessarily enters into transaction with those entities in the normal course of business on an arm's length basis. The Group also transacts with these entities in respect of aviation fuel, in-flight catering, aircraft maintenance, handling and landing and parking (refer Note 7). During the year, the Group procured the following services from government owned entities based on list prices that are comparable to prices charged to non-government entities:

	2011	2010
	USD '000	USD '000
Aviation fuel	913,292	615,705
Aircraft maintenance	52,904	76,830
Landing and parking	20,312	16,666
Handling	50,124	41,931
In-flight catering	70,322	73,489
Airport and lounge	8,017	7,951

Apart from the above, none of the other transactions are individually or collectively significant.

Related party balances

In addition to the transactions disclosed in Note 24, amounts due to related parties at the reporting date were as follows:

	2011	2010
	USD '000	USD '000
Abu Dhabi National Oil Company	10,924	5,066
Abu Dhabi Aircraft Technologies	5,104	9,148
Abu Dhabi Airports Company	1,435	477
Abu Dhabi Airport Services	5,829	1,220
Abu Dhabi In-flight Catering Company	17,805	446
Abu Dhabi Cargo Company	99	-
Abu Dhabi Hospitality Company	30	3
	41,226	16,360

Amounts due from a related party at the reporting date were as follows:

	2011	2010
	USD '000	USD '000
Abu Dhabi Cargo Company	-	12
	-	12

Transactions with key management personnel

	2011	2010
	USD '000	USD '000
Short term employee benefits	3,747	9,997
End of service benefits	278	168
	4,025	10,165

Notes to the consolidated financial statements

28 Related parties *(continued)*

Other significant related party transactions

In addition to the transactions disclosed in note 24, other transactions by the Group during the year include:

	2011 USD '000	2010 USD '000
Rent to an equity accounted investee	13,472	13,605

29 Commitments

	2011 USD '000	2010 USD '000
Capital commitments		
Not later than one year	901,570	1,130,732
Later than one year but not later than five years	5,454,819	3,940,128
Later than five years	6,719,862	7,952,317
	13,076,251	13,023,177
Operating lease commitments		
Leases as lessee		
Not later than one year	224,012	191,608
Later than one year but not later than five years	630,936	481,256
Later than five years	878,859	819,818
	1,733,807	1,492,682
Operating lease commitments as lessee represent:		
Aircraft leases	919,785	641,316
Other leases	814,022	851,366
	1,733,807	1,492,682
Leases as lessor		
Not later than one year	2,512	2,876
Later than one year but not later than five years	7,107	7,865
Later than five years	-	867
	9,619	11,608
Sponsorship commitments		
Not later than one year	24,109	18,147
Later than one year but not later than five years	76,112	13,041
Later than five years	65,581	-
	165,802	31,188

Notes to the consolidated financial statements

30. Contingent liabilities

The following guarantees and documentary credits were entered in the ordinary course of business:

	2011 USD '000	2010 USD '000
Letters of guarantee	14,677	11,258
Letters of credit	73,003	12,221

31. Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2011 USD '000	2010 USD '000
Loan to an equity accounted investee	*16*	45,818	45,818
Derivative financial instruments	*17*	152,040	189,566
Trade receivables	*20*	221,789	214,341
Amounts due from related parties	*28*	-	12
Other receivables	*20*	252,264	314,515
Cash and cash equivalents	*21*	676,111	355,077
		1,348,022	1,119,329

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	2011 USD '000	2010 USD '000
Domestic (UAE)	85,568	88,689
Middle East and Africa	25,937	22,409
Asia Pacific	55,583	55,402
Europe and Americas	54,701	47,841
	221,789	214,341

Notes to the consolidated financial statements

31 Financial instruments (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

The sale of passenger and cargo transportation mostly takes place through International Air Transport Association ("IATA") approved sales agents. These sale points are mostly connected to Billing Settlement Plans ("BSP") and Cargo Accounting and Settlement System ("CASS") administered by IATA. The credit worthiness of the agents are reviewed by the clearing systems responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide.

Receivables and liabilities between airlines are offset through bilateral agreements or through the IATA clearing house, insofar as the contracts underlying the services do not explicitly specify otherwise. Systematic settlement of monthly receivables and liability balances significantly reduce the default risk.

Impairment losses

The ageing of trade receivables at the reporting date was:

	USD '000		USD '000	
	31 December 2011		31 December 2010	
	Gross	Impairment	Gross	Impairment
Not past due	219,407	647	212,754	1,241
Past due 0-30 days	1,521	77	1,381	160
Past due 30-180 days	3,607	2,249	5,454	3,893
More than 180 days	6,300	6,073	3,019	2,973
	230,835	9,046	222,608	8,267

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2011	2010
	USD '000	USD '000
At 1 January	8,267	12,728
Add: Impairment loss recognised / (reversed)	779	(4,461)
At 31 December	9,046	8,267

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable is written off against the financial asset directly.

(b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2011	2010
	USD '000	USD '000
Fixed rate instruments		
Financial assets	643,768	291,905
Financial liabilities	(2,176,091)	(2,364,144)
	(1,532,323)	(2,072,239)
Variable rate instruments		
Financial liabilities	(1,005,555)	278,522

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange currency rates, remain constant. The analysis was performed on the same basis for 2010.

Notes to the consolidated financial statements

31 Financial instruments (continued)

(b) Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

31 December 2011	Profit / (loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	(6,420)	2,743	-	-
Cash flow sensitivity net	(6,420)	2,743	-	-

31 December 2010	Profit / (loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	(1,429)	886	-	-
Cash flow sensitivity net	(1,429)	886	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2011

USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	3,181,646	(3,767,745)	(359,893)	(1,523,856)	(1,883,996)
Payables and accruals	587,041	(587,041)	(587,041)	-	-
Amounts due to related parties	41,226	(41,226)	(41,226)	-	-
Derivative financial liabilities					
Fuel derivatives	13,062	(10,897)	(8,096)	(2,801)	-
Interest rate swaps	89,174	(86,746)	(17,735)	(66,929)	(2,082)
Forward exchange contracts					
Outflow	104,396	(104,396)	(90,636)	(13,760)	-
Inflow	(103,323)	103,323	89,652	13,671	-
	3,913,222	(4,494,728)	(1,014,975)	(1,593,675)	(1,886,078)

Notes to the consolidated financial statements

31 Financial instruments (continued)

(c) Liquidity risk (continued)

31 December 2010

USD '000

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Finance lease liabilities	2,642,666	(3,319,294)	(305,060)	(1,280,548)	(1,733,686)
Trade and other payables	693,652	(693,652)	(693,652)	-	-
Amounts due to related parties	16,360	(16,360)	(16,360)	-	-
Derivative financial liabilities					
Fuel derivatives	-	-	-	-	-
Interest rate swaps	39,317	(42,060)	(18,882)	(24,985)	1,807
Forward exchange contracts					
Outflow	221,121	(221,121)	(221,121)	-	-
Inflow	(217,519)	217,519	217,519	-	-
	3,395,597	(4,074,968)	(1,037,556)	(1,305,533)	(1,731,879)

The following table indicates the periods in which the cash flows associated with cash flow hedges expected to occur and the fair value of the related hedging instruments

31 December 2011

USD '000

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Fuel derivatives					
Assets	132,278	109,605	93,430	16,175	-
Liabilities	(13,062)	(10,897)	(8,096)	(2,801)	-
Interest rate swaps					
Assets	-	-	-	-	-
Liabilities	(89,174)	(86,746)	(17,735)	(66,929)	(2,082)
Forward exchange contracts					
Assets	411,099	411,099	321,503	89,596	-
Liabilities	(392,410)	(392,410)	(307,326)	(85,084)	-
	48,731	30,651	81,776	(49,043)	(2,082)

31 December 2010

USD '000

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Fuel derivatives					
Assets	189,568	171,971	129,879	42,092	-
Liabilities	-	-	-	-	-
Interest rate swaps					
Assets	-	-	-	-	-
Liabilities	(39,362)	(42,060)	(18,882)	(24,985)	1,807
Forward exchange contracts					
Assets	217,519	217,519	217,519	-	-
Liabilities	(221,121)	(221,121)	(221,121)	-	-
	146,604	126,309	107,395	17,107	1,807

Notes to the consolidated financial statements

31 Financial instruments (continued)

(d) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2011			31 December 2010		
In thousands of currency units	EUR	GBP	AUD	EUR	GBP	AUD
Trade receivables	33,479	11,664	23,246	26,874	14,292	13,678
Trade payables	(3,864)	(728)	(2,028)	(2,025)	(1,128)	(1,785)
Gross statement of financial position exposure	29,615	10,936	21,218	24,849	13,164	11,893
Estimated forecast sales	411,543	162,566	470,712	320,826	138,407	390,679
Estimated forecast purchases	(188,211)	(50,955)	(100,499)	(188,950)	(61,048)	(95,534)
Gross exposure on forecasted transactions	223,332	111,611	370,213	131,876	77,359	295,145
Forward exchange contracts	(96,100)	(48,000)	(116,650)	(41,000)	(22,000)	(85,500)
Net exposure	156,847	74,547	274,781	115,725	68,523	221,538

The following significant exchange rates applied during the year:

USD	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
EUR 1	1.399	1.328	1.295	1.325
GBP 1	1.605	1.546	1.545	1.547
AUD 1	1.041	0.920	1.017	1.016

Sensitivity analysis

A strengthening (weakening) of USD against EUR, GBP and AUD at 31 December would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2010.

	Strengthening		Weakening	
Effect in thousands of USD	Profit or loss	Equity	Profit or loss	Equity
31 December 2011				
EUR (1% movement)	383	-	(383)	-
GBP (1% movement)	169	-	(169)	-
AUD (2% movement)	432	-	(432)	-
31 December 2010				
EUR (2% movement)	659	-	(659)	-
GBP (1% movement)	204	-	(204)	-
AUD (2% movement)	242	-	(242)	-

(e) Fair values

The fair values of financial assets and liabilities are not materially different from the carrying amounts shown in the statement of financial position.

Notes to the consolidated financial statements

31 Financial instruments (continued)

(e) Fair values (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the interest yield curves (for remaining term to maturity and respective currencies) at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuation for financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2011

				USD'000
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial asset	8,479	-	-	8,479
Derivative financial instruments	-	152,040	-	152,040
	8,479	152,040	-	160,519
Liabilities				
Derivative financial instruments	-	103,309	-	103,309
	-	103,309	-	103,309

31 December 2010

				USD'000
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	-	189,566	-	189,566
	-	189,566	-	189,566
Liabilities				
Derivative financial instruments	-	42,962	-	42,962
	-	42,962	-	42,962

32 Taxation

The Group has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. In other jurisdictions, where the Group's operations are taxable, no tax liability has been recorded in the consolidated financial statements due to losses for the year.

33 Subsequent events

On 23 January 2012, the Group signed a Memorandum of Understanding (MOU) with the Government of Seychelles to acquire 40% equity stake in Air Seychelles Ltd, an airline incorporated under the laws of the Republic of Seychelles, for a total consideration of USD 20 million. The Group is also committed to inject USD 25 million by way of shareholder's loan to support working capital requirements. This acquisition is part of the Group's expansion in the leisure markets of Indian Ocean and Africa and is consistent with the Group's approach to expansion, which relies on the strength of strategic partnerships across the globe. The business combination is subject to signing of definitive agreements which are expected to be finalised in February 2012.

Notes to the consolidated financial statements

34 Accounting estimates and judgements

In the process of applying the Group's accounting policies, which are detailed in Note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Fair value of financial instruments

Where the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include following:

(i) Significant decline in the market value beyond that which would be expected from the passage of time or normal use.
(ii) Significant changes in the technology and regulatory environments.
(iii) Evidence from internal reporting which indicates that the economic performance of the aircraft is, or will be, worse than expected.

(d) Estimated useful lives of property, plant and equipment

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management has reviewed the residual values and useful lives of major items of property, plant and equipment and determined that no adjustment is necessary, other than as discussed in Note 12.

(e) Estimated useful lives of intangible assets

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

(f) Estimated fair value of miles awarded

Management computes fair value of miles based on the benefits for which they can be redeemed. Subsequent changes to breakages on account of expiry of miles and change in the redemption profile of miles could result in change in fair value which may differ from initial estimate. Also refer Note 27.

(g) Recognition of unused coupons

Management determines the expected period of utilisation of unused coupons based on historic trends in utilisation by passengers, which are based on travel patterns and behavior. Subsequent changes in market dynamics could result in period of utilisation differing from initial estimates. Also refer Note 26.

(h) Actuarial assumptions

The calculation of defined benefit obligation is sensitive to the actuarial assumptions set out in Note 27. Subsequent changes in circumstances such as living conditions in the region, labour laws and labour market dynamics may result in actual results differing from estimates. Estimates are revised on an annual basis by a qualified independent actuary.

Notes to the consolidated financial statements

Schedule I

USD '000

Property, plant and equipment

	Aircraft [3]	Components and parts	Land[1], buildings and leasehold improvements	Other property, plant and equipment	Capital projects [2]	Total
Cost						
At 1 January 2010	3,803,460	301,423	184,844	144,235	1,211,124	5,645,086
Transfer to intangible assets	-	-	-	-	(5,327)	(5,327)
Additions	331,939	52,152	1,252	9,332	625,366	1,020,041
Transfers	402,359	-	23,194	1,887	(427,440)	-
Disposals	-	(87)	(38)	-	-	(125)
Write off	(37,582)	-	(2,402)	(3,222)	-	(43,206)
Reclassification	-	-	-	(256)	-	(256)
Effect of movement in exchange rates	(18,904)	-	(127)	(34)	(96)	(19,161)
At 31 December 2010	4,481,272	353,488	206,723	151,942	1,403,627	6,597,052
At 1 January 2011	4,481,272	353,488	206,723	151,942	1,403,627	6,597,052
Additions	253,757	20,345	990	16,434	1,157,771	1,449,297
Transfers	802,495	49,618	795	142	(853,050)	-
Disposals [4]	-	(246,717)	-	(651)	(14)	(247,382)
Write off	(9,963)	-	(166)	-	(82)	(10,211)
Effect of movement in exchange rates	2,186	-	(265)	(438)	49	1,532
At 31 December 2011	5,529,747	176,734	208,077	167,429	1,708,301	7,790,288
Depreciation and impairment losses						
At 1 January 2010	654,907	40,966	18,312	46,068	-	760,253
Depreciation charge for the year	231,269	17,066	20,067	22,745	-	291,147
Disposals	-	(17)	(24)	-	-	(41)
Write off	(24,605)	-	(1,067)	(3,138)	-	(28,810)
Reclassification	-	-	-	(133)	-	(133)
Effect of movement in exchange rates	(415)	-	82	(58)	-	(391)
At 31 December 2010	861,156	58,015	37,370	65,484	-	1,022,025
At 1 January 2011	861,156	58,015	37,370	65,484	-	1,022,025
Depreciation charge for the year	278,137	18,222	22,175	23,151	-	341,685
Transfers	(37,429)	37,429	-	-	-	-
Disposals [4]	-	(41,196)	-	(646)	-	(41,842)
Write off	(8,787)	-	(166)	-	-	(8,953)
Effect of movement in exchange rates	(229)	-	(284)	(410)	-	(923)
At 31 December 2011	1,092,848	72,470	59,095	87,579	-	1,311,992
Carrying amount						
At 1 January 2010	3,148,553	260,457	166,532	98,167	1,211,124	4,884,833
At 31 December 2010	3,620,116	295,473	169,353	86,458	1,403,627	5,575,027
At 31 December 2011	4,436,899	104,264	148,982	79,850	1,708,301	6,478,296

Notes to the consolidated financial statements

Schedule I *(continued)*

Property, plant and equipment *(continued)*

1 Based on the records of the Planning Department of the Government of Abu Dhabi, land registered in the name of the Company, is included in the financial statements. The land was valued at USD 47 million on 28 March 2006 by a professional and independent valuator. The corresponding credit to this valuation is included under development reserve (refer to consolidated statement of changes in equity).

2 Capital projects include advance paid to aircraft manufacturers (pre delivery payments) of USD 1,622,557 thousand *(2010: USD 1,314,645 thousand)* which include option fees of USD 60,300 thousand *(2010: USD 83,600 thousand)* paid against options granted by them for purchase of aircraft.

3 The Group leases aircraft under a number of finance lease agreements. Some leases provide the Group with the option to purchase aircraft at a beneficial price by the end of lease term. At 31 December 2011 the net carrying amount of leased aircraft was USD 3,992,381 thousand *(31 December 2010: USD 3,494,504 thousand).* During the year, the Group acquired leased aircraft amounting to USD 767,433 thousand *(2010: USD 363,927 thousand).* Also refer Note 25.

4 In 2011, the Group entered into a transaction for sale and operating leaseback of certain items components and parts. The sale price in the transaction was established at fair value by inviting bids from interested parties and accordingly the profit on sale amounting to USD 49,330 thousand was recognised within other income (Refer Note 8).

5 No borrowing costs were capitalised during the year.

Notes to the consolidated financial statements

Schedule II

USD '000

Intangible assets

	Goodwill	Software	Intellectual property	Landing slots	Capital projects	Total
Cost						
At 1 January 2010	2,741	31,892	184	-	-	34,817
Transfer from property, plant and equipment	-	-	-	-	5,327	5,327
Additions	-	11,118	-	-	13,895	25,013
Transfers	-	6,692	-	-	(6,692)	-
Reclassification	-	256	-	-	-	256
Effect of movement in exchange rates	-	(8)	-	-	-	(8)
At 31 December 2010	2,741	49,950	184	-	12,530	65,405
At 1 January 2011	2,741	49,950	184	-	12,530	65,405
Additions	-	121	-	73,900	13,229	87,250
Transfers	-	9,345	-	-	(9,345)	-
Effect of movement in exchange rates	-	(10)	-	-	-	(10)
At 31 December 2011	2,741	59,406	184	73,900	16,414	152,645
Amortisation						
At 1 January 2010	2,741	16,513	184	-	-	19,438
Charge for the year	-	5,506	-	-	-	5,506
Reclassification	-	133	-	-	-	133
Effect of movement in exchange rates	-	(7)	-	-	-	(7)
At 31 December 2010	2,741	22,145	184	-	-	25,070
At 1 January 2011	2,741	22,145	184		-	25,070
Charge for the year	-	8,131	-	-	-	8,131
Effect of movement in exchange rates	-	(6)	-	-	-	(6)
At 31 December 2011	2,741	30,270	184	-	-	33,195
Carrying amounts						
At 1 January 2010	-	15,379	-	-	-	15,379
At 31 December 2010	-	27,805	-	-	12,530	40,335
At 31 December 2011	-	29,136	-	73,900	16,414	119,450

Etihad Airways PJSC

Consolidated financial statements

31 December 2012

Registered Office: P O Box 35566 | Abu Dhabi | United Arab Emirates

Etihad Airways PJSC

Consolidated financial statements
31 December 2012

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Independent auditors' report
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United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Etihad Airways PJSC ("Etihad" or "the Company"), and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management in accordance with the accounting policies as set out in note 3 to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting policies as set out in note 3 to the consolidated financial statements, 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group for the year ended 31 December 2012 are prepared, in all material respects, in accordance with the accounting policies as set out in note 3 to the consolidated financial statements.

Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to note 2 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared by the Group for management information purposes. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Group and should not be used by or distributed to parties other than the Group.

KPMG

Vijendra Nath Malhotra
Registration No. 48B

04 FEB 2013

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Etihad Airways PJSC

Consolidated statement of comprehensive income

for the year ended 31 December

	Note	2012 USD'million	2011 USD'million
Revenue	6	**4,304**	3,827
Direct operating costs	7	**(3,956)**	(3,321)
Gross profit		**348**	506
Other income	8	**478**	220
Administrative and marketing expenses	9	**(676)**	(558)
Results from operating activities		**150**	168
Finance income	10	**22**	9
Finance costs	10	**(146)**	(139)
Net finance costs	10	**(124)**	(130)
Foreign exchange loss		**(8)**	(32)
		(8)	(32)
Share in profit of equity accounted investees	15	**24**	8
Profit for the year		**42**	14
Other comprehensive income			
Net change in fair value of cash flow hedges	23	**26**	181
Net change in fair value of cash flow hedges reclassified to profit or loss	23	**(133)**	(275)
Net change in fair value of available-for-sale financial assets	18	**(2)**	(2)
Other comprehensive loss for the year		**(109)**	(96)
Total comprehensive loss for the year		**(67)**	(82)

Etihad Airways PJSC

Consolidated statement of comprehensive income *(continued)*

for the year ended 31 December

	2012 USD'million	2011 USD'million
Profit attributable to:		
Owners of the Company	**42**	14
Non - controlling interests	**-**	-
Profit for the year	**42**	14
Total comprehensive loss attributable to:		
Owners of the Company	**(67)**	(82)
Non - controlling interests	**-**	-
Total comprehensive loss for the year	**(67)**	(82)

The notes set out on pages 9 to 44 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of financial position

as at 31 December

	Note	2012 USD'million	2011 USD'million
Assets			
Non-current assets			
Property, plant and equipment	12	**7,227**	6,478
Intangible assets	13	**158**	120
Investments	2(f) and 14	**123**	-
Investment in equity accounted investees	15	**62**	24
Loans to related parties	16	**179**	-
Trade and other receivables	20	**116**	-
Derivative financial instruments	17	**14**	31
Total non-current assets		**7,879**	6,653
Inventories	19	**36**	23
Trade and other receivables	20	**1,095**	565
Amounts due from related parties	28	**152**	-
Loans to related parties	16	**310**	46
Derivative financial instruments	17	**61**	121
Available-for-sale financial assets	18	**120**	9
Cash and cash equivalents	21	**576**	676
Total current assets		**2,350**	1,440
Total assets		**10,229**	8,093
Equity and liabilities			
Equity			
Share capital	22	**5,210**	3,968
Accumulated losses		**(3,788)**	(3,828)
Development reserve	12	**-**	47
Foreign currency translation reserve		**(4)**	(4)
Fair value reserve	18	**(2)**	(2)
Hedging reserve	23	**(54)**	53
Loan from the Shareholder	24	**3,614**	3,459
Total equity attributable to equity holders of the Group		**4,976**	3,693
Non - controlling interest		**-**	2
Total equity		**4,976**	3,695

Etihad Airways PJSC

Consolidated statement of financial position *(continued)*

as at 31 December

	Note	2012 USD'million	2011 USD'million
Liabilities			
Non-current liabilities			
Finance lease liabilities	25	3,218	2,910
Payables and accruals	27	113	80
Derivative financial instruments	17	81	77
Total non-current liabilities		3,412	3,067
Current liabilities			
Finance lease liabilities	25	331	272
Payables and accruals	27	717	588
Amounts due to related parties	28	51	41
Short-term loan from banks	29	195	-
Derivative financial instruments	17	52	26
Unearned revenue	26	495	404
Total current liabilities		1,841	1,331
Total liabilities		5,253	4,398
Total equity and liabilities		10,229	8,093

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 04 FEB 2013 and signed on their behalf by:

James Reginald Hogan
President and Chief Executive Officer

His Highness Sheikh Hamed Bin Zayed Al Nahyan
Chairman of the Board of Directors

James Denis Rigney
Chief Financial Officer

His Excellency Mubarak Hamad Al Muhairi
Chairman of the Executive Committee

The notes set out on pages 9 to 44 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Consolidated statement of changes in equity

for the year ended 31 December

USD'million

	Attributable to owners of the Company									
	Share capital	Accumulated losses	Development reserve	Foreign currency translation reserve	Fair value reserve	Hedging reserve	Loan from the Shareholder	Total	Non-controlling interest	Total equity
	(Note 22)		(Note 12)		(Note 18)	(Note 23)	(Note 24)			
At 1 January 2011	3,530	(3,842)	47	(4)	-	147	3,012	2,890	2	2,892
Total comprehensive income										
Profit for the year	-	14	-	-	-	-	-	14	-	14
Net change in fair value of cash flow hedges	-	-	-	-	-	181	-	181	-	181
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	(275)	-	(275)	-	(275)
Net change in fair value of available-for-sale financial assets	-	-	-	-	(2)	-	-	(2)	-	(2)
Transactions with owners'										
Share capital introduced (Note 22)	438	-	-	-	-	-	-	438	-	438
Drawdown during the year (Note 24)	-	-	-	-	-	-	447	447	-	447
At 31 December 2011	**3,968**	**(3,828)**	**47**	**(4)**	**(2)**	**53**	**3,459**	**3,693**	**2**	**3,695**
At 1 January 2012	3,968	(3,828)	47	(4)	(2)	53	3,459	3,693	2	3,695
Total comprehensive income										
Profit for the year	-	42	-	-	-	-	-	42	-	42
Net change in fair value of cash flow hedges	-	-	-	-	-	26	-	26	-	26
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	(133)	-	(133)	-	(133)
Net change in fair value of available-for-sale financial assets	-	-	-	-	(2)	-	-	(2)	-	(2)
Other equity movements										
Adjustment during the year	-	-	(47)	-	-	-	-	(47)	-	(47)
Transfer of fair value reserve to accumulated losses (Note 18)	-	(2)	-	-	2	-	-	-	-	-
Transactions with owners'										
Share capital introduced (Note 22)	1,242	-	-	-	-	-	-	1,242	-	1,242
Drawdown during the year (Note 24)	-	-	-	-	-	-	155	155	-	155
Dividend declared and paid	-	-	-	-	-	-	-	-	(2)	(2)
At 31 December 2012	**5,210**	**(3,788)**	**-**	**(4)**	**(2)**	**(54)**	**3,614**	**4,976**	**-**	**4,976**

The notes set out on pages 9 to 44 form an integral part of these consolidated financial statements.

Etihad Airways PJSC

Consolidated statement of cash flows

for the year ended 31 December

	Note	2012 USD'million	2011 USD'million
Cash flows from operating activities			
Profit for the year		**42**	14
Adjustments for:			
Depreciation	*12*	**396**	342
Amortisation of intangible assets	*13*	**11**	8
Write-off of property, plant and equipment	*12*	**-**	1
Gain on disposal of property, plant and equipment		**(92)**	(49)
Provision for inventories	*19*	**(1)**	-
Provision for trade and other receivables	*20*	**2**	-
Ineffective portion of cash flow hedges	*17/23*	**-**	3
Loss/(gain) on remeasurement of defined benefit obligation	*27*	**16**	(22)
Share in profit of equity accounted investees	*15*	**(38)**	(21)
Finance costs	*10*	**146**	139
Finance income	*10*	**(22)**	(9)
		460	406
Change in inventories		**(12)**	(2)
Change in trade and other receivables		**(594)**	52
Change in amounts due from related parties		**(152)**	-
Change in payables and accruals		**146**	(75)
Change in amounts due to related parties		**10**	25
Change in unearned revenue		**91**	(76)
Net cash (used in)/from operating activities		**(51)**	330
Cash flows from investing activities			
Additions to property, plant and equipment	*12*	**(702)**	(682)
Proceeds from disposal of property, plant and equipment	*12*	**266**	255
Additions to intangible assets	*13*	**(49)**	(94)
Loans to related parties	*16*	**(497)**	-
Proceeds from term deposits over three months	*21*	**-**	14
Acquisition of equity accounted investees	*14*	**(114)**	-
Purchase of available-for-sale financial assets	*18*	**(122)**	(11)
Interest received		**22**	8
Net cash used in investing activities		**(1,196)**	(510)

Etihad Airways PJSC

Consolidated statement of cash flows *(continued)*

for the year ended 31 December

	Note	2012 USD'million	2011 USD'million
Cash flows from financing activities			
Proceeds from issue of share capital	22	1,242	438
Proceeds from loan from the Shareholder	24	155	447
Repayment of finance lease liability	25	(296)	(230)
Proceeds from short-term loan from a bank	29	195	-
Interest paid		(146)	(141)
Dividend paid to non-controlling interest		(2)	-
Net cash from financing activities		1,148	514
Net (decrease)/increase in cash and cash equivalents		(99)	334
Cash and cash equivalents at 1 January		651	317
Effect of change in foreign exchange		(1)	-
Cash and cash equivalents at 31 December	21	551	651

The notes set out on pages 9 to 44 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 1.

Notes to the consolidated financial statements

1. Legal status and principal activities

Etihad Airways PJSC ("the Company" or "Etihad") is a public joint stock company incorporated in the Emirate of Abu Dhabi in accordance with Article 1 of Abu Dhabi Law No. 1 of 2003 dated 5 January 2003. The Company was registered in August 2003 and commenced commercial operations in November 2003. The Company is wholly owned by the Government of Abu Dhabi ("the Shareholder"). Pursuant to State Cabinet approval dated 29 March 2004, the Company is exempt from various provisions of the United Arab Emirates ("UAE") Federal Law No. 8 of 1984 (as amended). These consolidated financial statements include the financial performance and position of the Company and its subsidiaries and the Group's interest in equity accounted investees (collectively referred to as "the Group" and individually as "Group entities"), except as discussed in note 2(f).

The principal activities of the Company are to provide commercial air transportation which includes passenger and cargo services on a scheduled and charter basis. The Group entities also provide Global Distribution System (GDS) services - acting as a technology provider serving the sales, marketing and distribution needs of various travel and tourism entities, investing in subsidiaries, investing in property to earn rentals, providing call centre services and the operation of a travel management and distribution network.

2. Basis of preparation

(a) Statement of compliance

These special purpose consolidated financial statements comply with International Financial Reporting Standards ("IFRSs") in all aspects, except for IAS 27 *Consolidated and Separate Financial Statements* and IAS 28 *Investment in Associates* as investments in certain subsidiaries and associates have been stated at cost. Refer note 2(f).

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis. The Group had accumulated losses of USD 3,788 million as at 31 December 2012. The Executive Council of the Emirate of Abu Dhabi approved in 2007 (pursuant to decision No. 17) and then in 2008 (decision No. 53) for the availability of committed funds to the Group, comprising: USD 5,213 million of shareholder loans (in substance these are equity in nature), of which USD 3,614 million has been utilized and the remainder (USD 1,599 million) is now only available for the acquisition of aircraft (see note 24); and USD 6,512 million of authorized share capital, of which USD 5,210 million has been issued for cash to date and the remainder (USD 1,302 million) can be issued to fund future operational cash requirements (see note 22).

The Group prepares rolling cash flow forecasts for a five year term. Based on their review and approval of these forecasts the directors are satisfied that the Group has access to sufficient cash facilities to meet its obligations for the foreseeable future, and for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the consolidated financial statements have been prepared on the going concern basis.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- derivative financial instruments and available-for-sale financial assets are measured at fair value; and
- defined benefit obligations are measured as discussed in Note 3(n).

The methods used to measure fair values are described in Note 4.

(d) Functional and presentation currency

The functional currency of the Company is United Arab Emirates Dirhams ("AED"). Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which they operate. These consolidated financial statements are presented in United States Dollars ("USD"). All financial information presented in USD has been rounded to the nearest million, except where otherwise indicated. Since all internal financial and management reporting are expressed in USD, these consolidated financial statements are presented in USD.

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about critical accounting estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Note 33.

Notes to the consolidated financial statements

2. Basis of preparation *(continued)*

(f) Investments stated at cost

These consolidated financial statements do not include the operating results and financial position of Etihad Airport Services L.L.C. ("EAS" or "the Subsidiary" and its investment in TopBonus Limited) and the Group's share in the net assets of Air Berlin Plc and Air Seychelles Limited ("the Associates"). These investments have been stated at cost in these consolidated financial statements as management views these investments as key strategic investments and a separate set of consolidated financial statements have been prepared to reflect the operating results and financial position of all the Group entities and the Group's share in the results and net assets of its associates.

The Board of Directors have reviewed the carrying value of these investments and are of the opinion that these investments are not impaired as of the reporting date and no impairment loss is required to be recognised in these consolidated financial statements.

(g) Consolidation based on management accounts

The operating results and the financial position of the subsidiaries and the jointly controlled entities (other than those disclosed in note (f) above) have been included in these consolidated financial statements on the basis of financial statements prepared by the management of the subsidiaries and the jointly controlled entities. The net result of the subsidiaries and the Group's share of results of the jointly controlled entities aggregate to a profit of USD 36 million *(2011: USD 19 million)* and net assets of USD 50 million *(2011: USD 39 million)* .

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition dates as:
- the fair value of consideration transferred;
- the recognised amount of any non-controlling interest in the acquiree; and
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, other than Etihad Airport Services L.L.C. as discussed in note 2(f). The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

(iii) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investment in associates are recognised initially at cost. Subsequent to initial recognition, investment in associates are carried at cost less impairment losses (refer accounting policy on impairment), if any. In case of change in status of available-for-sale financial assets to investment in associates, the Group adopts the cost method and change in fair value previously recorded in fair value reserve is transferred to retained earnings.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iv) Investment in jointly controlled entities (equity accounted investees)

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share in the profit or loss and other comprehensive income of the jointly controlled entities, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date joint control ceases.

When the Group's share of losses exceeds its interest in equity accounted investees, the carrying amount of any investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or losses on monetary items are the differences between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on the translation are recognised in the profit or loss, except for differences arising on the translation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented as foreign currency translation reserve in equity.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(c) Revenue and other income

(i) Revenue

Passenger and cargo sales including charter are recognised as revenue when the transportation service is provided, net of revenue on public service obligation destinations. Passenger tickets and cargo airway bills sold but unused are classified in the consolidated statement of financial position under current liabilities as unearned revenue. Unused coupons are recognised as revenue using estimates based on the terms and conditions of the ticket and historic trends. Estimates in respect of the recognition of unearned revenue, were revised during 2011 (refer Note 26).

Commission costs are recognised in the same period as the revenue to which they relate is recognised, and are included in direct operating costs.

(ii) Other income

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

Income from services including holiday, distribution, advertisement, marketing and other services is recognised as and when the services are rendered.

(d) Costs

Costs include direct operating costs, administration costs and finance costs. Costs incurred are recognised in the period in which the services are provided, net of reimbursement of expenses incurred on behalf of Abu Dhabi Government including public service obligation destinations.

Direct operating costs are recognised on an accrual basis in the period in which the services are provided, net of discounts received. Discounts received are accounted in the period in which these are agreed with the suppliers and there exists a reasonable certainty for the collectability of the discounts. For accounting policy on finance costs refer Note 3(p).

(e) 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 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. Other borrowing costs are expensed in the period in which they are incurred.

(f) Financial instruments

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Non-derivative financial assets

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade receivables, deposits, other receivables, amounts due from related parties, loans to related parties and cash and cash equivalents.

Cash and cash equivalents comprise cash balances, call and term deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in management of its short-term commitments.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial asset are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer Note 3(j)), are recognised in other comprehensive income and presented in the fair value reserve within equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial asset comprise equity securities.

(ii) Non-derivative financial liabilities

The Group initially recognises subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities of the Group comprise financial lease liabilities, payables and accruals, amounts due to related parties and short-term loan from a bank.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its jet fuel price, carbon emissions, interest rate and foreign currency risk exposures.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are remeasured at fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss and other fair value changes are accounted for as below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

Cash flow hedges (continued)

When the hedged item is a non financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

(g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of self constructed assets includes the following:
- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated to their residual values on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the leased term and useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for items of property plant and equipment in the current and comparative years are as follows:

	Life in years
Aircraft	**20**
Components and parts	**15 - 20**
Buildings and leasehold improvements	**5 - 20**
Other property, plant and equipment	**3 - 20**

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset. Subsequent major overhaul expenditure is amortised over the period to the next major overhaul.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(g) Property, plant and equipment *(continued)*

Capital projects

Expenditure incurred on property, plant and equipment, which are not complete and not ready for use at the reporting date are treated as capital projects. Depreciation is not provided on such assets until they are transferred from capital projects to the appropriate category under property, plant and equipment.

Manufacturers' credits

The Group receives credits from manufacturers in connection with the acquisition of aircraft and engines. Depending on the nature of these credits, they 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, the credits are deferred and deducted from the operating lease rentals on a straight-line basis over the period of the related lease.

(h) Leases

Finance leases as lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The corresponding lease obligations are included under liabilities. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding lease liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases as lessee

Payments made under operating lease are recognised in the profit or loss over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense, over the term of the lease.

Operating leases as lessor

Lease income from operating lease is recognised in the profit or loss over the term of the lease.

Sale and leaseback

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

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(i) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented within intangible assets. For the measurement of goodwill at initial recognition, refer Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Airport landing slots

Airport landing slots are stated at cost less accumulated impairment losses. Airport landing slots are not amortised as these are considered to have indefinite useful lives and are tested annually for impairment.

(iii) Other intangible assets

Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss when incurred.

Amortisation

Except for goodwill and airport landing slots, intangible assets are amortised on a straight-line basis in the statement of comprehensive income over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

	Years
Software	3 - 5
Intellectual property	5

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Intangible assets with indefinite useful lives are reviewed at each reporting date to determine whether events and circumstances continue to support the assessment of an indefinite useful life assessment for the asset.

(j) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy or adverse changes in the payment status of the debtor, economic conditions that correlate with defaults or the disappearance of an active market for a security. With respect to an investment in equity security, a significant prolonged decline in its fair value below cost is objective evidence of impairment.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(j) Impairment *(continued)*

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to the application of effective interest method are reflected as a component of finance income. Any subsequent recovery in fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

(l) Aircraft maintenance expenses

The Group recognises aircraft maintenance expenses on an incurred basis based on contractual rates with third parties. The Group's claims for liquidated damages in respect of maintenance costs incurred, in relation to a loss of income, are recognised in the profit or loss when a contractual entitlement exists, the amount can be reliably measured and receipt is virtually certain. When the claims do not relate to a compensation for loss of income, the amounts are taken to the consolidated statement of financial position as deferred credit and deferred over the maintenance period.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(n) Employee benefits

Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the profit or loss in the periods during which services are rendered by employees. The Group does not operate or own a defined contribution plan during the year or as at the reporting date.

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi - Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

Defined benefit plans

A defined benefit plan is a post employment benefit other than a defined contribution plan. The Group currently operates an unfunded scheme for employees' end of service benefits that follows relevant local regulations and is based on periods of cumulative service and levels of employees' final basic salaries. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Such benefit is based on the applicable provisions of the UAE Federal Labour Law. Any unrecognised past service costs are deducted. The discount rate is the yield at valuation date, on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is the relevant proxy market as determined by the actuaries.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in the profit or loss and all expenses related to defined benefit plans within profit or loss. Gains and losses on the curtailment or settlement of a defined benefit plan are recognised when the curtailment or settlement occurs.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Taxation

Taxation is provided for as and when the liability arises except where the management is of the firm opinion that exemption from such taxation will ultimately be granted by virtue of a double taxation treaty with the countries concerned.

(p) Finance income and finance costs

Finance income mainly comprises interest on term deposits and loans to related parties. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance costs comprise interest expense on finance lease liabilities and bank overdrafts, unwinding of discounts on provisions, and losses on hedging instruments that are recognised in the profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Also refer Note 3(e) for policy on borrowing costs.

Foreign currency gains and losses are reported on a net basis, as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

(q) Loyalty programme

The Group has a customer loyalty programme whereby customers are awarded miles entitling customers to the right to purchase tickets or other products from the Group. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the miles and the other components of the sale. The amount allocated to the miles is estimated by reference to the fair value of the right to purchase tickets or other products. The fair value of the miles is estimated by reference to the fair value of the awards for which they could be redeemed. The fair value of award credits takes into account the following:
- the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and
- the proportion of award credits that are not expected to be redeemed by customers.

Such amount is deferred and revenue is recognised when the miles are redeemed and the Group has either issued tickets or sold other products. The amount of revenue recognised in those circumstances is based on the number of miles that have been redeemed in exchange for tickets or other products. Deferred revenue is also released to revenue when it is no longer considered probable that the miles will be redeemed.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. The management is currently assessing the potential impact on the consolidated financial statements of the following standards which will be applicable to the Group effective 1 January 2013 or later:
- IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009);
- IFRS 10 Consolidated Financial Statements (2011);
- IFRS 11 Joint Arrangements (2011);
- IFRS 12 Disclosure of Interests in Other Entities (2011);
- IFRS 13 Fair value disclosures (2011);
- IAS 27 Separate Financial Statements (2011); and
- IAS 28 Investment in Associates and Joint Ventures (2011).

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Other non-derivative liabilities

Fair value is calculated based on the present value of future cash flows (including principal and interest payments), discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Equity securities

Fair value of equity securities is determined by reference to their quoted closing price at the reporting date. With respect to unquoted equity instruments, the fair value is determined using a valuation technique.

Deferred revenue

Estimation techniques are used to determine the fair value of mile credits and reflect the weighted average of a number of factors including, fare by sector and class, fare rules on redemption of miles and partner rewards. Prior year historical trends form the basis of calculations. Adjustments to fair value are also made for miles not expected to be redeemed by members.

Notes to the consolidated financial statements

5. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors (the "Board") has an overall responsibility for the establishment, oversight and monitoring of the Group's risk management framework and is assisted by the senior management. The senior management is responsible for designing, developing and monitoring the Group's risk management policies, which are approved by the Board. The senior management reports regularly to the Board and its committees on its risk management activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Treasury department is primarily responsible for specific areas, such as jet fuel price risk, emissions price risk, interest rate risk, foreign exchange risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of excess liquidity, based on guidelines provided by the Board.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and loans to related parties.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, as these factors may have an influence on credit risk. Although geographically there is no concentration of risk, at the reporting date, the percentage of the Group's trade receivables from customers domiciled in various region are:

	2012	2011
Domestic (UAE)	**37%**	38%
Middle East and Africa	**12%**	12%
Asia Pacific	**26%**	25%
Europe and Americas	**25%**	25%

The Group has policies in place to ensure that sales of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn have adequate securities in place. Adequate securities are taken for the appropriate level of commercial activity from customers who are not members of the clearing house. Sales to retail customers are made only on prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Group held cash and cash equivalents of USD 575 million *(2011: USD 675 million)* , which represents its maximum credit exposure on these assets.

Notes to the consolidated financial statements

5. Financial risk management *(continued)*

Credit risk *(continued)*

Derivative financial instruments

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. Derivative contracts are entered into with high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Treasury ensures that the Group has sufficient cash and funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group maintains USD 528 million worth of unsecured overdraft facilities. In addition, the Group has received cash flows in the form of equity participation and loans from the Shareholder pursuant to the decisions No.(17) of 2007 (completely utilised) and No.(53) of 2008 as approved by the Executive Council of the Emirate of Abu Dhabi (refer Notes 22 and 24).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity price risk and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in the profit or loss.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures that are denominated in currencies other than the functional currency of the Group. The currencies in which these transactions are primarily denominated are Euro ("EUR"), Pound Sterling ("GBP") and Australian Dollar ("AUD"). In respect of the Group's transactions denominated in the functional currency and other currencies that are pegged to USD the Group is currently not exposed to currency risk, as these currencies are pegged to USD at a fixed rate of exchange. Treasury is responsible for managing the net foreign exchange exposures by using derivative contracts when deemed necessary.

At Group level, a net position is aggregated for each currency in order that natural hedging can be achieved. At any point in time the Group hedges 74% of its estimated foreign currency exposure in EUR, GBP and AUD over the following twelve months. The Group uses forward exchange contracts to hedge a majority of its currency risk with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Group's cash flow exposure to interest rate risk arises primarily from long-term borrowings at floating rates. The Group's long-term borrowings are primarily denominated in USD and EUR. Interest rate swaps are used to manage the interest rate profile of interest-bearing financial liabilities on a currency by currency basis to maintain an appropriate fixed rate and floating rate ratio.

The Group's policy is to secure a significant proportion of its borrowings in fixed rate instruments in the short to medium term, allowing an increased proportion of floating interest exposure in the medium to long term.

Notes to the consolidated financial statements

5. Financial risk management *(continued)*

Market risk *(continued)*

Equity price risk

Equity price risk arises from available-for-sale financial equity securities. All investment decisions relating to buying and selling of equity securities are approved by the Board of Directors.

Commodity price risk

The Group's main commodity price risk relates to the purchase price of its jet fuel. The Group's risk management policy is to hedge between 50% and 80% of anticipated exposure for the subsequent 12 months, and up to 50% and 25% of exposure for periods up to 24 months and 36 months respectively. Treasury is responsible for managing the commodity price exposure of the Group by using derivative contracts to maintain hedge levels within policy parameters laid down by the Board.

Capital management

The Board's policy is to maintain a strong capital base designed to provide sufficient liquidity to the business, maximise shareholder value, maintain market confidence and sustain future growth of the business. The Company's main objectives when managing capital are:

- to ensure the Group has access to capital to fund contractual obligations as they become due;
- to maintain flexibility to pursue strategic business opportunities and ensure adequate liquidity to withstand weakening economic conditions;
- to maintain an appropriate balance between debt financing vis-a-vis shareholder capital as measured by gearing ratio; and
- to maintain a capital structure that matches an investment grade credit rating to facilitate access to public and private debt and capital markets at competitive interest rates.

There were no changes in the Group's approach to capital management during the year.

The Board regularly reviews the Group's capital structure and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The Group is not subject to any externally imposed capital requirements.

Notes to the consolidated financial statements

6. Revenue

	2012 USD'million	2011 USD'million
Passenger services	**3,438**	3,050
Cargo services	**653**	597
Charter services	**78**	67
Destination and leisure	**20**	19
Distribution income	**17**	16
Other revenue	**98**	78
	4,304	3,827

7. Direct operating costs

	2012 USD'million	2011 USD'million
Aviation fuel costs (see below)	**1,816**	1,423
Staff related costs (Note 11)	**443**	372
Depreciation	**344**	288
Aircraft maintenance expenses	**188**	213
Handling expenses	**220**	193
In-flight expenses	**152**	147
Overflying expenses	**181**	152
Aircraft operating leases	**160**	144
Commission and incentives	**128**	108
Landing and parking expenses	**94**	81
Reservation expenses	**78**	67
Ground passenger expenses	**55**	52
Crew layover expenses	**26**	22
Passenger and aircraft insurance	**10**	12
Destination and leisure expenses	**13**	11
Other direct operating costs	**48**	36
	3,956	3,321

Breakdown of aviation fuel costs is set out below:

	2012 USD'million	2011 USD'million
Aviation fuel	**1,967**	1,722
Gain on fuel hedging (Note 23)	**(151)**	(299)
	1,816	1,423

8. Other income

	2012 USD'million	2011 USD'million
Advertising and marketing services	**291**	54
Gain on sale and leaseback transactions	**54**	49
Gain on sale of assets	**38**	-
Liquidated damages	**57**	49
Compensation for contract non-performance	**-**	50
Other miscellaneous income	**38**	18
	478	220

Notes to the consolidated financial statements

9. Administrative and marketing expenses

	2012 USD'million	2011 USD'million
Staff related costs (Note 11)	**354**	264
Advertisement and promotion	**87**	63
Communication expenses	**69**	49
Rent and utilities	**43**	43
Legal and consultancy charges	**22**	39
Depreciation	**42**	37
General repairs and maintenance	**11**	10
Amortisation of intangible assets (Note 13)	**11**	8
Duty travel expenses	**13**	9
Other administrative expenses	**24**	36
	676	558

10. Finance income and finance costs

	2012 USD'million	2011 USD'million
Aircraft financing costs (see below)	**119**	118
Interest cost	**27**	21
Finance costs	**146**	139
Interest income	**(22)**	(9)
Finance income	**(22)**	(9)
Net finance costs recognised in profit or loss	**124**	130

Breakdown of aircraft financing costs is set out below:

	2012 USD'million	2011 USD'million
Aircraft financing costs	**101**	98
Loss on interest rate hedging (Note 23)	**18**	20
	119	118

11. Staff related costs

	2012 USD'million	2011 USD'million
Salaries and allowances	**615**	494
Other staff related costs	**182**	142
	797	636

12. Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on pages 42 and 43.

13. Intangible assets

Details of intangible assets are set out in Schedule II on page 44.

14. Investments

At the reporting date, the Group has investments in the following subsidiaries and associates:

(a) Subsidiaries

	Country of incorporation	Controlling interest 2012	2011
(a) Airline Service Centre (Private) Limited ("ASC")	India	**100%**	100%
(b) Etihad EHL Leasing Limited ("EHL")	Cayman Islands	**100%**	100%
(c) Etihad Airport Services L.L.C. ("EAS") (Note 2(f))	UAE	**100%**	-
(d) Hala Travel Management L.L.C. ("HTM")	UAE	**80%**	80%
(e) Amadeus Gulf L.L.C. ("Amadeus")	UAE	**51%**	51%
(f) Armaguard Valuables Management L.L.C. ("AVM")	UAE	**51%**	-

During 2012, the Company paid USD 40,839 to subscribe to a 100% equity interest in Etihad Airport Services L.L.C. ("EAS"), a company incorporated on 19 December 2012 to invest in other corporate entities on behalf of Etihad. Refer note 2(f) for the accounting treatment of this subsidiary in these consolidated financial statements. On 19 December 2012, EAS has paid EUR 36.4 million (USD 47 million) to subscribe to a 70% equity interest in TopBonus Limited. Furthermore, EAS has also provided a loan of EUR 150 million (USD 195 million) to TopBonus Limited to finance the purchase of the loyalty program from Air Berlin Plc.

The Company has also paid USD 765,000 to subscribe to a 51% equity interest in Armaguard Valuables Management L.L.C. ("AVM"). The commercial operations of AVM have not commenced as at the reporting date.

(b) Associates

	Country of incorporation	Equity interest 2012	2011
(a) Air Berlin Plc	England and Wales	**29.21%**	-
(b) Air Seychelles Limited	Republic of Seychelles	**40.00%**	-

Breakdown of the cost of investment in associates is as below:

	2012	2011
	USD'million	USD'million
Air Berlin Plc (notes (i) below and 2(f))	**103**	-
Air Seychelles Limited (notes (ii) below and 2(f))	**20**	-
	123	-

(i) On 19 December 2011, the Company had entered into an investment agreement to increase its stake in Air Berlin Plc to 34,122,575 (29.21%) equity shares amounting to USD 94 million by subscribing to an additional 31,574,312 shares. As part of the investment agreement, the Company also committed to provide an amount of USD 255 million as debt finance in the form of term loans and pre delivery payments on behalf of Air Berlin Plc. The investment is subject to a lock-in period of 2 years. Effective 24 January 2012, the Company has obtained the relevant federal, antitrust and regulatory clearances. Accordingly, the previously held equity interest in Air Berlin Plc has been reclassified as an investment in an associate (Note 18). The market value of the investment in Air Berlin Plc is USD 68 million as at 31 December 2012.

Notes to the consolidated financial statements

14. Investments *(continued)*

(ii) On 15 March 2012, the Group signed an Investment Agreement with the Government of Seychelles to acquire a 40% equity stake in Air Seychelles Limited, an airline incorporated under the laws of the Republic of Seychelles, for a total consideration of USD 20 million. The Group is also committed to inject USD 25 million by way of shareholder's loan to support working capital requirements. This acquisition is part of the Group's expansion in the leisure markets of Indian Ocean and Africa and is consistent with the Group's approach to expansion, which relies on the strength of strategic partnerships across the globe.

Refer to note 2(f) for the accounting treatment of these associated undertakings in these consolidated financial statements.

15. Investment in equity accounted investees

	2012	2011
	USD'million	USD'million
At 1 January	**24**	3
Share in results for the year	**38**	21
At 31 December	**62**	24

This represents the Company's share in the results and the net assets of the following entities:

	Country of incorporation	**Equity interest**	
		2012	2011
(a) Aldar Etihad Investment Properties L.L.C. (Note (ii) below)	UAE	**50%**	50%
(b) Aldar Etihad Development L.L.C. (Note (i) below)	UAE	**50%**	-
(c) Aldar Etihad First Investment Properties L.L.C. (Note (i) below)	UAE	**50%**	-

(i) During 2012, the Company has entered into joint venture agreements with Aldar Properties PJSC to acquire properties and provide leasing services to the Group. The commercial operations will be commenced during 2013.

(ii) The principal activity of Aldar Etihad Investment Properties LLC is to acquire properties and provide leasing services to the Group. Included in the Group's share of results of the joint venture is USD 14 million *(2011: USD 13 million)* , which represents the Group's share in profit earned by the joint venture in providing leasing services to the Group. Accordingly, this intragroup transaction is eliminated against corresponding staff accommodation costs of the Group and the net share of USD 24 million *(2011: USD 8 million)* is presented in the consolidated income statement.

Summary financial information for the joint ventures, not adjusted for the percentage ownership held by the Group is set out below:

	2012	2011
	USD'million	USD'million
Non-current assets	**555**	333
Current assets	**16**	34
Total assets	**571**	367
Non-current liabilities	**189**	189
Current liabilities	**258**	104
Total liabilities	**447**	293
Income	**89**	58
Expenses	**(13)**	(15)
Profit	**76**	43

Notes to the consolidated financial statements

16. Loans to related parties

	2012 USD'million	2011 USD'million
Current		
Etihad Airport Services LLC (note (a))	**242**	-
Aldar Etihad Investment Properties LLC (note (b))	**46**	46
Air Berlin Plc (note (c))	**22**	-
	310	46
Non-current		
Air Berlin Plc (note (c))	**201**	-
Less: current portion	**(22)**	-
	179	-

(a) In accordance with the loan agreement, the Company has advanced a loan of EUR 150 million (USD 195 million) to Etihad Airport Services L.L.C. ("EAS"). The loan carries interest at agreed rates and is repayable within one year. Furthermore, an interest free loan of EUR 36.4 million (USD 47 million) has been advanced to EAS for investment in TopBonus Limited.

(b) The loan is interest free and repayable on demand.

(c) In accordance with the loan agreement, the Company has advanced a loan of USD 255 million to Air Berlin Plc, of which an amount of USD 54 million has been settled. The loan carries interest at market rates and is repayable as per the agreed repayment plan. An amount of USD 22 million has been classified as current portion based on the repayment schedule.

17. Derivative financial instruments

	2012 USD'million	2011 USD'million
(a) Assets		
Non-current derivative assets	**14**	31
Current derivative assets	**61**	121
	75	152
(b) Liabilities		
Non-current derivative liabilities	**81**	77
Current derivative liabilities	**52**	26
	133	103

The Group's exposures to credit, currency and interest rate risks is disclosed in Note 31.

Notes to the consolidated financial statements

18. Available-for-sale financial assets

	2012 USD'million	2011 USD'million
Investments in quoted securities		
At 1 January	**9**	-
Investment in equity instruments	**122**	11
Change in fair value	**(2)**	(2)
Re-classified as investment in an associate (note 14(b))	**(9)**	-
At 31 December	**120**	9

The available-for-sale financial assets represent equity investments made in Virgin Australia Holdings Limited (9%) with a market value of USD 97 million *(2011: USD Nil)* and Aer Lingus Group Plc (3%) with a market value of USD 23 million *(2011: USD Nil)* . Available-for-sale financial asset as at 31 December 2011 represents investments in Air Berlin Plc with a market value of USD 9 million.

19. Inventories

	2012 USD'million	2011 USD'million
In-flight consumables	**14**	12
Other consumables	**22**	11
	36	23

Inventories are stated net of an allowance for obsolescence of USD 3 million *(2011: USD 4 million)*.

20. Trade and other receivables

	2012 USD'million	2011 USD'million
Trade receivables	**249**	221
Prepayments	**74**	67
Deposits	**32**	26
Other receivables	**542**	227
Advance to suppliers	**314**	24
	1,211	565
Less: non-current receivables	**(116)**	-
	1,095	565

Trade and other receivables are stated net of an allowance for impairment of USD 11 million *(2011: USD 9 million)*.

The Group's exposures to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 31.

21. Cash and cash equivalents

	2012 USD'million	2011 USD'million
Term deposits	**437**	606
Cash at bank		
- in call accounts	**39**	38
- in current accounts	**99**	31
Cash in hand	**1**	1
Cash in hand and at banks	**576**	676
Term deposits over three months	**(25)**	(25)
Cash and cash equivalents for cash flow purposes	**551**	651

The Group's exposures to credit risk and interest rate risk for financial assets are disclosed in Note 31.

Notes to the consolidated financial statements

22. Share capital

	2012 USD'million	2011 USD'million
***(a)* Authorised:**		
239,179,071 shares of AED 100 each *(2011: 239,179,071 shares of AED 100 each)*	**6,512**	6,512
***(b)* Issued and fully paid:**		
At 1 January	**3,968**	3,530
Issued and paid up during the year	**1,242**	438
At 31 December	**5,210**	3,968

The authorised share capital of the Company was increased to AED 5,052 million (USD 1,375 million) vide decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007. A decision No (53) of 2008 dated 2 September 2008 of the President of the Executive Council further increased the authorised share capital to AED 23,918 million (USD 6,512 million). During the year, 45.62 million *(2011: 16.08 million)* shares of AED 100 (USD 27.22) were issued and fully paid in cash.

23. Hedging reserve

	2012 USD'million	2011 USD'million
At 1 January	**53**	147
Effective portion of changes in fair value of cash flow hedges	**26**	181
Net change in fair value of cash flow hedges transferred to aviation fuel (Note 7)	**(151)**	(299)
Net change in fair value of cash flow hedges transferred to aircraft financing costs (Note 10)	**18**	20
Net change in fair value of cash flow hedges transferred to foreign exchange loss	**-**	4
At 31 December	**(54)**	53

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

24. Loan from the Shareholder

	2012 USD'million	2011 USD'million
At 1 January	**3,459**	3,012
Drawdown during the year	**155**	447
At 31 December	**3,614**	3,459

Notes to the consolidated financial statements

24. Loan from the Shareholder *(continued)*

The Company obtained subordinated loans from the Shareholder amounting to USD 3,012 million vide a decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007. A further decision No (53) of 2008 of the President of the Executive Council dated 2 September 2008 increased these loans to USD 5,213 million. As at 31 December 2012, an amount of USD 3,614 million *(2011: USD 3,459 million)* was drawn down and provided by the Shareholder. The loan amount is required to be utilised by the Company to finance the purchase of aircraft.

As per the arrangement, there is no contractual obligation to repay the loan in the foreseeable future. In addition, the arrangement specifies that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the loan, shall rank pari passu with those attached to the share capital of the Company. Therefore, these loans are more akin to equity instruments rather than liabilities, and accordingly have been presented within equity.

25. Finance lease liabilities

	2012 USD'million	2011 USD'million
At 1 January	**3,182**	2,643
Proceeds during the year	**664**	767
Repayments during the year	**(296)**	(230)
Foreign currency translation difference	**(1)**	2
At 31 December	**3,549**	3,182
Gross lease liabilities:		
Not later than one year	**427**	360
Later than one year but not later than five years	**1,742**	1,525
Later than five years	**1,891**	1,883
Gross lease liabilities	**4,060**	3,768
Future interest	**(511)**	(586)
Net lease liabilities	**3,549**	3,182
Net lease liabilities are payable as follows:		
Not later than one year *(current)*	**331**	272
Later than one year but not later than five years	**1,445**	1,194
Later than five years	**1,773**	1,716
Total over one year *(non-current)*	**3,218**	2,910
Total net lease liabilities	**3,549**	3,182

The carrying amount of net lease liabilities approximate their fair value. Finance lease liabilities are secured in favour of lenders against aircraft (Note 12).

Notes to the consolidated financial statements

26. Unearned revenue

As described in Note 3(c), unused coupons are recognised as revenue using estimates based on the terms and conditions of the ticket and historic trends.

During the previous year, management had carried out an analysis of the trends in utilisation of unused tickets based on usage periods, travel patterns and behavior of passengers observed historically. As a result, the estimate of the period of utilisation of unused tickets (from issuance date) was revised. This change in estimate was applied prospectively and had an effect of increasing passenger revenue transferred from unearned revenue by USD 106 million for 2011.

27. Payables and accruals

	2012	2011
	USD'million	USD'million
Current portion		
Trade payables	**57**	14
Accruals and other payables	**660**	574
	717	588
Non- current portion		
Employee benefits	**113**	80

Included in accruals and other payables is an amount of USD 41 million *(2011: USD 78 million)* for passenger taxes payable, which relates to amounts payable to airport authorities of departing stations for passenger tickets sold / sold and flown. Following the reduction in period of utilisation of unused tickets described in Note 26 above, the related write-back of passenger taxes payable to passenger revenue was also increased by USD 8 million for 2011.

Also included in accruals and other payables is an amount of USD 28 million *(2011: USD 40 million)* as deferred revenue, which relates to the component of miles earned by passengers on sale of tickets, deferred on initial sale and recognised in passenger revenue upon redemption of such miles by passenger or expiry of such miles. During 2012, with the availability of enhanced historic information about the Company's loyalty programme, management revised the technique for measurement of fair value of award credits, whereby fair value that was observable from the sale of miles to third parties, has been internally estimated through an evaluation of the actual value of financial benefit to passengers from redemption of miles. As a result, the estimated fair value of miles has reduced from USD 0.009 to USD 0.0075 per mile. This change in estimate is applied prospectively and has an effect of increasing passenger revenue transferred from deferred revenue by USD 13 million *(2011: USD 103 million)* for the year. The impact on future periods has not been estimated as it is impracticable to do so, considering the fact that future redemption patterns cannot be predicted with certainty.

The Group's exposures to currency and liquidity risk related to trade and other payables is disclosed in Note 31.

Employee benefits

The Group's obligation in respect of retirement benefits is recognised in the consolidated statement of financial position at the present value of defined benefit at the end of the reporting period, together with adjustments of past service costs.

Notes to the consolidated financial statements

27. Payables and accruals *(continued)*

Employee benefits (continued)

Additionally, employees of the Group are entitled to a repatriation allowance upon end of service, when there is sufficient evidence of their intention to leave the UAE permanently. Although, such allowance falls within the definition of other long-term employee benefits within IAS 19, it is accounted for together with defined benefit obligations, as it is payable post employment. Following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2012	2011
Discount rate at 31 December	**3.25%**	4.80%
Future salary increases	**1.60%**	2.64%
Future repatriation allowance increases	**0.00%**	0.00%
Average retirement age	**51**	51
Mortality, disability and withdrawal rates	**11.83%**	12.07%

The movement in end-of-service benefit obligations is as follows:

	2012	2011
	USD'million	USD'million
End-of-service benefit obligations at 1 January	**80**	79
Current service costs	**24**	30
Benefits paid	**(7)**	(7)
Loss/(gain) on remeasurement	**16**	(22)
End-of-service benefit obligations at 31 December	**113**	80

The total amounts recognised in profit or loss are as follows:

	2012	2011
	USD'million	USD'million
End-of-service benefit obligations		
Current service costs	**24**	30
Defined contributions		
Contributions expensed	**11**	7
	35	37

28. Related parties

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24 (Revised). The Group has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company or the Group).

Notes to the consolidated financial statements

28. Related parties *(continued)*

Transactions with government-owned entities

IAS 24 *Related Parties* (revised) requires Government owned entities to disclose transactions with other state / government-owned entities. Most infrastructure related entities are owned by the Abu Dhabi Government and the Group necessarily enters into transactions with those entities in the normal course of business on an arm's length basis. The Group also transacts with these entities in respect of aviation fuel, in-flight catering, aircraft maintenance, handling and landing and parking (Note 7). During the year, the Group procured the following services from government owned entities based on list prices that are comparable to prices charged to non-government entities:

	2012	2011
	USD'million	USD'million
Aviation fuel	**1,037**	913
Aircraft maintenance	**118**	53
Landing and parking	**25**	20
Handling	**44**	50
In-flight catering	**47**	70
Aircraft operating leases	**16**	-
Sale and leaseback of property, plant and equipment	**-**	162
Sale of property, plant and equipment	**127**	-
Airport and lounge	**9**	8

Apart from the above, none of the other transactions are individually or collectively significant.

Related party balances

In addition to the transactions disclosed in Notes 16 and 24, amounts due to related parties at the reporting date were as follows:

	2012	2011
	USD'million	USD'million
Abu Dhabi National Oil Company	**-**	11
Abu Dhabi Aircraft Technologies	**2**	5
Abu Dhabi Airports Company	**-**	1
Abu Dhabi Airport Services	**19**	6
Abu Dhabi In-flight Catering Company	**29**	18
Abu Dhabi Hospitality Company	**1**	-
	51	41

Amounts due from related parties at the reporting date were as follows:

	2012	2011
	USD'million	USD'million
Aldar Etihad Development L.L.C.	**111**	-
Sanad Aero II Limited	**31**	-
Abu Dhabi Airports Company	**4**	-
Abu Dhabi Cargo Company	**6**	-
	152	-

Transactions with key management personnel

	2012	2011
	USD'million	USD'million
Short term employee benefits	**5**	4
End of service benefits	**-**	-
	5	4

Notes to the consolidated financial statements

28. Related parties *(continued)*

Other significant related party transactions

In addition to the transactions disclosed in Notes 16 and 24, other transactions by the Group during the year include:

	2012	2011
	USD'million	USD'million
Loans to related parties	**497**	-
Sale and leaseback of property, plant and equipment	**111**	-
Interest income from an associate	**11**	-
Lease revenue from an associate	**8**	-
Recharges of expenses to associates	**8**	-
Rent paid to a jointly controlled entity	**14**	13

29. Short-term loan from banks

During the current year, the Group obtained a short-term loan of USD 195 million from consortium of banks to finance the acquisition of TopBonus Limited by Etihad Airport Services L.L.C. (Note 14(a)). The loan is unsecured, carries interest at agreed rates and is repayable within one year from the reporting date.

30. Commitments and contingent liabilities

	2012	2011
	USD'million	USD'million
Capital commitments		
Not later than one year	**1,471**	901
Later than one year but not later than five years	**6,080**	5,455
Later than five years	**3,693**	6,719
	11,244	13,075
Operating lease commitments		
Leases as lessee		
Not later than one year	**229**	224
Later than one year but not later than five years	**822**	631
Later than five years	**1,374**	879
	2,425	1,734
Operating lease commitments as lessee represent:		
Aircraft leases	**1,089**	920
Other leases	**1,336**	814
	2,425	1,734
Leases as lessor		
Not later than one year	**10**	3
Later than one year but not later than five years	**4**	7
	14	10
Sponsorship commitments		
Not later than one year	**25**	24
Later than one year but not later than five years	**68**	76
Later than five years	**45**	66
	138	166

Notes to the consolidated financial statements

30. Commitments and contingent liabilities *(continued)*

The following guarantees and documentary credits were entered in the ordinary course of business:

	2012	2011
	USD'million	USD'million
Letters of guarantee	**18**	15
Letters of credit	**84**	73

31. Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

		2012	2011
	Note	**USD'million**	USD'million
Loan to related parties	***16***	**489**	46
Derivative financial instruments	***17***	**75**	152
Trade receivables	***20***	**249**	221
Amounts due from related parties	***28***	**152**	-
Other receivables	***20***	**574**	253
Cash at bank	***21***	**575**	675
		2,114	1,347

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	2012	2011
	USD'million	USD'million
Domestic (UAE)	**89**	86
Middle East and Africa	**31**	26
Asia Pacific	**66**	55
Europe and Americas	**63**	54
	249	221

Notes to the consolidated financial statements

31. Financial instruments *(continued)*

(a) Credit risk *(continued)*

Exposure to credit risk (continued)

The sale of passenger and cargo transportation mostly takes place through International Air Transport Association ("IATA") approved sales agents. These sale points are mostly connected to Billing Settlement Plans ("BSP") and Cargo Accounting and Settlement System ("CASS") administered by IATA. The credit worthiness of the agents are reviewed by the clearing systems responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide.

Receivables and liabilities between airlines are offset through bilateral agreements or through the IATA clearing house, insofar as the contracts underlying the services do not explicitly specify otherwise. Systematic settlement of monthly receivables and liability balances significantly reduce the default risk.

Impairment losses

The ageing of trade receivables at the reporting date was:

	USD'million 31 December 2012		USD'million 31 December 2011	
	Gross	**Impairment**	Gross	Impairment
Not past due	**236**	**-**	219	1
Past due 0-30 days	**12**	**-**	1	-
Past due 30-180 days	**4**	**3**	4	2
More than 180 days	**8**	**8**	6	6
	260	**11**	230	9

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2012 USD'million	2011 USD'million
At 1 January	**9**	9
Add: Impairment loss recognised	**2**	-
At 31 December	**11**	9

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable is written off against the financial asset directly.

(b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2012 USD'million	2011 USD'million
Fixed rate instruments		
Financial assets	**872**	644
Financial liabilities	**(1,833)**	(1,378)
	(961)	(734)
Variable rate instruments		
Financial liabilities	**(1,911)**	(1,804)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Notes to the consolidated financial statements

31. Financial instruments *(continued)*

(b) Interest rate risk *(continued)*

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange currency rates, remain constant. The analysis was performed on the same basis for 2011.

31 December 2012

	Profit / (loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	**(19)**	**19**	**(19)**	**19**
Interest rate swaps	**4**	**(4)**	**4**	**(4)**
Cash flow sensitivity (net)	**(15)**	**15**	**(15)**	**15**

31 December 2011	Profit / (loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	(18)	18	(18)	18
Interest rate swaps	4	(4)	4	(4)
Cash flow sensitivity (net)	(14)	14	(14)	14

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

USD'million

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
31 December 2012					
Non-derivative financial liabilities					
Finance lease liabilities	**3,549**	**(4,060)**	**(427)**	**(1,742)**	**(1,891)**
Payables and accruals	**717**	**(717)**	**(717)**	**-**	**-**
Amounts due to related parties	**51**	**(51)**	**(51)**	**-**	**-**
Short-term loan from banks	**195**	**(196)**	**(196)**	**-**	**-**
Derivative financial liabilities					
Fuel derivatives	**18**	**(18)**	**(15)**	**(3)**	**-**
Interest rate swaps	**100**	**(105)**	**(28)**	**(73)**	**(4)**
Forward exchange contracts					
Outflow	**490**	**(490)**	**(310)**	**(180)**	**-**
Inflow	**(475)**	**475**	**300**	**175**	**-**
	4,645	**(5,162)**	**(1,444)**	**(1,823)**	**(1,895)**

Notes to the consolidated financial statements

31. Financial instruments *(continued)*

(c) Liquidity risk *(continued)*

USD'million

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
31 December 2011					
Non-derivative financial liabilities					
Finance lease liabilities	3,182	(3,768)	(360)	(1,525)	(1,883)
Payables and accruals	588	(588)	(588)	-	-
Amounts due to related parties	41	(41)	(41)	-	-
Derivative financial liabilities					
Fuel derivatives	13	(11)	(8)	(3)	-
Interest rate swaps	89	(87)	(18)	(67)	(2)
Forward exchange contracts					
Outflow	104	(104)	(91)	(13)	-
Inflow	(103)	103	90	13	-
	3,914	(4,496)	(1,016)	(1,595)	(1,885)

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments:

USD'million

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
31 December 2012					
Fuel derivatives					
Assets	**72**	**72**	**58**	**14**	**-**
Liabilities	**(18)**	**(18)**	**(15)**	**(3)**	**-**
Interest rate swaps					
Assets	**-**	**-**	**-**	**-**	**-**
Liabilities	**(100)**	**(105)**	**(28)**	**(73)**	**(4)**
Forward exchange contracts					
Assets	**622**	**622**	**410**	**212**	**-**
Liabilities	**(634)**	**(634)**	**(418)**	**(216)**	**-**
	(58)	**(63)**	**7**	**(66)**	**(4)**

USD'million

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
31 December 2011					
Fuel derivatives					
Assets	132	110	93	16	-
Liabilities	(13)	(11)	(8)	(3)	-
Interest rate swaps					
Assets	-	-	-	-	-
Liabilities	(89)	(87)	(18)	(67)	(2)
Forward exchange contracts					
Assets	411	411	322	90	-
Liabilities	(392)	(393)	(307)	(85)	-
	49	30	82	(49)	(2)

Notes to the consolidated financial statements

31. Financial instruments *(continued)*

(d) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	(USD'million) 31 December 2012			(USD'million) 31 December 2011		
	EUR	**GBP**	**AUD**	EUR	GBP	AUD
Trade receivables	**52**	**25**	**14**	33	12	23
Loan to related parties	**242**	**-**	**-**	-	-	-
Available-for-sale financial assets	**23**	**-**	**97**	-	-	-
Trade payables	**(6)**	**(2)**	**(1)**	(3)	(1)	(2)
Gross statement of financial position exposure	**311**	**23**	**110**	30	11	21
Estimated forecast sales	**953**	**411**	**430**	411	163	470
Estimated forecast purchases	**(344)**	**(125)**	**(92)**	(188)	(51)	(100)
Gross exposure on forecasted transactions	**609**	**286**	**338**	223	112	370
Forward exchange contracts	**(321)**	**(120)**	**(154)**	(96)	(48)	(116)
Net exposure	**599**	**189**	**294**	157	75	275

The following significant exchange rates applied during the year:
USD

	Average rate		Reporting date spot rate	
	2012	2011	**2012**	2011
EUR 1	**1.29**	1.40	**1.30**	1.30
GBP 1	**1.59**	1.61	**1.60**	1.55
AUD 1	**1.04**	1.04	**1.04**	1.02

Sensitivity analysis

A strengthening/(weakening) of USD against EUR, GBP and AUD at 31 December would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2011.

	Strengthening		Weakening	
Effect in millions of USD	Profit or loss	Equity	Profit or loss	Equity
31 December 2012				
EUR (2% movement)	**(6)**	**(6)**	**6**	**6**
GBP (1% movement)	**-**	**-**	**-**	**-**
AUD (2% movement)	**(2)**	**(2)**	**2**	**2**
31 December 2011				
EUR (2% movement)	(1)	(1)	1	1
GBP (1% movement)	-	-	-	-
AUD (2% movement)	-	-	-	-

(e) Commodity price risk

Sensitivity analysis - Commodity price risk

The Group's commodity price risk mainly relates to purchase prices of aviation fuel. Increase/(decrease) in aviation fuel price by 1% would have decreased/(increased) profit or loss by USD 18 million *(2011: USD 14 million)* . The above sensitivity analysis considers the purchase price of aviation fuel price and the potential cashflows from fuel hedge contracts entered into by the Group. The analysis is performed on the same basis for 2011.

Notes to the consolidated financial statements

31. Financial instruments *(continued)*

(f) Equity price risk

Sensitivity analysis - equity price risk

All of the Group's listed equity investments are listed on either Australian Securities Exchange or Irish Stock Exchange. Increase/(decrease) in equity prices by 5% would have increased/(decreased) other comprehensive income by USD 6 million *(2011: USD Nil)* .

(g) Fair values

The fair values of financial assets and financial liabilities are not materially different from the carrying amounts shown in the consolidated statement of financial position.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the interest yield curves (for remaining term to maturity and respective currencies) at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuation for financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

USD'million

	Level 1	Level 2	Level 3	Total
31 December 2012				
Assets				
Available-for-sale financial assets	**120**	**-**	**-**	**120**
Derivative financial instruments	**-**	**75**	**-**	**75**
	120	**75**	**-**	**195**
Liabilities				
Derivative financial instruments	**-**	**133**	**-**	**133**
	-	**133**	**-**	**133**

	Level 1	Level 2	Level 3	Total
31 December 2011				
Assets				
Available-for-sale financial assets	9	**-**	**-**	9
Derivative financial instruments	-	152	-	152
	9	152	-	161
Liabilities				
Derivative financial instruments	-	103	-	103
	-	103	-	103

32. Taxation

The Group has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. In other jurisdictions, where the Group's operations are taxable, no tax liability has been recorded in the consolidated financial statements due to accumulated losses as at the reporting date.

Notes to the consolidated financial statements

33. Accounting estimates and judgements

In the process of applying the Group's accounting policies, which are detailed in Note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade and other receivables. In determining whether impairment losses should be recorded in the consolidated profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include following:

(i) Significant decline in the market value beyond that which would be expected from the passage of time or normal use.
(ii) Significant changes in the technology and regulatory environments.
(iii) Evidence from internal reporting which indicates that the economic performance of the aircraft is, or will be, worse than expected.

(d) Estimated useful lives of property, plant and equipment

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

(e) Estimated useful lives of intangible assets

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

(f) Estimated fair value of miles awarded

Management computes fair value of miles based on the benefits for which they can be redeemed. Subsequent changes to breakages on account of expiry of miles and change in the redemption profile of miles could result in change in fair value which may differ from initial estimate. Also refer Note 27.

(g) Recognition of unused coupons

Management determines the expected period of utilisation of unused coupons based on historic trends in utilisation by passengers, which are based on travel patterns and behavior. Subsequent changes in market dynamics could result in period of utilisation differing from initial estimates.

(h) Actuarial assumptions

The calculation of defined benefit obligation is sensitive to the actuarial assumptions set out in Note 27. Subsequent changes in circumstances such as living conditions in the region, labour laws and labour market dynamics may result in actual results differing from estimates. Estimates are revised on an annual basis by a qualified independent actuary.

(i) Fair values for sale and leaseback transactions

In order to determine the fair values of sale and leaseback transactions, management invites bids from willing buyers in an open market. The bids are evaluated considering quantitative and qualitative factors including price offered by the willing buyers. Based on the above, the Tender Board then enters into agreement to sell with the best price available at the time of transaction.

(j) Income from marketing services

The Group engages in an increasingly significant number of transactions with its key suppliers and other entities which involve the Group undertaking marketing and sponsorship activities to promote those entities' products in return for income. Significant judgment is required to determine whether this income for these promotion services is inherently linked to the purchase of assets by the Group from those suppliers. Accordingly, such income would be offset against the related purchase of assets when the promotion services is linked to the purchase of assets. When such income is principally for the performance of promotion services and not directly linked to the purchase of the products from the suppliers, the related income is recognized in profit or loss in the period in which such services are rendered.

(k) Impairment of investments

The Group reviews the carrying value of its investment in subsidiaries and associates to assess impairment at least on an annual basis. In determining whether impairment losses should be recorded in the consolidated profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Notes to the consolidated financial statements

Schedule I

USD'million

Property, plant and equipment	Aircraft [3]	Components and parts	Land[1], buildings and leasehold improvements	Other property, plant and equipment	Capital projects [2]	Total
Cost						
At 1 January 2011	4,481	353	207	152	1,404	**6,597**
Additions	254	21	-	15	1,158	**1,448**
Transfers	803	50	1	-	(854)	**-**
Disposals	-	(247)	-	-	-	**(247)**
Write off	(10)	-	-	-	-	**(10)**
Effect of movement in exchange rates	2	-	-	-	-	**2**
At 31 December 2011	**5,530**	**177**	**208**	**167**	**1,708**	**7,790**
At 1 January 2012	5,530	177	208	167	1,708	**7,790**
Additions	294	28	21	22	1,001	**1,366**
Transfers	555	28	4	5	(592)	**-**
Disposals [4]	-	(169)	(100)	(1)	-	**(270)**
At 31 December 2012	**6,379**	**64**	**133**	**193**	**2,117**	**8,886**
Depreciation and impairment losses						
At 1 January 2011	861	57	38	66	-	**1,022**
Depreciation charge for the year	278	19	22	23	-	**342**
Transfers	(37)	37	-	-	-	**-**
On disposals	-	(41)	-	-	-	**(41)**
Write off	(9)	-	-	-	-	**(9)**
Effect of movement in exchange rates	-	-	(1)	(1)	-	**(2)**
At 31 December 2011	**1,093**	**72**	**59**	**88**	**-**	**1,312**
At 1 January 2012	1,093	72	59	88	-	**1,312**
Depreciation charge for the year	334	12	24	26	-	**396**
On disposals [4]	-	(38)	(10)	(1)	-	**(49)**
At 31 December 2012	**1,427**	**46**	**73**	**113**	**-**	**1,659**
Carrying amounts						
At 1 January 2011	3,620	296	169	86	1,404	5,575
At 31 December 2011	4,437	105	149	79	1,708	6,478
At 31 December 2012	**4,952**	**18**	**60**	**80**	**2,117**	**7,227**

Notes to the consolidated financial statements

Schedule I *(continued)*

Property, plant and equipment *(continued)*

1 Based on the records of the Planning Department of the Government of Abu Dhabi, land registered in the name of the Company, was included in the consolidated financial statements as at 31 December 2006. The land was valued at USD 47 million on 28 March 2006 by a professional and independent valuator. The corresponding credit to this valuation was included under development reserve (refer to consolidated statement of changes in equity).

During the current year, the Planning Department of the Government of Abu Dhabi has clarified that the Company only has a right to use the land and does not have legal title to the land. Accordingly, the Company has derecognised the land and the corresponding credit included under development reserve has been reversed.

2 Capital projects include advances paid to aircraft manufacturers (pre delivery payments) of USD 1,744 million *(2011: USD 1,623 million)* which include option fees of USD 63 million *(2011: USD 60 million)* paid against options granted by them for the purchase of aircraft.

3 The Group leases aircraft under a number of finance lease agreements. Some leases provide the Group with the option to purchase aircraft at a beneficial price at the end of the lease term. At 31 December 2012, the net carrying amount of leased aircraft was USD 4,653 million *(2011: USD 3,992 million).* During the year, the Group acquired leased aircraft amounting to USD 664 million *(2011: USD 767 million).* Also refer Note 25.

4 In 2012, the Group has entered into transactions for sale and operating leaseback of certain items of property, plant and equipment. The sale price in the transaction was established at fair value by inviting bids from interested parties and accordingly profit on sale amounting to USD 54 million *(2011: USD 49 million)* is recognised within other income. Refer Note 8.

5 No borrowing costs were capitalised during the year.

Notes to the consolidated financial statements

Schedule II

USD'million

Intangible assets	Goodwill	Software	Intellectual property	Landing slots	Capital projects	Total
Cost						
At 1 January 2011	3	50	-	-	13	66
Additions	-	-	-	74	13	87
Transfers	-	9	-	-	(9)	-
At 31 December 2011	**3**	**59**	**-**	**74**	**17**	**153**
At 1 January 2012	3	59	-	74	17	153
Additions	-	2	-	-	47	49
Transfers	-	14	-	-	(14)	-
At 31 December 2012	**3**	**75**	**-**	**74**	**50**	**202**
Amortisation						
At 1 January 2011	3	22	-	-	-	25
Charge for the year	-	8	-	-	-	8
At 31 December 2011	**3**	**30**	**-**	**-**	**-**	**33**
At 1 January 2012	3	30	-		-	33
Charge for the year	-	11	-	-	-	11
At 31 December 2012	**3**	**41**	**-**	**-**	**-**	**44**
Carrying amounts						
At 1 January 2011	-	28	-	-	13	41
At 31 December 2011	-	29	-	74	17	120
At 31 December 2012	**-**	**34**	**-**	**74**	**50**	**158**

STATUTORY DECLARATION

I, Lim Han Hoe Jeffrey, holder of NRIC No. S1810752Z of 45 Florida Road, Windsor Park Estate, Singapore 579038, do solemnly and sincerely declare that:

1. I am an authorised agent of **Etihad Airways PJSC** in Singapore, Registration no. T07FC7067G (***Company***).

2. The Company is a corporation incorporated in Abu Dhabi, United Arab Emirates and the principal activities of the Company are to provide commercial air transportation which includes passenger and cargo services on a scheduled and charter basis whereas the principal activity of its Singapore branch is to provide support services in relation to the transport of passengers and cargo in and out of Singapore scheduled by the head office.

3. The Company is not required by the law applicable to it in the place of its incorporation to hold an annual general meeting for the purpose of approving the Company's accounts.

4. The Company is required to prepare audited consolidated financial statements for the financial year ended 31 December 2013 which were approved and authorised for issue by the Board of directors and is able to comply with the following provisions of the Companies, Cap. 50 (***Act***) in respect of its financial statements for the financial year ended 31 December 2013:

Provisions of the Act	Subject matter
Section 201(3A)	Consolidated Profit and Loss Account and Balance Sheet;
Section 201(4) and (4A)	Audited Consolidated Profit and Loss Account and Balance Sheet;
Section 207(1)	Auditors' Report.

5. The Company is not required to prepare a report of the directors for that year and is unable to comply with the following provisions of the Act:

Provisions of the Act	Subject matter
Section 201(5), (6), (6A), (8), (9), (10), (11), (11A), (11B), (12)	Directors' Report;
Section 201 (15)	Directors' Statement.

6. A copy of the Company's audited consolidated financial statements as at 31 December 2013 is attached.

7. Having regard to the foregoing, to require compliance by the Company with section 373(4) of the Act, as if it were a public company incorporated under the Act, would:

   (a) render the Company's financial statements misleading or inappropriate to the circumstances of the Company; and

   (b) impose unreasonable burdens on the Company.

8. I hereby apply to the Accounting and Corporate Regulatory Authority, Singapore for an order relieving the Company from any requirement of this Section relating to the form and content of accounts and reports referred to in Section 373(4) of the Companies Act, Cap. 50. for the financial year ended 31 December 2013.

...2/-

I make this solemn declaration by virtue of the provisions of the Oaths and Declarations Act (Cap. 211), and subject to the penalties provided by that Act for the making of false statements in statutory declarations, conscientiously believing the statements contained in this declaration to be true in every particular.

Declared by the abovenamed)

in Singapore)

this 6th day of June 2014)

LIM HAN HOE JEFFREY

Before me,

COMMISSIONER FOR OATHS

COMMISSIONER FOR OATHS
Robert Wee
Meng Hoe
C2014/0463
1 Apr 2014 – 31 Mar 2015
SINGAPORE

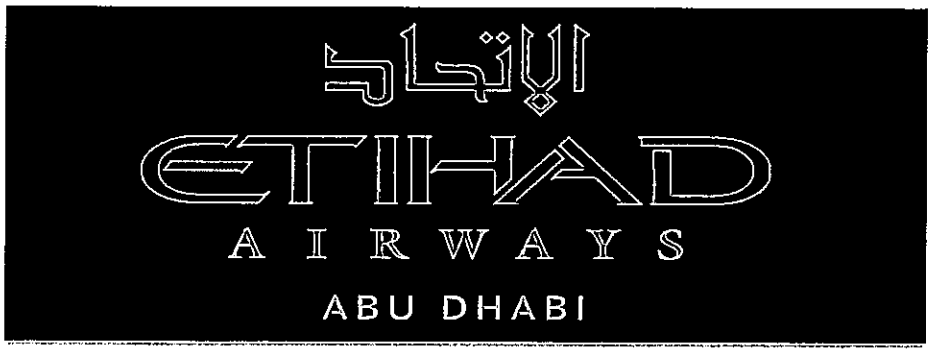
Etihad Airways PJSC

Annual financial statements

31 December 2013

This is the copy of Financial Statements referred to in the Declaration Verifying Financial Statements of Foreign Company affirmed by Lim Han Hoe Jeffrey on 6th June 2014

COMMISSIONER FOR OATHS
Robert Wee
Meng Hoe
C2014/0463
1 Apr 2014 - 31 Mar 2015
SINGAPORE



Registered Office: P O Box 35566 | Abu Dhabi | United Arab Emirates

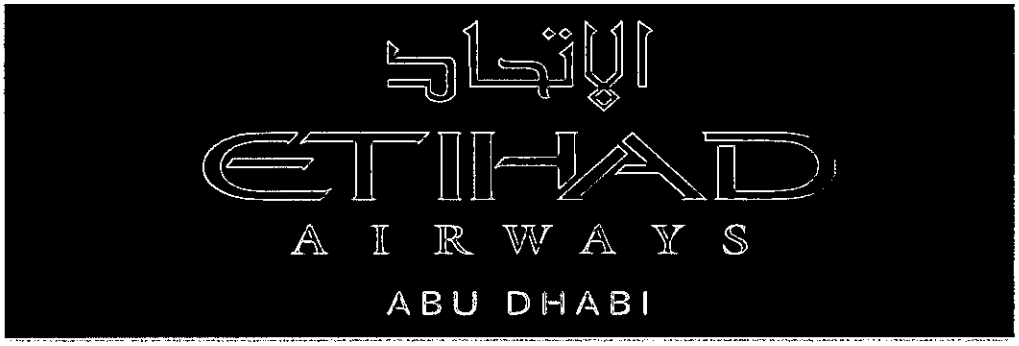
Etihad Airways PJSC

Annual financial statements

31 December 2013

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Independent auditors' report
The Shareholder
Etihad Airways PJSC
Abu Dhabi
United Arab Emirates

Report on the annual financial statements

We have audited the accompanying annual financial statements of Etihad Airways PJSC ("Etihad" or "the Company"), and its subsidiaries as described in note 2 to the annual financial statements (collectively referred to as "the Group"), which comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The annual financial statements have been prepared by management in accordance with the accounting policies as set out in note 4 to the annual financial statements.

Management's responsibility for the annual financial statements

Management is responsible for the preparation of these annual financial statements in accordance with the accounting policies as set out in note 4 to the annual financial statements, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements of the Group for the year ended 31 December 2013 are prepared, in all material respects, in accordance with the accounting policies as set out in note 4 to the annual financial statements.

Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to note 2 to the annual financial statements, which describes the basis of accounting. The annual financial statements are prepared by the Group for management information purposes. As a result, the annual financial statements may not be suitable for another purpose. Our report is intended solely for the Group and should not be used by or distributed to parties other than the Group.

KPMG

Vijendra Nath Malhotra

Registration No. 488

20 MAR 2014

KPMG Lower Gulf Limited, registered in the UAE and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Etihad Airways PJSC

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Note	2013 USD'million	Restated (*) 2012 USD'million
Revenue	5	4,933	4,304
Other operating income (including net gain from disposal of Etihad Guest of USD 724 million in 2013)	6	1,093	452
Direct operating costs	7	(5,004)	(3,956)
Administrative and marketing expenses	8	(809)	(660)
Operating profit		213	140
Finance income	9	31	22
Finance costs	9	(169)	(146)
Net finance costs	9	(138)	(124)
Foreign exchange loss		(12)	(8)
		(12)	(8)
Share in net result of joint ventures	13.4 (f)	(1)	24
Profit for the year		62	32
Profit attributable to:			
Owner of the Company		61	32
Non - controlling interests		1	-
Profit for the year		62	32

(*) Refer to notes 4.1 and 4.4

Etihad Airways PJSC

Statement of profit or loss and other comprehensive income (continued)

for the year ended 31 December

	Note	2013 USD'million	Restated (*) 2012 USD'million
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit obligation	*21 (c)*	(10)	(16)
Items that are or may be reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value	*18.3 (c)*	89	26
Cash flow hedges - reclassified to profit or loss		(14)	(133)
Cash flow hedges - effective portion of changes in fair value of forward exchange contract for the purchase of an equity accounted investee	*13.3 (c)*	(38)	-
Available-for-sale financial assets - net change in fair value	*13.5*	(44)	(2)
Equity accounted investees - share of other comprehensive income	*13.4 (a)*	(5)	-
Other comprehensive loss for the year		(22)	(125)
Total comprehensive income/(loss) for the year		40	(93)
Total comprehensive income/(loss) attributable to:			
Owner of the Company		39	(93)
Non - controlling interests		1	-
Total comprehensive income/(loss) for the year		40	(93)

(*) Refer to notes 4.1 and 4.4

The notes set out on pages 9 to 60 form an integral part of these annual financial statements.

The independent auditors' report is set out on page 1.

الإتحاد
ETIHAD
AIRWAYS
ABU DHABI

Etihad Airways PJSC

Statement of financial position

as at 31 December

	Note	2013 USD'million	Restated (*) 2012 USD'million
Assets			
Non-current assets			
Property, plant and equipment	11	8,769	7,282
Intangible assets	12	322	158
Investments	2.2 and 13	1,191	305
Loans to related parties	14	104	179
Trade and other receivables	16	174	116
Derivative financial instruments		39	14
Total non-current assets		10,599	8,054
Inventories	15	43	36
Trade and other receivables	16	1,510	1,095
Amounts due from related parties	22	388	71
Loans to related parties	14	455	310
Derivative financial instruments		65	61
Cash in hand and at banks	17	606	576
Total current assets		3,067	2,149
Total assets		13,666	10,203
Equity and liabilities			
Equity			
Share capital	18	6,427	5,210
Accumulated losses		(3,763)	(3,814)
Development reserve	11 (a)	-	-
Foreign currency translation reserve	18	(4)	(4)
Fair value reserve	18	(46)	(2)
Hedging reserve	18	16	(54)
Hedging reserve for an equity accounted investee	18	(38)	-
Loan from the Shareholder	18	4,630	3,614
Total equity attributable to the Owner of the Company		7,222	4,950
Non - controlling interest	18	1	-
Total equity		7,223	4,950

(*) Refer to notes 4.1 and 4.4

الإتحاد
ETIHAD
AIRWAYS
ABU DHABI

Etihad Airways PJSC

Statement of financial position *(continued)*

as at 31 December

	Note	2013 USD'million	Restated (*) 2012 USD'million
Equity and liabilities (continued)			
Liabilities			
Non-current liabilities			
Finance lease liabilities	19	3,625	3,218
Payables and accruals	21	142	113
Loans and borrowings	23	53	-
Derivative financial instruments		32	81
Total non-current liabilities		3,852	3,412
Current liabilities			
Finance lease liabilities	19	402	331
Payables and accruals	21	848	717
Amounts due to related parties	22	42	51
Loans and borrowings	23	676	195
Derivative financial instruments		52	52
Unearned revenue	20	571	495
Total current liabilities		2,591	1,841
Total liabilities		6,443	5,253
Total equity and liabilities		13,666	10,203

(*) Refer to notes 4.1 and 4.4

These annual financial statements were approved and authorised for issue by the Board of Directors on 02 FEB 2014 and signed on their behalf by:

James Reginald Hogan
President and Chief Executive Officer

His Highness Sheikh Hamed Bin Zayed Al Nahyan
Chairman of the Board of Directors

James Denis Rigney
Chief Financial Officer

His Excellency Mubarak Hamad Al Muhairi
Chairman of the Executive Committee

The notes set out on pages 9 to 60 form an integral part of these annual financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Statement of changes in equity

for the year ended 31 December

USD'million

	Attributable to the Owner of the Company										
	Share capital	Accumulated losses	Development reserve	Foreign currency translation reserve	Fair value reserve	Hedging reserve	Hedging reserve for equity accounted investees	Loan from the Shareholder	Total	Non-controlling interest	Total equity
At 1 January 2012	3,968	(3,828)	47	(4)	(2)	53	-	3,459	3,693	2	3,695
Total comprehensive income (Restated (*))											
Profit for the year	-	32	-	-	-	-	-	-	32	-	32
Remeasurements of defined benefit obligation	-	(16)	-	-	-	-	-	-	(16)	-	(16)
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	-	26	-	-	26	-	26
Cash flow hedges - reclassified to profit or loss	-	-	-	-	-	(133)	-	-	(133)	-	(133)
Available-for-sale financial assets - net change in fair value	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Other equity movements											
Adjustment during the year	-	-	(47)	-	-	-	-	-	(47)	-	(47)
Transfer of fair value reserve to accumulated losses (refer to note 13.5)	-	(2)	-	-	2	-	-	-	-	-	-
Transactions with owners'											
Share capital introduced (refer to note 18.1)	1,242	-	-	-	-	-	-	-	1,242	-	1,242
Drawdown during the year (refer to note 18.2)	-	-	-	-	-	-	-	155	155	-	155
Dividend declared and paid	-	-	-	-	-	-	-	-	-	(2)	(2)
At 31 December 2012 (Restated (*))	5,210	(3,814)	-	(4)	(2)	(54)	-	3,614	4,950	-	4,950
At 1 January 2013 (Restated (*))	5,210	(3,814)	-	(4)	(2)	(54)	-	3,614	4,950	-	4,950
Total comprehensive income											
Profit for the year	-	61	-	-	-	-	-	-	61	1	62
Remeasurements of defined benefit obligation	-	(10)	-	-	-	-	-	-	(10)	-	(10)
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	-	89	-	-	89	-	89
Cash flow hedges - reclassified to profit or loss	-	-	-	-	-	(14)	-	-	(14)	-	(14)
Cash flow hedges - effective portion of changes in fair value of forward exchange contract for the purchase of an equity accounted investee	-	-	-	-	-	-	(38)	-	(38)	-	(38)
Available-for-sale financial assets - net change in fair value	-	-	-	-	(44)	-	-	-	(44)	-	(44)
Equity accounted investees - share of other comprehensive income	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Transactions with owners'											
Share capital introduced (refer to note 18.1)	1,217	-	-	-	-	-	-	-	1,217	-	1,217
Drawdown during the year (refer to note 18.2)	-	-	-	-	-	-	-	1,016	1,016	-	1,016
At 31 December 2013	6,427	(3,763)	-	(4)	(46)	16	(38)	4,630	7,222	1	7,223

(*) Refer to notes 4.1 and 4.4

The notes set out on pages 9 to 60 form an integral part of these annual financial statements.

The independent auditors' report is set out on page 1.

Etihad Airways PJSC

Statement of cash flows

for the year ended 31 December

	Note	2013 USD'million	Restated (*) 2012 USD'million
Cash flows from operating activities			
Profit for the year		62	32
Adjustments for:			
Depreciation	*11*	467	396
Gain on disposal of Etihad Guest		(724)	-
Amortisation of intangible assets	*12*	19	11
Gain on disposal of property, plant and equipment		(66)	(66)
Provision for inventories	*15*	-	(1)
Provision for trade and other receivables	*16*	6	2
Ineffective portion of cash flow hedges		(3)	-
Share in results of equity accounted investees	*13.4*	(15)	(38)
Non-cash credit notes received		(277)	(233)
Finance costs	*9*	169	146
Finance income	*9*	(31)	(22)
		(393)	227
Change in inventories		(7)	(12)
Change in trade and other receivables		(202)	(361)
Change in amounts due from related parties		33	(71)
Change in payables and accruals		173	146
Change in amounts due to related parties		(9)	10
Change in unearned revenue		76	91
Net cash (used in)/from operating activities		(329)	30
Cash flows from investing activities			
Additions to property, plant and equipment	*11*	(2,073)	(757)
Proceeds from disposal of property, plant and equipment	*11*	1,019	240
Additions to intangible assets	*12*	(183)	(49)
Investment in associates		(419)	(114)
Purchase of available-for-sale financial assets	*13.5*	(189)	(122)
Loans to related parties	*14*	(70)	(497)
Proceeds from term deposits over three months		25	-
Interest received		31	22
Net cash used in investing activities		(1,859)	(1,277)

(*) Refer to notes 4.1 and 4.4

Etihad Airways PJSC

Statement of cash flows *(continued)*

for the year ended 31 December

	Note	2013 USD'million	Restated (*) 2012 USD'million
Cash flows from financing activities			
Proceeds from issue of share capital	*18.1*	1,217	1,242
Proceeds from loan from the Shareholder	*18.2*	1,016	155
Repayment of finance lease liability	*19*	(359)	(296)
Proceeds from long-term bank loans	*23*	57	-
Repayment of long-term bank loans	*23*	(1)	-
Proceeds from short-term bank borrowings	*23*	128	195
Interest paid		(168)	(146)
Dividend paid to non-controlling interest		-	(2)
Net cash from financing activities		1,890	1,148
Net decrease in cash and cash equivalents		(298)	(99)
Cash and cash equivalents at 1 January		551	651
Effect of change in foreign exchange		3	(1)
Cash and cash equivalents at 31 December	*17*	256	551

(*) Refer to notes 4.1 and 4.4

The notes set out on pages 9 to 60 form an integral part of these annual financial statements.

The independent auditors' report is set out on page 1.

Notes to the annual financial statements

1. Legal status and principal activities

Etihad Airways PJSC ("the Company" or "Etihad") is a public joint stock company incorporated in the Emirate of Abu Dhabi in accordance with Article 1 of Abu Dhabi Law No. 1 of 2003 dated 5 January 2003. The Company was registered in August 2003 and commenced commercial operations in November 2003. The Company is wholly owned by the Government of Abu Dhabi ("the Shareholder"). Pursuant to State Cabinet approval dated 29 March 2004, the Company is exempt from various provisions of the United Arab Emirates ("UAE") Federal Law No. 8 of 1984 (as amended). The principal activities of the Company are to provide commercial air transportation which includes passenger and cargo services on a scheduled and charter basis.

These annual financial statements include the financial performance and position of the Company and its subsidiaries and the Company's interest in its joint arrangement (collectively referred to as "the Group" and individually as "Group entities"), except as discussed in note 2.2. The Group entities provide Global Distribution System (GDS) services - acting as a technology provider serving the sales, marketing and distribution needs of various travel and tourism entities, investing in subsidiaries, investing in property to earn rentals, providing call centre services and the operation of a travel management and distribution network.

2. Basis of preparation

2.1 Going concern

These annual financial statements have been prepared on a going concern basis nothwithstanding the fact that the Group has accumulated losses of USD 3,763 million as at 31 December 2013. The Executive Council of the Emirate of Abu Dhabi approved in 2007 (pursuant to decision No. 17) and then in 2008 (decision No. 53) for the availability of committed funds to the Group comprising: USD 6,512 million of authorized share capital of which USD 6,427 million has been issued for cash to date and the remainder (USD 85 million) can be issued to fund future operational cash requirements (refer to note 18.1); and USD 5,213 million of shareholder loans (in substance these are equity in nature) of which USD 4,630 million has been utilized and the remainder (USD 583 million) is available for the acquisition of aircraft (refer to note 18.2).

The Group prepares rolling cash flow forecasts for a five year term. Based on their review and approval of these forecasts and USD 3,504 million available for drawdown by Etihad as approved by the Executive Council during 2014 as additional funding from the Shareholder, the Directors confirm that the Group has access to sufficient cash facilities to meet its obligations for the foreseeable future and for a period of at least 12 months from the date of approval of these annual financial statements. Accordingly, the annual financial statements have been prepared on the going concern basis.

2.2 Investments stated at cost

These annual financial statements do not include the operating results and the financial position of Etihad Airport Services L.L.C. and its subsidiaries ("EAS Group"), the Group's share in the net assets of the associates (airberlin Plc, Air Seychelles Limited and Jet Airways (India) Limited) and its investment in a joint venture (Etihad Guest L.L.C.). These investments have been stated at cost in these annual financial statements as management views these investments as key strategic investments. As a result of the application of this policy to the above investments, transactions between Etihad Airways PJSC and these investee companies have not been subject to elimination in accordance with 4.2.1(i). Statutory consolidated financial statements will be prepared to reflect the operating results and financial position of all the Group entities, the Group's share in the results and net assets of its associates and the Company's interest in its joint venture.

The management has reviewed the carrying value of these investments and are of the opinion that these investments are not impaired as of the reporting date and no impairment loss is required to be recognised in these annual financial statements.

Notes to the annual financial statements

2. Basis of preparation (continued)

2.3 Management accounts

The operating results and the financial position of the subsidiaries and the joint ventures (other than those disclosed in note 2.2 above) have been included in these annual financial statements on the basis of financial statements prepared by the management of the subsidiaries and the joint ventures. The net result of the subsidiaries and the Group's share of results of the joint ventures aggregate to a profit of USD 14 million *(2012: USD 36 million)* and net assets of USD 60 million *(2012: USD 50 million)*.

2.4 Statement of compliance

These annual financial statements comply with International Financial Reporting Standards ("IFRSs") in all aspects, except for IFRS10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements* and IAS 28 *Investment in Associates and Joint Ventures* as investments in certain subsidiaries, associates and joint arrangements have been stated at cost. Refer to note 2.2.

2.5 Basis of measurement

The annual financial statements have been prepared on the historical cost basis, except for:
(a) derivative financial instruments and available-for-sale financial assets which are measured at fair value; and
(b) defined benefit obligations which are measured at actuarial valuation.

2.6 Functional and presentation currency

The functional currency of the Company is United Arab Emirates Dirhams ("AED"). Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which they operate. These annual financial statements are presented in United States Dollars ("USD") since all internal financial and management reporting are expressed in USD. All amounts presented in USD have been rounded to the nearest million, except where otherwise indicated.

3. Use of judgements and estimates

In preparing these annual financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the annual financial statements are as follows:

(a) Joint arrangement: Classification of joint arrangement (refer to note 13.4);
(b) Consolidation: Whether the Group has de facto control over an investee (refer to note 13.2); and
(c) Leases: Classification of leases of assets as a finance lease or an operating lease.

Notes to the annual financial statements

3. Use of judgements and estimates (continued)

(i) Judgements (continued)

(d) Income from marketing, advertising and promotion of supplier products

The Group engages in a significant number of transactions with its key suppliers which involves the Group undertaking marketing and advertising activities to promote those entities' products for a consideration. Significant judgement is required to determine whether the income for these promotion services is inherently linked to the purchase of assets by the Group from those suppliers. When such income is principally for the performance of promotion services and not directly linked to the purchase of the products from the suppliers, the related income is recognized in the profit or loss in the period in which such services are rendered. Consideration is offset against the related purchase of assets when the promotion is linked to the purchase of assets.

(ii) Assumptions and estimation uncertainties

The Group makes assumptions and estimates that affect the reported amounts of assets and liabilities within next financial year. Assumptions and estimations are continually evaluated 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 are the critical accounting assumptions and estimates used by management in the preparation of these annual financial statements:

(a) Impairment of property, plant and equipment and intangible assets

The Group reviews its property, plant and equipment and intangible assets for impairment, if there is an indication of impairment. In determining whether impairment losses should be recognized in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a reduction in the carring value of property, plant and equipment and intangible assets. Accordingly, provision for impairment is made where there is an identified loss event or condition, which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment and intangible assets.

With particular reference to aircraft, factors which could trigger an impairment review include following:
(i) Significant decline in the market value beyond that which would be expected from the passage of time or normal use;
(ii) Significant changes in the technology and regulatory environments; and
(iii) Evidence from internal reporting which indicates that the economic performance of the aircraft is, or will be, worse than expected.

(b) Estimated useful lives and residual values of property, plant and equipment and intangible assets

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

(c) Carrying value of provision for staff terminal benefits

The calculation of defined benefit obligation is sensitive to the actuarial assumptions set out in note 21(c). Subsequent changes in circumstances such as living conditions in the region, labour laws and labour market dynamics may result in actual results differing from estimates. Estimates are revised on an annual basis by a qualified independent actuary.

Notes to the annual financial statements

3. Use of judgements and estimates (continued)

(ii) Assumptions and estimation uncertainties (continued)

(d) Impairment of investments

The Group reviews the carrying value of its investments to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(e) Impairment losses on trade and other receivables

The Group reviews its trade and other receivables to assess adequacy of provisions at least on an annual basis. The Group's credit risk is primarily attributable to its trade and other receivables and amounts due from related parties (including loans to related parties). In determining whether impairment losses should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, a provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(f) Recognition of unused coupons

Management determines the expected period of utilisation of unused coupons based on historic trends in utilisation by passengers, which are based on travel patterns and behavior. Subsequent changes in market dynamics could result in period of utilisation differing from initial estimates.

(g) Determination of fair values for sale and leaseback transactions

In order to determine the fair values of sale and leaseback transactions, management invites bids from willing buyers in an open market or an independent valuation. The bids are evaluated considering quantitative and qualitative factors including price offered by the willing buyers. Based on the above, the Tender Board then enters into agreement to sell with the best price available at the time of transaction.

(h) Determination of fair values of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors will not have significant impact on the reported fair value of financial instruments.

Notes to the annual financial statements

4. Significant accounting policies

Except for the changes in accounting policies noted in 4.1, the Group has consistently applied the accounting policies to all periods presented in these annual financial statements.

Certain comparative amounts in the statement of profit or loss, other comprehensive income and statement of financial position have been reclassified or represented as a result of a change in accounting policy. The summary of quantitative impact of the changes in accounting policies on these annual financial statements is described in note 4.4.

4.1 Changes in accounting policies with effect from 1 January 2013:

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013. With particular reference to the Group are:

- IFRS 10 Consolidated Financial Statements (2011);
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1); and
- IAS 19 Employee Benefits

(a) IFRS 10 Consolidated Financial Statements (2011)

As a result of IFRS 10 Consolidated Financial Statements (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees and is of the opinion that there is no change in the status of investees as compared to the previous year. Investees over which the Group has control have been included in these annual financial statements except for Etihad Airport Services and its subsidiaries (refer to note 2.2).

(b) IFRS 11 Joint Arrangements

As a result of IFRS 11 Joint Arrangements, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as either joint ventures (if the Group has rights only to the net assets of an arrangement) or joint operations (if the Group has rights to the assets, and obligations for the liabilities), relating to an arrangement. When making this assessment, the Group considers the structure of the arrangement, the legal form of the separate vehicle, the contractual terms of the arrangement and other facts and circumstances.

In accordance with the transitional provisions of IFRS 11, the Group has re-evaluated its involvement in its joint arrangements from jointly controlled entities to joint ventures and joint operations (refer to note 13.4(b)). The impact of change in accounting policy of previously recognised equity accounted joint ventures is discussed in note 4.4.

(c) IFRS 12 Disclosure of Interests in Other Entities

As a result of IFRS 12 Disclosure of Interests in Other Entities, the Group has expanded its disclosures about its interests in subsidiaries, associates and joint ventures (refer to note 13).

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.1 Changes in accounting policies with effect from 1 January 2013 (continued):

(d) IFRS 13 Fair value measurement

IFRS 13 Fair value measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(e) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(f) Post-employment defined benefit plans

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to recognition of actuarial gains and losses in other comprehensive income instead of recognising immediately in the profit or loss. The accounting policy has been applied retrospectively. The impact of change in accounting policy is discussed in note 4.4.

4.2 Significant accounting policies

4.2.1 Basis of consolidation

(a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (refer (d) below). The consideration transferred in the acquisition is allocated to identifiable assets acquired and liabilities assumed, any identifiable intangible assets and contingent liabilities based on fair values at the acquisition date. Any goodwill that arises is tested annually for impairment (refer accounting policy for impairment). Any gain on a bargain purchase is recognised in the profit or loss immediately. Transaction costs are expensed as incurred, except if these are related to the issue of debt or equity securities.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.1 Basis of consolidation (continued)

(b) Business combinations of entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Group accounts for such business combinations using the acquisition method.

The consideration received/transferred in the acquisition is allocated to identifiable assets acquired and liabilities assumed, any identifiable intangible assets and contingent liabilities based on fair values at the acquisition date.

If the consideration paid exceeds the fair values of identifiable assets acquired and liabilities assumed, any identifiable intangible assets and contingent liabilities at the acquisition date, the excess is recognised as a goodwill in the annual financial statements and is tested annually for impairment (refer accounting policy for impairment). Any gain on a bargain purchase is recognised in the profit or loss immediately. Transaction costs are expensed as incurred, except if these are related to the issue of debt or equity securities.

(c) Non-controlling interest

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the annual financial statements from the date that control commences until the date that control ceases, other than Etihad Airport Services L.L.C. and its subsidiaries, as discussed in note 2.2. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

(e) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.1 Basis of consolidation (continued)

(f) Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over financial and operating policies. Investment in associates are recognised initially at cost. Subsequent to initial recognition, investment in associates are carried at cost less impairment losses (refer accounting policy for impairment), if any. In case of change in status of available-for-sale financial assets to investment in associates, the Group adopts the cost method and change in fair value previously recorded in fair value reserve is transferred to retained earnings. Refer to note 2.2.

(g) Joint arrangements classified as joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the annual financial statements include the Group's share in the profit or loss and other comprehensive income of the joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date joint control ceases. Any dividends received are reduced from the carrying value of investment in joint venture. Also refer to note 2.2 for the accounting policy applied to certain investments.

When the Group's share of losses exceeds its interest in joint ventures, the carrying amount of any investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(h) Joint arrangements classified as joint operations

A joint operation is an arrangement in which the Group has joint control, whereby the Group has rights to its assets and obligations for its liabilities. Interests in joint operations are accounted for using the proportionate consolidation method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the annual financial statements include the Group's share in the joint operations on a line-by-line basis, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date joint control ceases.

(i) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. This policy was not applied on transactions with investee companies which have been stated at cost as described in note 2.2.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.2 Revenue

(a) Rendering of services

The Group recognises revenue as and when the services have been rendered.

With particular reference to passenger services and cargo services, revenue is recognised when the transportation service is provided (net of revenue on public service obligation destinations). Passenger tickets and cargo airway bills sold but unused as at the reporting date are classified in the statement of financial position as unearned revenue under current liabilities. Unused coupons are recognised as revenue using estimates based on the terms and conditions of the ticket and historic trends. Commission costs are recognised in the same period as the revenue to which they relate is recognised and are included in direct operating costs.

(b) Liquidated damages

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

(c) Advertisement, marketing and promotion of supplier products

The Group is frequently engaged by suppliers to advertise, market and promote supplier products. The Group recognises revenue from advertisement, marketing and promotion of supplier products as and when the Group performs its contractual performance obligations specified in the arrangement.

If the consideration receivable for services rendered to suppliers is deferred beyond normal credit terms, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest that discounts the nominal amount of the consideration to the current cash sales price of the services rendered. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue in accordance with accounting policy for finance income described in note 4.2.4 (a).

(d) Customer loyalty programme

The Group's customer loyalty programme entitles customers with miles which can be redeemed to purchase tickets or other products from the Group. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the miles and the other components of the sale. The amount allocated to the miles is estimated by reference to the fair value of the right to purchase tickets or other products. The fair value of the miles is estimated by reference to the fair value of the awards for which they could be redeemed. The fair value of award credits takes into account the following:
- the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and
- the proportion of award credits that are not expected to be redeemed by customers.

The Group's customer loyalty program was spun off as discussed in note 13.4(e).

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.3 Costs

(a) Direct operating costs and administration and general expenses

Costs include direct operating costs and administration costs. Costs incurred are recognised in the period in which the services are received (net of reimbursement of expenses incurred on behalf of Abu Dhabi Government including public service obligation destinations).

Direct operating costs are recognised on an accrual basis in the period in which the services are received (net of discounts received). Discounts received are accounted in the period in which these are agreed with the suppliers and there exists a reasonable certainty for the collectability of the discounts.

(b) Aircraft maintenance expenses

The Group recognises aircraft maintenance expenses on an incurred basis based on contractual rates with third parties. The Group's claims for liquidated damages in respect of maintenance costs incurred in relation to a loss of income are recognised in the profit or loss when a contractual entitlement exists, the amount can be reliably measured and receipt is virtually certain. When the claims do not relate to a compensation for loss of income, the amounts are recognised in the statement of financial position as deferred credit and deferred over the maintenance period.

4.2.4 Finance income and expense

(a) Finance income

Finance income comprises interest income on term deposits, imputed interest income for revenue earned when payments for services provided is deferred beyond normal credit terms and dividend income. Interest income and imputed interest income is recognised in the profit or loss as it accrues using the effective interest method. Dividend income is recognised in the profit or loss on the date that the Group's right to receive payment is established.

(b) Finance expense

Finance expense comprises interest expenses on finance lease liabilities, bank loans and borrowings and impairment losses recognised on financial assets. All borrowing costs, except to the extent that they are capitalised in accordance with paragraph below, are recognised in the profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. The capitalisation of borrowing costs commences from the date of incurring of expenditure related to the asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. 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. Borrowing costs relating to the period after acquisition are expensed in the period in which they are incurred.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.5 Foreign currency

(a) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or losses on monetary items are the differences between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on the translation are recognised in the profit or loss.

Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

(b) Foreign operations

The assets and liabilities of foreign operations are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented as foreign currency translation reserve in equity.

(c) Foreign currency hedge for a future business combination

The Group enters into foreign exchange forward contracts with counterparties of credible reputation for a firm commitment to acquire a business in a business combination or a highly probable forecast business combination to hedge the foreign currency risk. A cash flow hedge of the foreign exchange risk of a firm commitment to acquire a business or a forecast business combination relates to the foreign currency equivalent of the consideration paid. For a cash flow hedge designation, the effective portion of the gain or loss arising from the hedging instrument is recognised in other comprehensive income. When the hedged business in a business combination is disposed off, the relevant amount in the hedging reserve is transferred to the profit or loss as part of the gain or loss on disposal.

4.2.6 Taxation

Taxation is provided for as and when the liability arises except where the management is of the firm opinion that exemption from such taxation will ultimately be granted by virtue of a double taxation treaty with the countries concerned.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.7 Leases

(a) Determining whether an arrangment contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other considerations required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(b) Leased assets

Assets held by the Group under leases that transfers to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of the fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(c) Lease payments

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(d) Sale and leaseback transactions

Sale and finance leaseback transactions:
If the sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

Sale and operating leaseback transactions:
If the sale and leaseback transaction results in an operating lease, any profit or loss is recognised immediately in the profit or loss to the extent of fair value of the asset. If the sale price is lower than the fair value, any profit or loss is recognised immediately except that if 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. If the sale price is above fair value, the excess over the fair value is deferred and amortised over the period for which the asset is expected to be used.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.8 Employee benefits

(a) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the profit or loss as the related service is rendered by employees. The Group does not operate or own a defined contribution plan during the year or as at the reporting date.

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi - Finance Department represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

(c) Defined benefit plans

A defined benefit plan is a post employment benefit other than a defined contribution plan. The Group currently operates an unfunded scheme for employees' end-of-service benefits in accordance with the applicable provisions of the UAE Federal Labour Law and is based on periods of cumulative service and levels of employees' final basic salaries. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods discounted to determine its present value. Any unrecognised past service costs are deducted. The discount rate is the yield at the valuation date on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is the relevant proxy market as determined by the actuaries.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans in the other comprehensive income and all expenses related to defined benefit plans within profit or loss.

4.2.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price less estimated selling expenses in the ordinary course of business.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.10 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (refer below) and accumulated impairment losses (refer accounting policy for impairment). If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of self constructed assets includes the cost of materials, direct labour, borrowing costs, any other costs directly attributable to bringing the assets to a working condition for their intended use and an estimate of the costs of dismantling and removing the items and restoring the site on which they are located when the Group has an obligation to remove the asset or restore the site.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the profit or loss.

(b) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset. Major overhaul expenditure is amortised over the period to the next major overhaul. Ongoing repairs and maintenance is expensed as incurred.

(c) Depreciation

Items of property, plant and equipment are depreciated to their residual values on a straight-line basis in the profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the leased term and useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for items of property plant and equipment in the current and comparative years are as follows:

Assets	Life in years
Aircraft	20
Components and parts	15 - 20
Buildings and leasehold improvements	5 - 40
Other property, plant and equipment	3 - 20

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.10 Property, plant and equipment (continued)

(d) Capital projects

Capital projects is stated at cost less accumulated impairment losses (refer accounting policy for impairment), if any, until the assets are ready for its intended use. Once the asset is ready for use, the cost of such asset together with the cost directly attributable to bringing the asset ready for intended use (including borrowing costs) are transferred to the respective class of assets. No depreciation is charged on capital projects.

(e) Manufacturers' credits

The Group receives credits from manufacturers in connection with the acquisition of aircraft and engines. Depending on the nature of these credits, they 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, the credits are deferred and deducted from the operating lease rentals on a straight-line basis over the period of the related lease.

4.2.11 Intangible assets and goodwill

(a) Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets with finite useful lives

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (refer accounting policy for impairment), if any. Intangible assets with finite useful lives mainly includes software and are amortised on a straight-line basis in the profit or loss over their estimated useful lives of 3 to 5 years from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with infinite useful lives

Intangible assets that are acquired by the Group and have infinite useful lives are measured at cost less accumulated impairment losses, if any. Intangible assets with infinite useful lives mainly includes airport landing slots which are tested annually for impairment. Intangible assets with infinite useful lives are reviewed at each reporting date to determine whether events and circumstances continue to support the infinite useful life assessment for the asset.

(b) Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.12 Financial instruments

(a) Non-derivative financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Recognition and derecognition

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of the ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in the profit or loss.

Loans and receivables and Held-to-maturity assets

Loans and receivables and Held-to-maturity assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables and held-to-maturity assets are measured at amortised cost using the effective interest method.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.12 Financial instruments (continued)

(a) Non-derivative financial instruments (continued)

(ii) Non-derivative financial assets - measurement (continued)

Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and accumulated in fair value reserve. Fair value of equity securities is determined by reference to their quoted closing price at the reporting date. With respect to unquoted equity instruments, the fair value is determined using a valuation technique. When these assets are derecognised, the gain or loss accumulated in fair value reserve is reclassified to the profit or loss.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial liablities are measured at amortised cost using the effective interest method.

(iv) Share capital - Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(b) Derivative financial instruments

The Group holds derivative financial instruments to hedge its jet fuel price, carbon emissions, interest rate and foreign currency risk exposures. Equity derivatives are used to provide price protection in the event of a future purchase of shares. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.12 Financial instruments (continued)

(b) Derivative financial instruments (continued)

Derivatives are recognised initially at fair value and any attributable transaction costs are recognised in the profit or loss as they are incurred. Subsequent to initial recognition, derivatives are remeasured at fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the profit or loss and other fair value changes are accounted for as below:

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

4.2.13 Impairment

(a) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss

Financial assets not classified as at fair value through profit or loss, including an interest in equity accounted investees, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes: (i) default or delinquency by a debtor; (ii) restructuring of an amount due to the Group on terms that the Group would not consider otherwise; (iii) indications that a debtor will enter bankruptcy; (iv) adverse changes in the payment status of the borrowers; (v) the disappearance of an active market for a security; or (vi) observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below cost.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.13 Impairment (continued)

(a) Non-derivative financial assets (continued)

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables and held-to-maturity assets at both an individual asset and a collective level. All individually significant assets are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical information.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occuring after the impairment was recognised, than the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in fair value reserve to the profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the profit or loss. If the fair value of an impaired available-for-sale equity security subsequently increases, the increase is recognised in other comprehensive income. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occuring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

Equity accounted investee

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.2 Significant accounting policies (continued)

4.2.13 Impairment (continued)

(b) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating units is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating units.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts of other assets in the cash generating unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised.

4.2.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

4.3 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these annual financial statements. The one which may be relevant to the Group is IFRS 9 *Financial Instruments (2010)*, IFRS 9 *Financial Instruments (2009)* effective for annual periods beginning on or after 1 January 2015. The adoption is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.4 Summary of quantitative impacts

The following tables summarise the impacts of the changes in accounting policies as discussed in note 4.1 on the Group's financial position, comprehensive income and cash flows. The impacts relate to the proportionate consolidation of joint operations which were previously classified as joint ventures and the changes related to defined benefit obligations.

The Group has taken advantage of the transitional provisions of *Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12),* and has not included in the following tables the impact of proportionately consolidating the joint operations on the Group's financial position, comprehensive income and cash flows as at and for the year ended 31 December 2013.

(A) Statement of financial position

	Impact of changes in accounting policies		
USD'million	As previously reported	Joint Operations	As restated
31 December 2012			
ASSETS			
Property, plant and equipment	7,227	55	**7,282**
Amounts due from related parties	152	(81)	**71**
Others	2,850	-	**2,850**
Total assets	**10,229**	**(26)**	**10,203**
EQUITY AND LIABILITIES			
Total equity attributable to the owners of the Company	4,976	(26)	**4,950**
Total liabilities	5,253	-	**5,253**
Total equity and liabilities	**10,229**	**(26)**	**10,203**

(B) Statement of profit or loss and other comprehensive income

	Impact of changes in accounting policies			
USD'million	As previously reported	Defined benefit obligations	Joint Operations	As restated
for the year ended 31 December 2012				
Revenue	4,304	-	-	**4,304**
Other operating income	478	-	(26)	**452**
Direct operating costs	(3,956)	-	-	**(3,956)**
Administrative and marketing expenses	(676)	16	-	**(660)**
Other items of income and expenses	(108)	-	-	**(108)**
Profit for the year	**42**	**16**	**(26)**	**32**
Remeasurements of defined benefit obligation	-	(16)	-	**(16)**
Other items of comprehensive income	(109)	-	-	**(109)**
Other comprehensive loss for the year	**(109)**	**(16)**	**-**	**(125)**
Total comprehensive loss for the year	**(67)**	**-**	**(26)**	**(93)**

Notes to the annual financial statements

4. Significant accounting policies (continued)

4.4 Summary of quantitative impacts (continued)

(B) Statement of profit or loss and other comprehensive income (continued)

USD'million	Impact of changes in accounting policies Defined benefit obligations
for the year ended 31 December 2013	
Administrative and marketing expenses	10
Increase in profit for the year	10
Remeasurements of defined benefit obligation	(10)
Decrease in other comprehensive income	(10)
Overall impact on total comprehensive income	-

(C) Statement of cash flows

USD'million	Impact of changes in accounting policies As previously reported	Joint Operations	As restated
for the year ended 31 December 2012			
Net cash (used in)/from operating activities	(51)	81	30
Net cash used in investing activities	(1,196)	(81)	(1,277)
Net cash from financing activities	1,148	-	1,148
Net impact on cash and cash equivalents	(99)	-	(99)
Cash and cash equivalents at the beginning of the year	651	-	651
Effect of change in foreign exchange	(1)	-	(1)
Cash and cash equivalents at the end of the year	551	-	551

Notes to the annual financial statements

5. Revenue

	2013 USD'million	2012 USD'million
Passenger services	3,837	3,453
Cargo services	928	716
Destination and leisure	40	20
Distribution income	18	17
Other revenue	110	98
	4,933	4,304

6. Other operating income

	2013 USD'million	Restated 2012 USD'million
Gain on disposal of Etihad Guest business (refer to note 13.4 (e))	724	-
Advertising, marketing and promotion of supplier products	282	291
Gain on sale and leaseback transactions	56	28
Gain on sale of assets	10	38
Liquidated damages	-	57
Other miscellaneous income	21	38
	1,093	452

7. Direct operating costs

	2013 USD'million	2012 USD'million
Aviation fuel costs (see below)	2,217	1,816
Staff related costs (refer to note 10)	533	443
Depreciation	404	344
Aircraft maintenance expenses	336	188
Handling expenses	266	220
In-flight expenses	167	152
Overflying expenses	213	181
Aircraft operating leases	270	160
Commission and incentives	220	128
Landing and parking expenses	110	94
Reservation expenses	89	78
Ground passenger expenses	65	55
Crew layover expenses	29	26
Passenger and aircraft insurance	9	10
Destination and leisure expenses	29	13
Other direct operating costs	47	48
	5,004	3,956

Breakdown of aviation fuel costs is set out below:

	2013 USD'million	2012 USD'million
Aviation fuel costs	2,253	1,967
Gain on fuel hedging (refer to note 18.3(c))	(36)	(151)
	2,217	1,816

Notes to the annual financial statements

8. Administrative and marketing expenses

	2013 USD'million	Restated 2012 USD'million
Staff related costs (refer to note 10)	337	338
Advertisement and promotion	108	87
Communication expenses	79	69
Rent and utilities	59	43
Legal and consultancy charges	44	22
Depreciation	41	42
General repairs and maintenance	13	11
Amortisation of intangible assets (refer to note 12)	19	11
Duty travel expenses	16	13
Training expenses	19	-
Fines and penalties	15	1
Other administrative expenses	59	23
	809	660

9. Finance income and finance costs

	2013 USD'million	2012 USD'million
Aircraft financing costs (see below)	131	119
Interest cost	38	27
Finance costs	169	146
Interest income	(31)	(22)
Finance income	(31)	(22)
Net finance costs	138	124

Breakdown of aircraft financing costs is set out below:

	2013 USD'million	2012 USD'million
Aircraft financing costs	104	101
Loss on interest rate hedging (refer to note 18.3(c))	27	18
	131	119

10. Staff related costs

	2013 USD'million	Restated 2012 USD'million
Salaries and allowances	688	615
Other staff related costs	182	166
	870	781

Notes to the annual financial statements

USD'million

11. Property, plant and equipment

	Aircraft (b)	Components and parts	Land (a), buildings and leasehold improvements	Other property, plant and equipment	Capital projects (c)	Total
Cost						
At 1 January 2012	5,530	177	208	167	1,708	**7,790**
Additions	294	28	48	22	986	**1,378**
Transfers	555	28	4	5	(592)	**-**
Disposals	-	(169)	(47)	(1)	-	**(217)**
At 31 December 2012	**6,379**	**64**	**213**	**193**	**2,102**	**8,951**
At 1 January 2013	6,379	64	213	193	2,102	**8,951**
Additions	787	102	17	29	1,972	**2,907**
Transfers	1,142	32	18	7	(1,199)	**-**
Disposals (d)	(878)	(76)	(3)	(4)	-	**(961)**
At 31 December 2013	**7,430**	**122**	**245**	**225**	**2,875**	**10,897**
Depreciation and impairment losses						
At 1 January 2012	1,093	72	59	88	-	**1,312**
Depreciation	334	12	24	26	-	**396**
On disposals	-	(38)	-	(1)	-	**(39)**
At 31 December 2012	**1,427**	**46**	**83**	**113**	**-**	**1,669**
At 1 January 2013	1,427	46	83	113	-	**1,669**
Depreciation	407	8	29	23	-	**467**
On disposals (d)	-	(1)	(3)	(4)	-	**(8)**
At 31 December 2013	**1,834**	**53**	**109**	**132**	**-**	**2,128**
Net book value						
At 31 December 2012 (restated)	4,952	18	130	80	2,102	7,282
At 31 December 2013	**5,596**	**69**	**136**	**93**	**2,875**	**8,769**

(a) Land

Land registered in the name of the Company was included in the financial statements as at 31 December 2006 based on the records of the Planning Department of the Government of Abu Dhabi. The land was valued at USD 47 million on 28 March 2006 by a professional and independent valuator. The corresponding credit to this valuation was included under development reserve (refer to statement of changes in equity). During the previous year, the Planning Department of the Government of Abu Dhabi had clarified that the Company only had a right to use the land and did not have legal title to the land. Accordingly, the Company derecognised the land and the corresponding credit included under development reserve was reversed.

(b) Aircraft obtained under finance leases

The Group leases aircraft under a number of finance lease agreements. Some leases provide the Group with the option to purchase aircraft at a beneficial price at the end of the lease term. At 31 December 2013, the net carrying amount of leased aircraft was USD 5,311 million *(2012: USD 4,653 million)*. During the year, the Group acquired leased aircraft amounting to USD 834 million *(2012: USD 664 million)*. Also refer to note 19.

(c) Capital projects

Capital projects include advances paid to aircraft manufacturers (pre delivery payments) of USD 2,075 million *(2012: USD 1,744 million)* which include option fees of USD 28 million *(2012: USD 63 million)* paid against options granted by them for the purchase of aircraft.

Notes to the annual financial statements

11. Property, plant and equipment (continued)

(d) Disposals

During 2013, the Group has entered into transactions for sale and operating leaseback of certain items of property, plant and equipment. The sale price in the transaction was established at fair value by inviting bids from interested parties or independent valuations and accordingly profit on sale amounting to USD 56 million *(2012: USD 28 million)* is recognised within other operating income (refer to note 6).

(e) Borrowing costs

No borrowing costs have been capitalised during the year.

USD'million

12. Intangible assets

	Goodwill	Software	Landing slots (a)	Intellectual property	Capital projects	Total
Cost						
At 1 January 2012	3	59	74	-	17	**153**
Additions	-	2	-	-	47	**49**
Transfers	-	14	-	-	(14)	**-**
At 31 December 2012	**3**	**75**	**74**	**-**	**50**	**202**
At 1 January 2013	3	75	74	-	50	**202**
Additions	-	45	70	-	68	**183**
Transfers	-	74	-	-	(74)	**-**
At 31 December 2013	**3**	**194**	**144**	**-**	**44**	**385**
Amortisation and impairment losses						
At 1 January 2012	3	30	-	-	-	**33**
Amortisation	-	11	-	-	-	**11**
At 31 December 2012	**3**	**41**	**-**	**-**	**-**	**44**
At 1 January 2013	3	41	-	-	-	**44**
Amortisation	-	19	-	-	-	**19**
At 31 December 2013	**3**	**60**	**-**	**-**	**-**	**63**
Net book value						
At 31 December 2012	-	34	74	-	50	158
At 31 December 2013	**-**	**134**	**144**	**-**	**44**	**322**

(a) Landing slots

During 2013, the Group has purchased landing slots from a related party for a consideration of USD 70 million. These landing slots have been leased back to the related party for a fixed monthly rent.

Notes to the annual financial statements

13. Investments

13.1 Details of investments

	Note	2013	2012
		USD'million	USD'million
Investment in subsidiaries	13.2	-	-
Investment in associates	13.3	504	123
Investment in joint arrangements	13.4	422	62
Available-for-sale financial assets	13.5	265	120
		1,191	305

13.2 Investment in subsidiaries

At the reporting date, the Group has made investments in the following subsidiaries:

	Note	Country of incorporation	Controlling interest 2013	Controlling interest 2012
Airline Service Centre (Private) Limited ("ASC")		India	100.00%	100.00%
Etihad EHL Leasing Limited ("EHL")		Cayman Islands	100.00%	100.00%
Etihad Airport Services L.L.C. ("EAS")	(a)	UAE	100.00%	100.00%
Etihad Technical (Ireland) Limited ("ETI")	(b)	Ireland	100.00%	-
Hala Travel Management L.L.C. ("HTM")		UAE	80.00%	80.00%
Amadeus Gulf L.L.C. ("Amadeus")		UAE	51.00%	51.00%
Armaguard Valuables Management L.L.C. ("AVM")		UAE	51.00%	51.00%

(a) Etihad Airport Services L.L.C.

During 2012, the Company paid USD 40,839 to subscribe to a 100% equity interest in Etihad Airport Services L.L.C. ("EAS"), a company incorporated on 19 December 2012 to invest in other corporate entities on behalf of Etihad. Refer to note 2.2 for the accounting treatment of this subsidiary in these annual financial statements.

On 19 December 2012, EAS paid EUR 36.4 million (USD 47 million) to subscribe to a 70% equity interest in Topbonus Limited. Furthermore, EAS has also provided a loan of EUR 135 million (USD 176 million) *(2012: EUR 150 million (USD 195 million))* to Topbonus Limited to finance the purchase of the loyalty program from airberlin Plc.

During the current year, the Company has paid an amount of USD 77 million to EAS to finance the acqusition of certain subsidiaries from Abu Dhabi Airports Company PJSC, namely, Abu Dhabi Airport Services Company L.L.C., Abu Dhabi Cargo Company L.L.C. and Abu Dhabi In-flight Catering Company L.L.C. Further to the above, Etihad has also agreed to provide a short-term facility of USD 27 million to EAS to finance the operations of these subsidiaries as required by these subsidiaries, of which an amount of USD 18 million has been drawn down by EAS as at the reporting date.

(b) Etihad Technical (Ireland) Limited

During 2013, the Company has paid USD 26,989 to subscribe to a 100% equity interest in Etihad Technical (Ireland) Limited ("ETI"). The commercial operations of ETI have not commenced as at the reporting date.

Notes to the annual financial statements

13. Investments (continued)

13.3 Investment in associates

	Note	2013 USD'million	2012 USD'million
airberlin Plc	(a)	155	103
Air Seychelles Limited	(b)	20	20
Jet Airways (India) Limited	(c)	329	-
		504	123

Refer to note 2.2 for the accounting treatment of these associates in these annual financial statements.

(a) airberlin Plc

On 19 December 2011, the Company had entered into an investment agreement to increase its stake in airberlin Plc to 34,122,575 (29.21%) equity shares amounting to USD 94 million by subscribing to an additional 31,574,312 shares. As part of the investment agreement, the Company also committed to provide USD 255 million as debt finance in the form of term loans and pre-delivery payments. The investment is subject to a lock-in period of 2 years. Effective 24 January 2012, the Company had obtained the relevant federal, antitrust and regulatory clearances. Accordingly, the previously held equity interest in airberlin Plc was reclassified as an investment in an associate. During the current year, the Company has subscribed to convertible bonds issued by airberlin Plc for USD 52 million which will be maturing on 6 March 2019. The shareholding of the Company on the maturity date is not expected to exceed the current shareholding of 29.21% of the Company in airberlin Plc.

(b) Air Seychelles Limited

On 15 March 2012, the Company had entered into an Investment Agreement with the Government of Seychelles to acquire a 40% equity stake in Air Seychelles Limited, an airline incorporated under the laws of the Republic of Seychelles, for USD 20 million. The Group is also committed to inject USD 25 million by way of shareholder's loan to support working capital requirements. This acquisition is part of the Group's expansion in the leisure markets of Indian Ocean and Africa and is consistent with the Group's approach to expansion, which relies on the strength of strategic partnerships across the globe.

(c) Jet Airways (India) Limited

On 24 April 2013, the Company has entered into an Investment Agreement with Jet Airways (India) Limited to acquire 27,263,372 shares representing a 24% equity stake in Jet Airways (India) Limited, an airline incorporated under the laws of India, for USD 329 million. The date of acquisition of 24% equity stake is deemed to be 22 November 2013. To mitigate the foreign currency risk, the Company had entered into a forward contract which resulted in a net settlement of USD 38 million. The hedge was designated as a cash flow hedge and the net loss of USD 38 million has been recognised in other comprehensive income. When the investment will be disposed off, the relevant amount in the hedging reserve will be transferred to the profit or loss as part of the gain or loss on disposal (also refer to note 18.3(d)).

(d) Air Serbia Limited

On 1 August 2013, the Company has entered into an Investment Agreement with Air Serbia Limited to acquire a 49% equity stake in Air Serbia Limited for USD 40 million subject to appropriate regulatory approvals. Air Serbia Limited is an airline incorporated under the laws of Republic of Serbia. The Group has provided a covertible loan of USD 40 million which will be convered into equity subject to the satisfactory completion of the applicable regulatory approvals.

Notes to the annual financial statements

13. Investments (continued)

13.3 Investment in associates (continued)

(e) Etihad Regional

On 17 November 2013, the Company has announced that it will be entering into an Investment Agreement with Darwin Airlines S.A. to acquire a 33.33% equity stake in Darwin Airlines S.A. subject to appropriate regulatory approvals. Once the approval is received, Darwin Airline will rebrand as Etihad Regional. The purchase consideration for the acquisition is currently under discussion. The Group has also provided a loan of USD 11 million which carries interest at agreed rates. This acquisition is consistent with the Group's approach to expansion which relies on the strength of strategic partnerships across the globe.

(f) Etihad's equity interest in the Associates and their principal place of incorporation

	Country of incorporation	Equity interest 2013	2012
airberlin Plc	England and Wales	**29.21%**	29.21%
Air Seychelles Limited	Republic of Seychelles	**40.00%**	40.00%
Jet Airways (India) Limited	India	**24.00%**	-

(g) Market value of associates listed on stock exchanges

	2013 USD'million	2012 USD'million
airberlin Plc (equity instruments)	**78**	68
airberlin Plc (bonds)	**52**	-
Jet Airways (India) Limited	**129**	-
	259	68

(h) Assessment of investments in associates

Management has assessed whether the Company has 'control' over these entities or only exercises 'significant influence' over these entities. Based on an assessment of 'control' and 'significant influence', the management has concluded that the Company only has 'significant influence' over these entities and, therefore, they are classified as 'Associates' as at the reporting date.

(i) Assessment of the carrying value of investments in associates

Management has assessed the carrying value of investments in associates as at the reporting date. The recoverable amount has been computed based on the discounted future cash flows expected by the associates. Based on such assessment, the management is of the opinion that the recoverable amount is higher than the carrying value of investments in associates and no impairment loss is required to be recognised.

13.4 Investment in joint arrangements

	2013 USD'million	2012 USD'million
Investment in joint ventures		
Etihad Guest L.L.C.	**350**	-
Aldar Etihad Investment Properties L.L.C.	**72**	62
	422	62

Notes to the annual financial statements

13. Investments (continued)

13.4 Investment in joint arrangements (continued)

(a) Movement in investment in joint ventures

	2013 USD'million	2012 USD'million
At 1 January	62	24
Investment during the year	350	-
Share in results for the year	15	38
Share in other comprehensive income for the year	(5)	-
At 31 December	422	62

(b) Etihad's equity interest in joint arrangements and the principal place of incorporation

This Company has the following equity interests in the joint arrangements:

	Country of incorporation	Equity interest 2013	2012
Joint arrangements classified as Joint Ventures			
Aldar Etihad Investment Properties L.L.C.	UAE	50.00%	50.00%
Etihad Guest L.L.C. (refer to note 2.2)	UAE	50.00%	-
Joint arrangements classified as Joint Operations			
Aldar Etihad Development L.L.C.	UAE	50.00%	50.00%
Aldar Etihad First Investment Properties L.L.C.	UAE	50.00%	50.00%

(c) Summary financial information

Summary financial information of the Aldar Etihad Development Properties L.L.C. not adjusted for the percentage ownership held by the Group is set out below:

	2013 USD'million	Restated 2012 USD'million
Non-current assets	392	392
Current assets	20	16
Total assets	412	408
Non-current liabilities	168	189
Current liabilities	101	95
Total liabilities	269	284
Income	40	89
Expenses	(10)	(13)
Profit	30	76
Other comprehensive income	(10)	-
Total comprehensive income	20	76

Notes to the annual financial statements

13. Investments (continued)

13.4 Investment in joint arrangements (continued)

(d) Assessment of investments in joint arrangements

Management has assessed whether the Company has either 'Rights to the net assets of the joint arrangement' or 'Rights to the assets and obligation for the liabilities of the joint arrangement'. Based on the above assessment, management is of the opinion that the Company has 'Rights to the net assets of the joint arrangement' with respect to Aldar Etihad Investment Properties L.L.C. and Etihad Guest L.L.C. and 'Rights to the assets and obligation for the liabilities of the joint arrangement' with respect to Aldar Etihad Development L.L.C. and Aldar Etihad First Investment Properties L.L.C.and therefore, the classification of the joint arrangements at the reporting date is appropriate.

(e) Etihad Guest L.L.C.

During the current year, the Company has divested its interest in the 'Etihad Guest' business to Etihad Guest L.L.C. for USD 700 million resulting in a net gain of USD 724 million which has been recognised in the profit or loss for the year ended 31 December 2013 (also refer to note 21). Etihad Guest was a customer loyalty programme whereby customers were awarded miles entitling customers to the right to purchase tickets or other products from the Group.

Etihad Guest L.L.C. is a joint venture between Etihad Airways PJSC and Global Loyalty Company. The Company has invested USD 350 million which represents 50% equity interest in Etihad Guest L.L.C. and the commercial operations are expected to commence from 2014. This transaction is subject to accounting policies as discussed in note 2.2.

(f) Group's share in the net results of the joint ventures

The principal activity of Aldar Etihad Investment Properties L.L.C. is to acquire properties and provide leasing services to the Group. Included in the Group's share of results of the joint venture is USD 16 million *(2012: USD 14 million)*, which represents the Group's share in profit earned by the joint venture in providing leasing services to the Group. Accordingly, this intragroup transaction is eliminated against corresponding staff accommodation costs of the Group and a loss of USD 1 million *(2012: profit of USD 24 million)* is presented in the statement of profit or loss and other comprehensive income.

13.5 Available-for-sale financial assets

	2013 USD'million	2012 USD'million
Aer Lingus Group Plc	28	23
Virgin Australia Holdings Limited	237	97
	265	120

(i) Movement in available-for-sale financial assets

	2013 USD'million	2012 USD'million
At 1 January	120	9
Investment during the year	189	122
Change in fair value	(44)	(2)
Re-classified as investment in an associate	-	(9)
At 31 December	265	120

Notes to the annual financial statements

13. Investments (continued)

13.5 Available-for-sale financial assets (continued)

During the current year, Etihad has entered into a cash settled equity derivative representing an additional economic interest of 1.34% shares in Virgin Australia Holdings Limited for USD 16 million. The derivative is a share purchase option which confers no ownership rights or carries any voting rights and has been recognised within other receivables in the statement of financial position. The conversion of the derivative to shares is subject to applicable Australian regulatory approvals. Etihad treats this investment as an available-for-sale financial assets because the Directors consider that the Group does not have the ability to exercise significant influence over Virgin Australia due to the composition of other shareholdings. Also refer to note 16.

14. Loans to related parties

	2013 USD'million	2012 USD'million
Current		
Etihad Airport Services L.L.C. (refer to note 13.2 (a))	328	242
Aldar Etihad Investment Properties L.L.C. (note (a))	46	46
Air Serbia Limited (refer to note 13.3(d))	40	-
Etihad Regional (refer to note 13.3(e))	11	-
airberlin Plc (refer to note (b))	30	22
	455	310
Non-current		
airberlin Plc (refer to note (b))	134	201
Less: current portion	(30)	(22)
	104	179

(a) Aldar Etihad Investment Properties L.L.C.

During the previous year, Etihad had provided a loan of USD 46 million which carries interest at agreed rates and is repayable on demand.

(b) airberlin Plc

Etihad and airberlin Plc have entered into an agreement wherein Etihad will provide a facility of USD 255 million which will be repayable over a period of 5 years. As at the reporting date, the outstanding balance is USD 134 million *(2012: USD 201 million)*. The loan carries interest at market rates and is repayable as per the agreed repayment plan. An amount of USD 30 million *(2012: USD 22 million)* has been classified as current portion based on the repayment schedule.

Notes to the annual financial statements

15. Inventories

	2013 USD'million	2012 USD'million
In-flight consumables	10	14
Other consumables	33	22
	43	36

Inventories are stated net of an allowance for obsolescence of USD 3 million *(2012: USD 3 million)*.

16. Trade and other receivables

	2013 USD'million	2012 USD'million
Trade receivables	323	249
Prepayments	86	74
Deposits	55	32
Other receivables (refer to note 13.5)	922	542
Advance to suppliers	298	314
	1,684	1,211
Less: non-current receivables	(174)	(116)
	1,510	1,095

Trade and other receivables are stated net of an allowance for impairment of USD 17 million *(2012: USD 11 million)*.

The Group's exposures to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

17. Cash in hand and at banks

	2013 USD'million	2012 USD'million
Term deposits	389	437
Cash at bank		
- in call accounts	66	39
- in current accounts	150	99
Cash in hand	1	1
Cash in hand and at banks	606	576
Term deposits over three months	-	(25)
Bank overdrafts	(350)	-
Cash and cash equivalents for cash flow purposes	256	551

During the current year, the Company utilised its available unsecured loans to partly finance the purchase of certain aircraft and pre-delivery payments made on the fleet order placed in November 2013, which are due for repayment in 2014. The Group intends to covert these short-term funding arrangements into long-term financing. Furthermore, the Group also has access to additional shareholder funds during 2014 as summarised in note 2.1.

The Group's exposures to credit and interest rate risk are disclosed in note 25.

Notes to the annual financial statements

18. Capital and reserves

	Note	2013 USD'million	2012 USD'million
Share capital	*18.1*	**6,427**	5,210
Loan from the Shareholder	*18.2*	**4,630**	3,614
Accumulated losses		**(3,763)**	(3,814)
Reserves	*18.3*	**(72)**	(60)
Non - controlling interest		**1**	-
		7,223	4,950

18.1 Share capital

	2013 USD'million	2012 USD'million
(a) Authorised:		
239,179,071 shares of AED 100 each *(2012: 239,179,071 shares of AED 100 each)*	**6,512**	6,512
(b) Issued and fully paid:		
At 1 January	**5,210**	3,968
Issued and paid up during the year	**1,217**	1,242
At 31 December	**6,427**	5,210

The authorised share capital of the Company was increased to AED 5,052 million (USD 1,375 million) vide decision No. (17) of 2007 of the President of the Executive Council dated 9 April 2007. A decision No. (53) of 2008 dated 2 September 2008 of the President of the Executive Council further increased the authorised share capital to AED 23,918 million (USD 6,512 million). During the year, 44.71 million *(2012: 45.62 million)* shares of AED 100 (USD 27.22) were issued and fully paid in cash.

18.2 Loan from the Shareholder

	2013 USD'million	2012 USD'million
At 1 January	**3,614**	3,459
Drawdown during the year	**1,016**	155
At 31 December	**4,630**	3,614

The Company obtained subordinated loans from the Shareholder amounting to USD 3,012 million vide a decision No (17) of 2007 of the President of the Executive Council dated 9 April 2007. A further decision No (53) of 2008 of the President of the Executive Council dated 2 September 2008 increased these loans to USD 5,213 million. As at 31 December 2013, an amount of USD 4,630 million *(2012: USD 3,614 million)* has been drawn down and provided by the Shareholder. The loan amount is required to be utilised by the Company to finance the purchase of aircraft.

As per the arrangement, there is no contractual obligation to repay the loan in the foreseeable future. In addition, the arrangement specifies that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the loan, shall rank pari passu with those attached to the share capital of the Company. Therefore, these loans are more akin to equity instruments rather than liabilities, and accordingly have been presented within equity.

Notes to the annual financial statements

18. Capital and reserves (continued)

18.3 Nature and purpose of reserves

	Note	2013 USD'million	2012 USD'million
Foreign currency translation reserve	*(a)*	**(4)**	(4)
Fair value reserve	*(b)*	**(46)**	(2)
Hedging reserve	*(c)*	**16**	(54)
Hedging reserve for an equity accounted investee	*(d)*	**(38)**	-
		(72)	(60)

(a) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

(c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in the profit or loss as the hedged cash flows affect the profit or loss. The movement in hedging reserve is as follows:

	2013 USD'million	2012 USD'million
At 1 January	**(54)**	53
Effective portion of changes in fair value of cash flow hedges	**89**	26
Effective portion of changes in fair value of cash flow hedges of equity accounted investees (refer to note 13.4(a))	**(5)**	-
Net change in fair value of cash flow hedges transferred to aviation fuel (refer to note 7)	**(36)**	(151)
Net change in fair value of cash flow hedges transferred to aircraft financing costs (refer to note 9)	**27**	18
Net change in fair value of cash flow hedges transferred to foreign exchange loss	**(5)**	-
At 31 December	**16**	(54)

(d) Hedging reserve for an equity accounted investee

The hedging reserve for an equity accounted investee represents the effective portion of the cumulative net change in the fair value of a cash flow hedge of the foreign exchange risk of a firm commitment to acquire a business and relates to the foreign currency equivalent of the consideration paid. Also refer to note 13.3(c).

Notes to the annual financial statements

19. Finance lease liabilities

	2013 USD'million	2012 USD'million
At 1 January	**3,549**	3,182
Proceeds during the year	**834**	664
Repayments during the year	**(359)**	(296)
Foreign currency translation difference	**3**	(1)
At 31 December	**4,027**	3,549
Gross lease liabilities:		
Not later than one year	**502**	427
Later than one year but not later than five years	**2,259**	1,742
Later than five years	**1,889**	1,891
Gross lease liabilities	**4,650**	4,060
Future interest	**(623)**	(511)
Net lease liabilities	**4,027**	3,549
Net lease liabilities are payable as follows:		
Not later than one year *(current)*	**402**	331
Later than one year but not later than five years	**1,914**	1,445
Later than five years	**1,711**	1,773
Total over one year *(non-current)*	**3,625**	3,218
Total net lease liabilities	**4,027**	3,549

The carrying amount of net lease liabilities approximate their fair value. Finance lease liabilities are secured in favour of lenders against aircraft (refer to note 11).

20. Unearned revenue

As described in note 4.2.2 (a), unused coupons are recognised as revenue using estimates based on the terms and conditions on the ticket and historic trends.

Notes to the annual financial statements

21. Payables and accruals

	2013 USD'million	2012 USD'million
Current portion		
Trade payables	73	57
Accruals and other payables	775	660
	848	717
Non- current portion		
Employee benefits obligation	142	113

(a) Passenger taxes

Accruals and other payables includes an amount of USD 39 million *(2012: USD 41 million)* for passenger taxes payable which relates to amounts payable to airport authorities of departing stations for passenger tickets sold / sold and flown.

(b) Deferred revenue

Accruals and other payables included an amount of USD Nil million *(2012: USD 28 million)* as deferred revenue which related to the component of miles earned by passengers on sale of tickets, deferred on initial sale and recognised in passenger revenue upon redemption of such miles by passenger or expiry of such miles. Following the sale of Etihad Guest business to Etihad Guest L.L.C., the liability amounting to USD 24 million as at the date of sale has been recognised as gain on sale of Etihad Guest business in the profit or loss.

(c) Employee benefits obligation

The Group's obligation in respect of retirement benefits is recognised in the statement of financial position at the present value of defined benefit at the end of the reporting period, together with adjustments of past service costs.

Additionally, employees of the Group are entitled to a repatriation allowance upon end of service when there is sufficient evidence of their intention to leave the UAE permanently. Although such allowance falls within the definition of other long-term employee benefits within IAS 19, it is accounted for together with defined benefit obligations as it is payable post employment. Following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2013	2012
Discount rate at 31 December	4.25%	3.25%
Future salary increases	2.98%	1.60%
Future repatriation allowance increases	0.00%	0.00%
Average retirement age	52	51
Mortality, disability and withdrawal rates	11.76%	11.83%

Notes to the annual financial statements

21. Payables and accruals (continued)

(c) Employee benefits (continued)

The movement in end-of-service benefit obligations is as follows:

	2013 USD'million	Restated 2012 USD'million
End-of-service benefit obligations at 1 January	113	80
Current service costs	27	24
Benefits paid	(8)	(7)
Loss on remeasurement	10	16
End-of-service benefit obligations at 31 December	142	113

The total amounts recognised in the profit or loss are as follows:

	2013 USD'million	2012 USD'million
End-of-service benefit obligations		
Current service costs	27	24
Defined contributions		
Contributions expensed	15	11
	42	35

The Group's exposures to currency and liquidity risk related to trade and other payables is disclosed in note 25.

22. Related party transactions and balances

(a) Related party transactions

The Group, in the ordinary course of business, enters into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24 (Revised). The Group has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company or the Group).

IAS 24 Related Parties (revised) requires Government owned entities to disclose transactions with other state / government-owned entities. Most infrastructure related entities are owned by the Abu Dhabi Government and the Group necessarily enters into transactions with those entities in the normal course of business on an arm's length basis. The Group also transacts with these entities in respect of aviation fuel, in-flight catering, aircraft maintenance, handling and landing and parking (refer to note 7).

Also refer to note 14 for loans to related parties.

Notes to the annual financial statements

22. Related party transactions and balances (continued)

(a) Related party transactions (continued)

During the year, the Group procured the following services from government owned entities based on agreed rates:

	2013 USD'million	2012 USD'million
Aviation fuel	1,158	1,037
Aircraft maintenance	112	118
Landing and parking	28	25
Handling	36	44
Catering	62	47
Aircraft operating leases	40	16
Sale of property, plant and equipment	20	127
Airport and lounge expenses	6	9

Apart from the above, none of the other transactions are individually or collectively significant.

Other significant transactions are as follows:

	2013 USD'million	2012 USD'million
Loans to related parties	70	497
Purchase of property, plant and equipment	110	-
Purchase of landing slots	70	-
Sale of customer loyalty program	700	-
Sale and leaseback of property, plant and equipment	-	111
Interest income	21	11
Lease revenue	25	8
Operating leases	32	-
Recharges of expenses	4	8
Rent	16	14

Transactions with key management personnel

	2013 USD'million	2012 USD'million
Short term employee benefits	6	5
End of service benefits	-	-
	6	5

Notes to the annual financial statements

22. Related party transactions and balances (continued)

(b) Related party balances

Amounts due from related parties

	2013 USD'million	Restated 2012 USD'million
Aldar Properties PJSC	-	30
Sanad Aero II Limited	-	31
Etihad Guest L.L.C.	350	-
Air Seychelles Limited	17	-
airberlin Plc	6	-
Abu Dhabi Airports Company	7	4
Abu Dhabi Aircraft Technologies	1	-
Etihad Airport Services - Catering L.L.C.	6	-
Etihad Airport Services - Cargo L.L.C.	1	6
	388	71

Amounts due to related parties

	2013 USD'million	2012 USD'million
Abu Dhabi National Oil Company	42	-
Etihad Airport Services - Catering L.L.C.	-	29
Etihad Airport Services - Ground L.L.C.	-	19
Abu Dhabi Aircraft Technologies	-	2
Abu Dhabi Hospitality Company	-	1
	42	51

23. Loans and borrowings

	2013 USD'million	2012 USD'million
Long-term bank loans	53	-
Short-term bank borrowings	676	195
	729	195
Long-term bank loans		
At 1 January	-	-
Proceeds during the year	57	-
Repayments during the year	(1)	-
	56	-
Current portion of long-term bank loans	3	-
Non-current portion of long-term bank loans	53	-
	56	-
Short-term bank borrowings		
Short-term loans	323	195
Bank overdrafts	350	-
Current portion of long-term bank loans	3	-
	676	195

Notes to the annual financial statements

23. Loans and borrowings (continued)

A. Long-term bank loans

Long-term bank loans represents Etihad's share in the loans obtained by the joint operations for the purchase of properties. The loan carries interest at market rates, is repayable over a period of 10 years and is secured against the property held by the joint operations.

B. Short-term bank borrowings

During the current year, the Group has revised the facility limit of the short-term loan obtained in the previous year from USD 195 million to USD 174 million from consortium of banks to finance the acquisition of Topbonus Limited by Etihad Airport Services L.L.C. (refer to note 13.2(a)). The loan is unsecured, carries interest at agreed rates and is repayable within one year from the reporting date.

24. Capital commitments and contingent liabilities

	2013 USD'million	2012 USD'million
Capital commitments		
Not later than one year	**3,634**	1,471
Later than one year but not later than five years	**10,575**	6,080
Later than five years	**20,413**	3,693
	34,622	11,244
Operating lease commitments		
Leases as lessee		
Not later than one year	**425**	229
Later than one year but not later than five years	**1,362**	822
Later than five years	**1,947**	1,374
	3,734	2,425
Operating lease commitments as lessee represent:		
Aircraft leases	**2,450**	1,089
Other leases	**1,284**	1,336
	3,734	2,425
Leases as lessor		
Not later than one year	**5**	10
Later than one year but not later than five years	**12**	4
	17	14
Sponsorship commitments		
Not later than one year	**22**	25
Later than one year but not later than five years	**63**	68
Later than five years	**33**	45
	118	138
Company and its subsidiaries		
Letters of guarantee	**19**	18
Letters of credit	**254**	84

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value heirarchy. The Group has not disclosed the fair values of financial assets and financial liabilities such as short-term trade receivables and paybles because their carrying amounts are a reasonable approximation of fair values.

USD'million

		Carrying amount					Fair value			
	Note	Available-for-sale investments	Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2013										
Financial assets measured at fair value										
Equity securities	*13.5*	265	-	-	-	**265**	265	-	-	**265**
Derivative financial instruments		-	104	-	-	**104**	-	104	-	**104**
		265	**104**	**-**	**-**	**369**	**265**	**104**	**-**	**369**
Financial assets not measured at fair value										
Loans to related parties	*14*	-	-	559	-	**559**	-	-	-	**-**
Trade and other receivables	*16*	-	-	1,300	-	**1,300**	-	-	-	**-**
Amounts due from related parties	*22*	-	-	388	-	**388**	-	-	-	**-**
Cash and cash equivalents	*17*	-	-	606	-	**606**	-	-	-	**-**
		-	**-**	**2,853**	**-**	**2,853**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value										
Derivative financial instruments		-	84	-	-	**84**	-	84	-	**84**
		-	**84**	**-**	**-**	**84**	**-**	**84**	**-**	**84**
Financial liabilities not measured at fair value										
Finance lease liabilities	*19*	-	-	-	4,027	**4,027**	-	-	-	**-**
Payables and accruals	*21*	-	-	-	990	**990**	-	-	-	**-**
Amounts due to related parties	*22*	-	-	-	42	**42**	-	-	-	**-**
Loans and borrowings	*23*	-	-	-	729	**729**	-	-	-	**-**
		-	**-**	**-**	**5,788**	**5,788**	**-**	**-**	**-**	**-**

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

USD'million

	Note	Carrying amount					Fair value			
		Available-for-sale investments	Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2012										
Financial assets measured at fair value										
Equity securities	*13.5*	120	-	-	-	**120**	120	-	-	**120**
Derivative financial instruments		-	75	-	-	**75**	-	75	-	**75**
		120	**75**	**-**	**-**	**195**	**120**	**75**	**-**	**195**
Financial assets not measured at fair value										
Loans to related parties	*14*	-	-	489	-	**489**	-	-	-	-
Trade and other receivables	*16*	-	-	823	-	**823**	-	-	-	-
Amounts due from related parties	*22*	-	-	71	-	**71**	-	-	-	-
Cash and cash equivalents	*17*	-	-	576	-	**576**	-	-	-	-
		-	**-**	**1,959**	**-**	**1,959**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value										
Derivative financial instruments		-	133	-	-	**133**	-	133	-	**133**
		-	**133**	**-**	**-**	**133**	**-**	**133**	**-**	**133**
Financial liabilities not measured at fair value										
Finance lease liabilities	*19*	-	-	-	3,549	**3,549**	-	-	-	-
Payables and accruals	*21*	-	-	-	830	**830**	-	-	-	-
Amounts due to related parties	*22*	-	-	-	51	**51**	-	-	-	-
Loans and borrowings	*23*	-	-	-	195	**195**	-	-	-	-
		-	**-**	**-**	**4,625**	**4,625**	**-**	**-**	**-**	**-**

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(b) Measurement of fair values

Financial instruments measured at fair value

Equity securities

Fair value of equity securities is determined by reference to their quoted closing price at the reporting date. With respect to unquoted equity instruments, the fair value is determined using a valuation technique.

Derivative instruments

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting the estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate.

Financial instruments not measured at fair value

Fair values of financial instruments are calculated using the present value of future cash flows (including principal and interest payments), discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Fair value hierarchy

The different levels of valuation for financial instruments carried at fair value have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

(i) Risk management framework

The Board of Directors (the "Board") has an overall responsibility for the establishment, oversight and monitoring of the Group's risk management framework and is assisted by the senior management. The senior management is responsible for designing, developing and monitoring the Group's risk management policies, which are approved by the Board. The senior management reports regularly to the Board and its committees on its risk management activities.

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(c) Financial risk management (continued)

(i) Risk management framework (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Treasury department is primarily responsible for specific areas, such as jet fuel price risk, emissions price risk, interest rate risk, foreign exchange risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of excess liquidity, based on guidelines provided by the Board of Directors.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables, loans to related parties, amounts due to related parties and cash at bank.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, as these factors may have an influence on credit risk.

The Group has policies in place to ensure that sales of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn have adequate securities in place. Adequate securities are taken for the appropriate level of commercial activity from customers who are not members of the clearing house. Sales to retail customers are made only on prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(c) Financial risk management (continued)

(ii) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2013 USD'million	2012 USD'million
Loan to related parties	14	559	489
Derivative financial instruments		104	75
Trade receivables	16	323	249
Other receivables and deposits	16	977	574
Amounts due from related parties	22	388	71
Cash at bank	17	605	575
		2,956	2,033

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	2013 USD'million	2012 USD'million
Domestic (UAE)	158	89
Middle East and Africa	21	31
Asia Pacific	76	66
Europe and Americas	68	63
	323	249

Impairment losses

The ageing of trade receivables at the reporting date was:

	USD'million 31 December 2013		USD'million 31 December 2012	
	Gross	Impairment	Gross	Impairment
Not past due	315	-	236	-
Past due 0-30 days	10	3	12	-
Past due 30-180 days	7	6	4	3
More than 180 days	8	8	8	8
	340	17	260	11

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2013 USD'million	2012 USD'million
At 1 January	11	9
Add: Impairment loss recognised	6	2
At 31 December	17	11

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable is written off against the financial asset directly.

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(c) Financial risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group Treasury ensures that the Group has sufficient cash and funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, the Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group has obtained unsecured bank loans amounting to USD 854 million. Additionally, the Shareholder has also undertaken to provide funds in the form of equity participation and loans pursuant to the decision No. (53) of 2008 as approved by the Executive Council of the Emirate of Abu Dhabi (refer to notes 18.1 and 18.2).

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

USD'million

	Carrying amount	Contractual cash flows	Less than one year	Between 2 - 5 years	More than 5 years
31 December 2013					
Non-derivative financial liabilities					
Finance lease liabilities	4,027	(4,650)	(502)	(2,259)	(1,889)
Payables and accruals	990	(990)	(848)	-	(142)
Amounts due to related parties	42	(42)	(42)	-	-
Loans and borrowings	729	(744)	(681)	(17)	(46)
Derivative financial liabilities					
Fuel derivatives	4	(4)	(4)	-	-
Interest rate swaps	59	(63)	(33)	(33)	3
Forward exchange contracts					
Outflow	246	(246)	(194)	(52)	-
Inflow	(225)	225	177	48	-
	5,872	(6,514)	(2,127)	(2,313)	(2,074)
31 December 2012					
Non-derivative financial liabilities					
Finance lease liabilities	3,549	(4,060)	(427)	(1,742)	(1,891)
Payables and accruals	830	(830)	(717)	-	(113)
Amounts due to related parties	51	(51)	(51)	-	-
Loans and borrowings	195	(196)	(196)	-	-
Derivative financial liabilities					
Fuel derivatives	18	(18)	(15)	(3)	-
Interest rate swaps	100	(105)	(28)	(73)	(4)
Forward exchange contracts					
Outflow	490	(490)	(310)	(180)	-
Inflow	(475)	475	300	175	-
	4,758	(5,275)	(1,444)	(1,823)	(2,008)

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(c) Financial risk management (continued)

(iii) Liquidity risk (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments:

USD'million

	Carrying amount	Contractual cash flows	Less than one year	Between 2 - 5 years	More than 5 years
31 December 2013					
Fuel derivatives					
Assets	88	88	51	37	-
Liabilities	(4)	(4)	(4)	-	-
Interest rate swaps					
Assets	-	-	-	-	-
Liabilities	(59)	(63)	(33)	(33)	3
Forward exchange contracts					
Assets	574	574	432	142	-
Liabilities	(579)	(579)	(437)	(142)	-
	20	16	9	4	3
31 December 2012					
Fuel derivatives					
Assets	72	72	58	14	-
Liabilities	(18)	(18)	(15)	(3)	-
Interest rate swaps					
Assets	-	-	-	-	-
Liabilities	(100)	(105)	(28)	(73)	(4)
Forward exchange contracts					
Assets	622	622	410	212	-
Liabilities	(634)	(634)	(418)	(216)	-
	(58)	(63)	7	(66)	(4)

(iv) Market risk

Market risk is the risk that changes in market prices, such as interest rates, commodity prices, equity price risk and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the risk management policies as approved by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the profit or loss.

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(c) Financial risk management (continued)

(iv) Market risk (continued)

Interest rate risk

The Group's cash flow exposure to interest rate risk arises primarily from long-term borrowings at floating rates. The Group's long-term borrowings are primarily denominated in USD and EUR. Interest rate swaps are used to manage the interest rate profile of interest-bearing financial liabilities on a currency by currency basis to maintain an appropriate fixed rate and floating rate ratio. The Group's policy is to secure a significant proportion of its borrowings in fixed rate instruments in the short to medium term, allowing an increased proportion of floating interest exposure in the medium to long term.

Furthermore, the Group also enters into interest rate swap contracts to mitigate its interest rate risk. As at the reporting date, the Group has outstanding interest rate swap contracts with a notional amount of USD 1,266 million with a negative fair value of USD 59 million *(2012: interest rate swap contracts with a notional amount of USD 1,345 million with a negative fair value of USD 100 million)*.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2013 USD'million	2012 USD'million
Fixed rate instruments		
Financial assets	1,142	872
Financial liabilities	(1,974)	(1,833)
	(832)	(961)
Variable rate instruments		
Financial assets	183	195
Financial liabilities	(2,729)	(1,911)
	(2,546)	(1,716)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange currency rates, remain constant. The analysis was performed on the same basis for 2012.

	Profit / (loss)		Equity	
	0.25% increase	0.25% decrease	0.25% increase	0.25% decrease
31 December 2013				
Variable rate instruments	(5)	5	(5)	5
Interest rate swaps	2	(2)	2	(2)
Cash flow sensitivity (net)	(3)	3	(3)	3
31 December 2012				
Variable rate instruments	(5)	5	(5)	5
Interest rate swaps	2	(2)	2	(2)
Cash flow sensitivity (net)	(3)	3	(3)	3

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(c) Financial risk management (continued)

(iv) Market risk (continued)

Commodity price risk

The Group's main commodity price risk relates to the purchase price of its jet fuel. The Group's risk management policy is to hedge between 50% and 80% of anticipated exposure for the rolling 12 months. The Group Treasury is responsible for managing the commodity price exposure of the Group by using derivative contracts to maintain hedge levels within policy parameters laid down by the Board.

As at the reporting date, the Group has hedged fuel volumes of 25 million barrels with a positive fair value of USD 84 million *(2012: fuel volumes of 23 million barrels with a positive fair value of USD 54 million)*.

Sensitivity analysis:

The Group's commodity price risk mainly relates to purchase prices of aviation fuel. Increase/(decrease) in aviation fuel price by 1% would have decreased/(increased) profit or loss by USD 22 million *(2012: USD 18 million)*. The above sensitivity analysis considers the purchase price of aviation fuel price and the potential cashflows from fuel hedge contracts entered into by the Group. The analysis is performed on the same basis for 2012.

Equity price risk

Equity price risk arises from available-for-sale financial equity securities. All investment decisions relating to buying and selling of equity securities are approved by the Board of Directors.

Sensitivity analysis:

All of the Group's listed equity investments are listed on either Australian Securities Exchange or Irish Stock Exchange. Increase/(decrease) in equity prices by 5% would have increased/(decreased) other comprehensive income by USD 13 million *(2012: USD 6 million)*.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures that are denominated in currencies other than the functional currency of the Group. The currencies in which these transactions are primarily denominated are Euro ("EUR"), Pound Sterling ("GBP") and Australian Dollar ("AUD"). In respect of the Group's transactions denominated in USD, the Group is currently not exposed to currency risk as these currencies are pegged to USD at a fixed exchange rate.

The Treasury is responsible for managing the net foreign exchange exposures by using derivative contracts where deemed necessary. As at the reporting date, the Group has forward exchange contracts with a notional value of USD 574 million with a negative fair value of USD 5 million *(2012: forward exchange contracts with a notional value of USD 622 million with a negative fair value of USD 12 million)*.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(c) Financial risk management (continued)

(iv) Market risk (continued)

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	(USD'million) 31 December 2013			(USD'million) 31 December 2012		
	EUR	GBP	AUD	EUR	GBP	AUD
Trade receivables	48	27	15	52	25	14
Loan to related parties	222	-	-	242	-	-
Available-for-sale financial assets	28	-	237	23	-	97
Finance lease liabilities	(21)	-	-	(22)	-	-
Trade payables	(7)	(2)	-	(6)	(2)	(1)
Gross statement of financial position exposure	270	25	252	289	23	110
Estimated forecast sales	734	329	492	953	411	430
Estimated forecast purchases	(303)	(82)	(100)	(344)	(125)	(92)
Gross exposure on forecasted transactions	431	247	392	609	286	338
Forward exchange contracts	(309)	(99)	(136)	(321)	(120)	(154)
Net exposure	392	173	508	577	189	294

The following significant exchange rates applied during the year:
USD

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
EUR 1	1.34	1.29	1.36	1.30
GBP 1	1.63	1.59	1.64	1.60
AUD 1	0.97	1.04	0.91	1.04

Sensitivity analysis

A strengthening/(weakening) of USD against EUR, GBP and AUD at 31 December would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2012.

	Strengthening		Weakening	
Effect in millions of USD	Profit or loss	Equity	Profit or loss	Equity
31 December 2013				
EUR (2% movement)	(5)	(5)	5	5
GBP (1% movement)	-	-	-	-
AUD (2% movement)	(5)	(5)	5	5
31 December 2012				
EUR (2% movement)	(6)	(6)	6	6
GBP (1% movement)	-	-	-	-
AUD (2% movement)	(2)	(2)	2	2

Notes to the annual financial statements

25. Financial instruments - Fair values and risk management (continued)

(d) Capital management

The Board's policy is to maintain a strong capital base designed to provide sufficient liquidity to the business, maximise shareholder value, maintain market confidence and sustain future growth of the business. The Company's main objectives when managing capital are:

- to ensure the Group has access to capital to fund contractual obligations as they become due;
- to maintain flexibility to pursue strategic business opportunities and ensure adequate liquidity to withstand weakening economic conditions;
- to maintain an appropriate balance between debt financing vis-a-vis shareholder capital as measured by gearing ratio; and
- to maintain a capital structure that matches an investment grade credit rating to facilitate access to public and private debt and capital markets at competitive interest rates.

There were no changes in the Group's approach to capital management during the year.

The Board regularly reviews the Group's capital structure and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The Group is not subject to any externally imposed capital requirements.

26. Taxation

The Group has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. In other jurisdictions, where the Group's operations are taxable, no tax liability has been recorded in the annual financial statements due to accumulated losses as at the reporting date.



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CHFP055

This form should be completed in black.

Return delivered for registration of a branch of an oversea company

(Pursuant to schedule 21A, paragraph 1 of the Companies Act 1985)

For official use only CN fc 25070 BN BR 7478

Corporate name (See note 5) (name in parent state)	**Etihad Airways**
Business name (if different to corporate name)	**Etihad Airways**
Country of incorporation	**Abu Dhabi - U.A.E**
Identity of register (if applicable)	The Commercial Register of the Abu Dhabi Municipality Economic Activities Licensing Dept. PO Box 263 and registration no **54319**
Legal form (See note 3)	**A public company limited by shares**

PART A - COMPANY DETAILS

1

1 See note 2

*State whether the company is a credit or financial institution

*Is the company subject to Section 699A of the Companies Act 1985?

YES [ ] **NO** [✓]

(1) These boxes need not be completed by companies formed in EC member states

Governing Law (see note 4) **United Arab Emirates**

Accounting requirements

Period for which the company is required to prepare accounts by parent law. from **01-Jan-2004** to **31-Dec-2004**

Period allowed for the preparation and public disclosure of accounts for the above period **3** months

ER4RA0GA

E11 0195
COMPANIES HOUSE 01/12/04

(2) This box need NOT be completed by companies from EC member states, OR where the constitutional documents of the company already show this infomation.

Address of principal place of business in home country

New Airport Road, P.O.Box 35566
Abu Dhabi, United Arab Emirates

Objects of company

Please refer to Article 5 of the Articles of Association

Issued shared capital

AED500000000 Currency **UAE Dirhams**

Company Secretary(ies)

(See note 10)

Name

*Style / Title

Forenames **T & H Secretarial Services Limited**

Surname **(Ref - EHR)**

*Honours etc

Previous forenames

Previous surname

* Voluntary details

Address

Usual residential address must be given. In the case of a corporation, give the registered or principal office address.

Post town **Abu Dhabi**

County / Region ***Abu Dhabi***

Postcode **POBox45628** Country **U.A.E**

Company Secretary(ies)

(See note 10)

Name

*Style / Title

Forenames

Surname

*Honours etc

* Voluntary details

Previous forenames

Previous surname

Address

Usual residential address must be given. In the case of a corporation, give the registered or principal office address.

Post town

County / Region

Postcode Country

Directors

(See note 10)

Name

* Voluntary details

Address

Usual residential address must be given. In the case of a corporation, give the registered or principal office address.

*Style / Title **Mr**

Forenames **Faris Mohammed**

Surname **Al Mazrooie**

*Honours etc

Previous forenames

Previous surname

Al qurum Road

Post town **Abu Dhabi**

County / Region **Abu Dhabi**

Postcode **POBox30902)** Country **United Arab Emirates**

Date of birth (Day Month Year) **2 5 0 2 1 9 6 0**

Nationality **U.A.E**

Business Occupation **Company Director**

Other Directorships **None**

SCOPE OF AUTHORITY

Give brief particulars of the extent of the powers exercised. (e.g. whether they are limited to powers expressly conferred by the instrument of appointment; or whether they are subject to express limitations.) Where the powers are exercised jointly give the name(s) of the person(s) concerned. You may cross refer to the details of person(s) disclosed elsewhere on the form.

Mark box(es) as appropriate

(You may photocopy this page as required)

The extent of the authority to represent the company is :- (give details)

As per Memorandum and Articles of Association and subject to UAE law.

These powers :-

☐ *May be exercised alone*

OR

☑ May be exercised with :-

(Give name(s) of co-authorised person(s))

The Chairman of the Board

Directors

(See note 10)

Name

* Voluntary details

Address

Usual residential address must be given. In the case of a corporation, give the registered or principal office address.

*Style / Title **Mr**

Forenames **Saeed Hafeedh**

Surname **AL Mazroui**

*Honours etc

Previous forenames

Previous surname

Baynouna Street

Post town **Abu Dhabi**

County / Region **Abu Dhabi**

Postcode **POBox 124** Country **United Arab Emirates**

Date of birth (Day Month Year) **3 1 1 2 1 9 5 9**

Nationality **U.A.E**

Business Occupation **Company Director**

Other Directorships **None**

SCOPE OF AUTHORITY

Give brief particulars of the extent of the powers exercised. (e.g. whether they are limited to powers expressly conferred by the instrument of appointment; or whether they are subject to express limitations.) Where the powers are exercised jointly give the name(s) of the person(s) concerned. You may cross refer to the details of person(s) disclosed elsewhere on the form.

The extent of the authority to represent the company is :- (give details)

As per Memorandum and Articles of Association and subject to UAE law

These powers :-

☐ *May be exercised alone*

OR

☑ May be exercised with :-

(Give name(s) of co-authorised person(s))

The Chairman of the Board

Mark box(es) as appropriate

(You may photocopy this page as required)

Constitution of the company

(See notes 6 to 9)

Mark box(es) as applicable

(see note 9)

* Delete as applicable

[✓] A certified copy of the instrument constituting or defining the constitution of the company

AND

[✓] * A certified translation

*is/are delivered for registration

AND/OR

A certified copy of the constitutional documents and latest accounts of the company, together with a certified translation of them if they are not in the English language, *must accompany this form.*

[ ] A copy of the latest accounts of the company

FIRST ACCOUNTS DUE 31 MARCH 2005

AND

[ ] * A certified translation

*is/are delivered for registration

AND/OR

The company may rely on constitutional and accounting documents previously filed in respect of another branch registered in the United Kingdom.

[ ] The Constitutional documents (* and certified translations)

AND/OR

[ ] The latest accounts (* and certified translation)

of the company were previously delivered on the registration of the branch of the company at:-

Cardiff [ ] Edinburgh [ ] Belfast [ ]

Registration no. [ ]

AND/OR

The company may also rely on particulars about the company previously filed in respect of another branch in that part of Great Britain, provided that any alterations have been notified to the Registrar.

[ ] the particulars about the company were previously delivered in respect of a branch of the company registered at THIS registry.

Registration no. [ ]

AND/OR

The company may rely on constitutional documents and particulars about the company officers previously filed in respect of a former Place of Business of that company, provided that any alterations have been notified to the Registrar.

NOTE:- In all cases, the registration number of the branch or place of business relied upon must be given.

[ ] The constitutional documents (and a certified translation*)

*and/or

[ ] Particulars of the current directors and secretary(ies)

were previously delivered in respect of a branch of the company registered at THIS registry

Registration no. [ ]

PART B - BRANCH DETAILS

Persons authorised to represent the company or accept service of process.

Give details of all persons who are authorised to represent the company as permanent representatives of the company in respect of the business of the branch. Give details also of all persons resident in Great Britain, who are authorised to accept service or process on the company's behalf.

* Delete as appropriate

SCOPE OF AUTHORITY

(This part does not apply to a person only authorised to accept service on behalf of the company)

Give brief particulars of the extent of the powers exercised. (e.g. whether they are limited to powers expressly conferred by the instrument of appointment; or whether they are subject to express limitations.) Where the powers are exercised, jointly give the name(s) of the person(s) concerned. You may cross refer to the details of person(s) disclosed elsewhere on the form.

Mark box(es) as appropriate

*Style / Title	**Mrs**
Forenames	**Jennie**
Surname	**Gubbins**
Address	**Trowers & Hamlins**
	Sceptre Court
	40 Tower Hill
Post town	**London**
County / Region	Postcode **EC3N 4DX**

Is # [✓] Authorised to accept service of process on the company's behalf

* AND/OR

Is # [ ] Authorised to represent the company in relation to that business

The extent of the authority to represent the company is :- (give details)

These powers :-

[ ] May be exercised alone

OR

[ ] May be exercised with :-

(Give name(s) of co-authorised person(s))

Persons authorised to represent the company or accept service of process.

Give details of all persons who are authorised to *represent the company as* permanent representatives of the company in respect of the business of the branch. Give details also of all persons resident in Great Britain, who are authorised to accept service or process on the company's behalf.

* Delete as appropriate

SCOPE OF AUTHORITY

(This part does not apply to a person only authorised to accept service on behalf of the company)

Give brief particulars of the extent of the powers exercised. (e.g. whether they are limited to powers expressly conferred by the instrument of appointment; or whether they are subject to express limitations.) Where the powers are exercised, jointly give the name(s) of the person(s) *concerned. You may cross refer to* the details of person(s) disclosed elsewhere on the form.

 # Mark box(es) as appropriate

(You may photocopy this page as required)

*Style / Title	**Mr**
Forenames	**Steve**
Surname	**Lowes**
Address	**8 Chewter Lane**
Post town	**Windlesham**
County / Region	**Surrey** Postcode **GU20 6JB**

Is # [✓] Authorised to accept service of process on the company's behalf

* AND/OR

Is # [✓] Authorised to represent the company in relation to that business

The extent of the authority to represent the company is :- (give details)

to carry out all acts reasonably necessary to (a) register a branch office and conduct the day to day business of the branch office and conduct the day to day business of the branch office and to carry out all acts necessary to fulfil its objects and perform all contracts in the name of the branch office; (b) negotiate contracts, enter or terminate the same upon the approval of the Company; (c) to represent the Company BEFORE ALL REGULATORY AUTHORITIES AND (d) TO DO ALL THINGS INCIDENTAL TO THE EXERCISE OF THE ABOVE POWERS, AS MORE PARTICULARLY DESCRIBED IN A POWER OF ATTORNEY DATED ON OR ABOUT FEBRUARY 2004.

These powers :-

[✓] May be exercised alone

OR

[ ] May be exercised with :-

(Give name(s) of co-authorised person(s))

Address of branch

(See note 11)

Address **1969-1971 D albiac House**

Heathrow Airport

Post town **Hounslow**

County/Region **Middlesex** Post code **TW6 1SD**

Branch details

(see note 12)

Date branch opened

Day		Month		Year			
0	6	0	2	2	0	0	4

Business carried on at branch

All matters relating to the UK operation of the airline business of the airline known as Etihad Airways

SIGNATURE

Signed FOR AND ON BEHALF OF T&H SECRETARIAL SERVICES LIMITED

(*~~Director~~/Secretary/~~Permanent representative~~)

Date 27 February 2004

This form contains 3 continuation sheets

To whom should Companies House direct any enquiries about the information on this form?

JD SWEETING
TROWERS & HAMLINS
SCEPTRE COURT
40 TOWER HILL
LONDON EC3N 4DX

When completed, this form together with any enclosures should be delivered to the Registrar of Companies at

for branches established in England and Wales

Companies House
Crown Way
Cardiff
CF14 3UZ

for branches established in Scotland

Companies House
37 Castle Terrace
Edinburgh
EH1 2EB

Notes

Read these notes carefully before completing the form

1. Registration requirement

Every oversea company setting up a place of business in Great Britain must register with the appropriate registry of the jurisdiction in which the place of business is situated. (For further guidance please refer to the Companies House notes on "Oversea Companies")

If a " Place of Business" is being established then FORM 691 must be used: if a branch is being registered then THIS FORM must be used.

A company must register all of its branches.

The requirement to register applies to any limited company which is incorporated outside the United Kingdom and which establishes a branch in Great Britain. Northern Ireland companies, being within the UK, are not requred to register any branches in Great Britain. They are, however, required to register as having a place of business by submitting form 691 when they set up business in Great Britain.

2. Completion of form BR1

If this is the first registration of a branch of an oversea company in the UK, ALL relevant details of the form must be completed. If a previous branch of the company has already been registered in the UK, and has not closed, registration of the second and any subsequent branches need not complete part A (Company details)(provided any alterations to those details have been updated), but must complete part B (Branch details).

The form should be delivered to the relevant Registrar with supporting documents within 1 month of having opened the branch.

3. "Legal Form"

The details of the company's legal form must be disclosed. This includes whether the company is a private or public company, whether it is limited, and, if so, the manner of limitation.

4. "Governing Law"

A company which is not incorporated in an EC member state must state the law under which it is incorporated. This means the relevant rules or legislation which regulate the incorporation of companies in that state: e.g. "Companies Act of (state) 19XX"

5. Names

An oversea company wishing to register its corporate name is subject to the same regulations as British Companies. Accordingly, any name which an oversea company wishes to use may be unacceptable or only permissable with the approval of the Secretary of State. A company which is served a notice to this effect may then complete form 694(4)(a) giving another name, approved by the Secretary of State, under which it proposes carrying on business in Great Britain.

6. Delivery of documents in respect of more than one branch.

If the constitutional documents and last accounts of the company have been delivered in respect of another branch in the UK, prior to registration of this branch , the company may rely on these deliveries rather than delivering another set of documents. The company must mark the appropriate boxes, stating the branch in respect of which those documents have already been delivered , the branch number, and the place at which they are registered.

If the company particulars have been delivered in respect of another branch of the company in THE SAME PART of Great Britain prior to registration of this branch (and any alterations have been updated), the company may rely on this delivery, rather than re-disclosing the particulars on this form.

7. Delivery of documents where previous place of business has been registered.

Where the constitutional documents, and the particulars of the directors and secretary(ies) have been delivered in respect of a former place of business in THE SAME PART of Great Britain (and changes to those documents or particulars have been updated), the company may rely on those deliveries rather than re-deivering the documents or re-disclosing those particulars in respect of the branch.

8. Certification of constitutional documents.

A copy of the document(s) constituting or defining the company must be certified in the place of incorporation to be a true copy by:
(a) an official of the Government in whose custody the original is committed; or
(b) a notary public; or
(c) an officer of the company on oath taken before
(i) a person having authority in that place to administer an oath; or
(ii) any of the British officials mentioned in section 6 of the Commissions for Oaths Act 1889.

9. Translations

If the constitutional documents of the company or the latest accounts and reports are not written in the English language, they must be accompanied by a certified translation. This must be done in the following manner:

(a) If the translation is made in the United Kingdom by:

(i) a notary public in any part of the United Kingdom;

(ii) a solicitor (if the translation was made in Scotland), a solicitor of the Supreme Court of Judicature of England and Wales (if it was made in England and Wales), or a solicitor of the Supreme Court of Judicature in Northern Ireland (if it was made in Northern Ireland); or

(iii) a person certified by a person mentioned above to be known to him as competent to translate the document into English; or

(b) if the translation was made outside the United Kingdom, by
(i) a notary public;

(ii) a person authorised in the place where the translation was made to administer an oath;

(iii) any of the British officials mentioned in section 6 of the Commissioners for Oaths Act 1889;

(iv) a person certified by a person mentioned above known to him to be competent to translate the document into English.

NOTES (continued)

10. Directors and secretary's details

"Director" includes any person who occupies the position of director regardless of what name he is called.

For an individual, show the full names, NOT INITIALS, together with any previous names. However, previous names need not be given in the case of

- a married woman, the name by which she was known prior to marriage;

- any former name which has been changed or disused since the age of 18, OR at least 20 years;

- peer, or an individual normally known by a title, you may state that title instead of the name by which that person was known before adopting the title.

If the director or secretary is a corporation or Scottish firm, show the corporate or firm name on the surname line.

Addresses

Give the usual residential address

In the case of a corporation or Scottish firm, give the registered or principle office address.

11. Branch Address

Give the address of the principle place of business of the branch. For branches registering in England and Wales, this address must be in England or Wales.For branches registering in Scotland, this address must be in Scotland.

12. Business and Date of commencement.

State the date on which the branch was opened and give brief details of the business of the branch.

13. Photocopies

If there is insufficient space on the form for details about directors, secretaries or permanent representatives, you may photocopy the appropriate pages.

14. Completion of form.

The completed form should be signed by an officer or permanent representative of the company and delivered to the appropriate Registrar, together with any supporting documents within one month of the branch being established.

15. Delivery of winding-up, insolvency etc. particulars.

If, at any time prior to the registeration in Great Britain of the first branch of an oversea company, the company has become subject to winding up, insolvency and remains subject to those proceedings, the company must at the same time as delivering Form BR1, also deliver Form 703P(1), 703P(3), 703Q(1) (as appropriate). For further details on these forms please see the Companies House Notes for Guidance on Oversea Companies.

Directors
(Continued)

Name

* Voluntary details

Address

Usual residential address must be given. In the case of a corporation, give the registered or principal office address.

*Style / Title	**Shaikh**
Forenames	**Ahmed Bin Saif**
Surname	**AL Nahyan**
*Honours etc	
Previous forenames	
Previous surname	

Villa 10

Khaldiya

Post town	**Abu Dhabi**
County / Region	**Abu Dhabi**
Postcode	**POBox46450** Country **United Arab Emirates**

Date of birth (Day Month Year): **0 7 1 1 1 9 6 6**

Nationality **U.A.E**

Business Occupation **Chairman of the Board**

Other Directorships **Gulf Aircraft Maintenance Company, Abu Dhabi, UAE**

SCOPE OF AUTHORITY

Give brief particulars of the extent of the powers exercised. (e.g. whether they are limited to powers expressly conferred by the instrument of appointment; or whether they are subject to express limitations.) Where the powers are exercised jointly give the name(s) of the person(s) concerned. You may cross refer to the details of person(s) disclosed elsewhere on the form.

The extent of the authority to represent the company is :- (give details)

As per Memorandum and Articles of Associatoin and subject to UAE law

These powers :-

[✓] May be exercised alone

OR

[ ] May be exercised with :-

(Give name(s) of co-authorised person(s))

Mark box(es) as appropriate

(You may photocopy this page as required)

Directors
(Continued)

Name

* Voluntary details

Address

Usual residential address must be given. In the case of a corporation, give the registered or principal office address.

*Style / Title **Mr**

Forenames **Ahmad Ali**

Surname **AL Saygh**

*Honours etc

Previous forenames

Previous surname

Al Estiqlal Road

Post town **Abu Dhabi**

County / Region **Abu Dhabi**

Postcode **POBox33777** Country **United Arab Emirates**

Date of birth (Day Month Year) **2 2 0 3 1 9 6 2**

Nationality **U.A.E**

Business Occupation **Company Director**

Other Directorships **None**

SCOPE OF AUTHORITY

Give brief particulars of the extent of the powers exercised. (e.g. whether they are limited to powers expressly conferred by the instrument of appointment; or whether they are subject to express limitations.) Where the powers are exercised jointly give the name(s) of the person(s) concerned. You may cross refer to the details of person(s) disclosed elsewhere on the form.

The extent of the authority to represent the company is :- (give details)

As per Memorandum and Articles of Associatoin and subject to UAE law.

These powers :-

[ ] May be exercised alone

OR

[✓] May be exercised with :-

(Give name(s) of co-authorised person(s))

The Chairman of the Board

Mark box(es) as appropriate

(You may photocopy this page as required)

Directors
(Continued)

Name

* Voluntary details

Address

Usual residential address must be given. In the case of a corporation, give the registered or principal office address.

*Style / Title **Mr**

Forenames **Hamad Alhurr**

Surname **AL Suwaidi**

*Honours etc

Previous forenames

Previous surname

Zayed The first Road

Post town **Abu Dhabi**

County / Region **Abu Dhabi**

Postcode **PO Box 246** Country **United Arab Emirates**

Date of birth (Day Month Year) **12 04 1965**

Nationality **U.A.E**

Business Occupation **Company Director**

Other Directorships **None**

SCOPE OF AUTHORITY

Give brief particulars of the extent of the powers exercised. (e.g. whether they are limited to powers expressly conferred by the instrument of appointment; or whether they are subject to express limitations.) Where the powers are exercised jointly give the name(s) of the person(s) concerned. You may cross refer to the details of person(s) disclosed elsewhere on the form.

The extent of the authority to represent the company is :- (give details)

As per Memorandum and Articles of Association and subject to UAE law.

These powers :-

[ ] May be exercised alone

OR

[✓] May be exercised with :-

(Give name(s) of co-authorised person(s))

The Chairman of the Board

Mark box(es) as appropriate

(You may photocopy this page as required)

ARTICLES OF ASSOCIATION OF ETIHAD AIRWAYS

(A PUBLIC JOINT STOCK COMPANY)

النظام الأساسي لشركة الاتحاد للطيران

(شركة مساهمة عامة)





محكمة أبوظبي الابتدائية - قلم التصديقات
صورة طبق الأصل
التاريخ : ٢٦ / ١٠ / ٢٠١٣
الرسوم : ٥صور١٥
رقم الإيصال : ٢٧/٨٥٨٩١

ARTICLES OF ASSOCIATION OF ETIHAD AIRWAYS (A PUBLIC JOINT STOCK COMPANY)

On this day of 2003 at Abu Dhabi City, United Arab Emirates, it has been decided by the Government of Abu Dhabi as follows:

Article 1

In accordance with Article 1 of Abu Dhabi Law No. 1 of 2003 (hereinafter referred to as the "Law"), the Government of Abu Dhabi has incorporated a public joint stock company in order to implement the Law.

Article 2

The name of the said company shall be Etihad Airways, a public joint stock company, which shall have financial and administrative independence and full corporate personality, hereinafter referred to as "the Company". The Company shall be governed by the Law, Federal Law No. 8 of 1984 on commercial companies (as amended) as applicable, and by these Articles of Association.

النظام الأساسي لشركة الاتحاد للطيران

(شركة مساهمة عامة)

إنه في هذا اليوم الموافق لعام ٢٠٠٣ بمدينة أبوظبي، الإمارات العربية المتحدة، فإن حكومة أبوظبي قررت الآتي:

مادة (١)

بناء على أحكام المادة (١) من قانون أبوظبي رقم (١) لسنة ٢٠٠٣ (ويشار اليه لاحقا ب"القانون")، أسست حكومة أبوظبي شركة مساهمة عامة لتطبيق القانون.

مادة (٢)

اسم الشركة هو شركة الاتحاد للطيران، شركة مساهمة عامة، تتمتع بالاستقلال المالي والإداري وتكون لها الشخصية الاعتبارية الكاملة، ويشار اليها فيما بعد ب"الشركة". وتخضع الشركة الى أحكام القانون، والقانون الاتحادي رقم (٨) لسنة ١٩٨٤ في شأن الشركات التجارية (وتعديلاته) والى هذا النظام الأساسي.

دولة الإمارات العربية المتحدة
وزارة العدل والشئون الإسلامية والأوقاف
دائرة القضاء الشرعي
محكمة أبوظبي الشرعية - قلم التصديقات

محكمة أبوظبي الشرعية الابتدائية - قلم التصديقات
صورة طبق الأصل
التاريخ : ٢٠٠٣/٦/٢٦
الرسوم : معفاة
رقم الإيصال : ٢٢٨٥٨٩١

Article 3

The head office of the Company and its elected domicile shall be in the city of Abu Dhabi, in the Emirate of Abu Dhabi, United Arab Emirates ("UAE"). The board of directors may establish branches, offices or agencies in or outside of the UAE.

مادة (٣)

يكون مركز الشركة الرئيسي وموطنها المختار في مدينة أبوظبي، إمارة أبوظبي، دولة الإمارات العربية المتحدة ("دولة الإمارات"). ولمجلس إدارة الشركة أن يُنشيء لها أية فروع أو مكاتب أو توكيلات سواء داخل الدولة أو خارجها.

Article 4

The duration of the Company shall be 100 (one hundred) calendar years commencing from the date of its entry in the Commercial Register in Abu Dhabi.

مادة (٤)

تكون مدة الشركة ١٠٠ (مائة) سنة ميلادية ابتداء من تاريخ قيدها في السجل التجاري في أبوظبي.

Article 5

(1) The objects of the Company are: the acquisition, charter, operation and maintenance of aircraft, whatever the type; all regular air transportation works, air services and all actions necessary or related thereto, including the transportation of passengers, cargo, goods and mail; and the investment in passengers and cargo air transportation fields, and the facilities and utilities necessary to serve and complete the Company objectives.

مادة (٥)

١) غرض الشركة هو تملك واستئجار وتأجير الطائرات بمختلف أنواعها وتشغيلها وصيانتها والقيام بجميع أعمال النقل الجوي المنتظم والخدمات الجوية وكافة الأعمال اللازمة لها أو المتعلقة بها أو المرتبطة بها بما في ذلك نقل الأشخاص والحمولات والبضائع والبريد والاستثمار في مجالات النقل الجوي للركاب والبضائع والمرافق والمنافع اللازمة لخدمة أغراض الشركة أو استكمالها.

دولة الإمارات العربية المتحدة
وزارة العدل والشؤون الإسلامية والأوقاف
دائرة القضاء - الشرعي
محكمة أبوظبي الشرعية - قلم التصديقات

مكتبة أبوظبي الشرعية الإبتدائية - قلم التصديقات
صورة طبق الأصل
التاريخ : ٢٠٠٦/١٠/٢٦
الرسوم : معفاة
رقم الإيصال : ٢٠٠٦٩١٢٥٢٨٥٨

(2) The Company shall achieve its objects, either directly or indirectly, and for this purpose it may carry on the following activities:

٢) تهدف الشركة الى تحقيق أغراضها سواء عن طريق القيام بها مباشرة أو غير مباشرة، ولها في سبيل ذلك أن تمارس الأعمال الآتية:

1. To finance, acquire, invest in, operate and manage passenger and cargo aircraft.

١- تمويل وتملك واستثمار وتشغيل وإدارة طائرات نقل الركاب والبضائع.

2. To purchase, sell, market, rent and charter passenger and cargo aircraft and to enter into such contracts and agreements as are necessary or required for this purpose.

٢- شراء وبيع وتسويق وتأجير واستئجار طائرات نقل الركاب والبضائع، وكذلك إبرام العقود والاتفاقيات الضرورية أو المطلوبة لهذا الغرض.

3. To provide ground handling and air services and to train technical staff in the aviation field.

٣- خدمات المناولة الأرضية والخدمات الجوية وتدريب الكوادر الفنية في مجال الطيران.

4. To devise, develop, review and propose any amendments to any such other rules and procedures as are deemed necessary by the Company and to place the same before the relevant authorities.

٤- وضع وتطوير ومراجعة واقتراح تعديل أية أنظمة أو إجراءات أخرى تعتبرها الشركة ضرورية ورفعها للجهات المختصة.

5. To acquire, participate in or hold shares, stocks or any other interest, whether within or

٥- حيازة أو المشاركة أو تملك حصص أو أسهم أو أية مصالح أخرى سواء داخل

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محكمة أبوظبي الشرعية - قلم التصديقات

محكمة أبوظبي الشرعية الإبتدائية قلم التصديقات
صورة طبق الأصل
التاريخ : ٢٠٠٦/١٠/٢٦
الرسوم : متوفاة
رقم الإيصال : ٢٢٨٥٨٩١

outside the Emirate, in companies and enterprises engaged in any of the Company's fields or to expand the same or to carry on activities similar to the activities carried on by the Company or which would assist the Company to achieve its objects both within or outside the Emirate and to finance such companies and enterprises.

الإمارة أو خارجها في الشركات والمشاريع العاملة في أي مجال من مجالاتها أو التوسع فيه أو تنفيذ عمل مشابه للأعمال التي تقوم بها الشركة أو التي من شأنها مساعدة الشـــركة في تحقيق أغراضها داخل الإمارة أو خارجها، وكذلك تمويل هذه الشركات والمشاريع.

(3) The Company may undertake any such work and carry on any such activity as is necessary for the implementation of the project, including:

٣) يجوز للشركة القيام بكافة الأعمال وممارسة جميع الأنشطة اللازمة لتنفيذ المشروع، بما في ذلك:

1. Entering into agreements with banks, financial institutions and credit agencies in connection with the financing of the Company.

١- إبرام اتفاقيات مع البنوك والمؤسسات المالية والوكالات الائتمانية فيما يتعلق بتمويل الشركة.

2. Entering into any such contracts or agreements as are necessary for the achievement of its purposes and objects including construction, operation, management, maintenance, transportation, marketing, purchase, sale, distribution, rent and lease agreements and also

٢- إبرام أية عقـــود أو اتفاقيات لازمة لتحقيق أهدافها وأغراضهـــا بما في ذلك عقود الإنشاء والتشغيل والإدارة والصيانة والنقل والتسويق والشراء والمبيعـــات والتوزيـــع والإيجار والاستئجار وكذلك

دولة الإمارات العربية المتحدة
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دائرة القضاء الشرعي
محكمة أبوظبي الشرعية - قلم التصديقات

محكمة أبوظبي الشرعية الإبتدائية - قلم التصديقات
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الرسوم : معفى
رقم الإيصال : ٨٥٨٩١

agreements relating to the management of companies engaged in the field of the construction, development, operation or maintenance of any facility or engaged in any ancillary services relating to aviation or agreements relating to the construction, development, operation and maintenance of facilities owned by such companies.

الاتفاقيات الخاصة بإدارة الشركات العاملة في مجال إنشاء أو تطوير او تشغيل أو صيانة أي من المرافق أو في أية خدمات تابعة تتعلق بالطيران أو الاتفاقيات الخاصة بإنشاء وتطوير وتشغيل وصيانة المرافق التي تمتلكها تلك الشركات.

Article 6

مادة (٦)

The capital of the Company shall be AED. 500,000,000 (UAE Dirhams Five Hundred Million) divided into 5,000,000 (Five Million) shares, the value of each share being AED. 100 (UAE Dirhams One Hundred), all being nominal shares and having an equal value.

حدد رأس مال الشركة بمبلغ ٥٠٠,٠٠٠,٠٠٠ درهم (خمسمائة مليون درهم إماراتي) موزعاً على ٥,٠٠٠,٠٠٠ (خمسة ملايين) سهم، قيمة كل سهم ١٠٠ درهم (مائة درهم)، وجميعها أسهم اسمية متساوية في القيمة.

Article 7

مادة (٧)

The Government of Abu Dhabi, having UAE nationality, is the founder owner of the Company and has subscribed to the full capital of the Company amounting to AED. 500,000,000 (UAE Dirhams Five Hundred Million).

إن حكومة أبوظبي، ذات الجنسية الإماراتية، هي المالك المؤسس للشركة وقد اكتتبت بكامل رأسمال الشركة البالغ ٥٠٠,٠٠٠,٠٠٠ درهم (خمسمائة مليون درهم الإمارات).

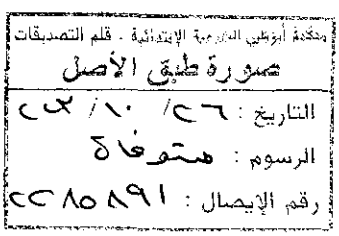
Article 8

مادة (٨)

Neither the Company nor any of its

لا تخضع الشركة أو أي جهة تابعة





subsidiaries shall be subject to the laws and regulations pertaining to tenders, auctions or direct orders applicable in the Emirate. The Company or any of its subsidiaries may lay down such regulations and rules as it deems fit for the organization of tenders, auctions and practices undertaken by it. Neither the Company nor any of its subsidiaries shall be subject to the supervision of the Financial Control Bureau.

لها لأحكام قوانين ونظم المناقصات أو المزايدات أو الأوامر المباشرة المطبقة في الإمارة. وللشركة أو أي جهة تابعة لها وضع ما تراه مناسبا من اللوائح والنظم لتنظيم المناقصات والمزايدات والممارسات التي تقوم بها. كما لا تخضع الشركة أو أي جهة تابعة لها لرقابة جهاز الرقابة المالية.

Article 9

These Articles of Association have been drawn up in three original copies with a copy for the Government of Abu Dhabi and the remaining copies to be retained for submission to the responsible authorities in connection with the licences required by the Company.

مادة (٩)

حُرر هذا النظام الأساسي من ثلاث نسخ أصلية بيد حكومة أبوظبي نسخة منه والنسختان الباقيتان لتقديمهما الى السلطات المختصة فيما يتعلق باستصدار الرخص المطلوبة للشركة.

Article 10

These Articles of Association shall be deposited and published in accordance with applicable law.

Signature:

مادة (١٠)

يتم إيداع وإشهار هذا النظام الأساسي وفقاً للقوانين المعمول بها.

توقيع:

التاريخ:

Attested by:

تم تصديقه من قبل:

محكمة أبوظبي الشرعية الإبتدائية
الرسم :
رقم الايصال :
رقم التصديق Date

دولة الإمارات العربية المتحدة
وزارة العدل والشئون الإسلامية والأوقاف
دائرة القضاء الشرعي
محكمة أبوظبي الشرعية - قلم التصديقات

محكمة أبوظبي الشرعية - قلم التصديقات
صورة طبق الأصل
التاريخ :
الرسوم : متوفاة
رقم الإيصال :

كاتب العدل – محكمة أبوظبي الابتدائية – وزارة العدل والشؤون الإسلامية والأوقاف

Notary Public *– Abu Dhabi Islamic Court of First Instance, Ministry of Justice, Islamic Affairs & Awqaf – UAE*

دولة الإمارات العربية المتحدة
وزارة العدل والشئون الإسلامية والأوقاف
دائرة القضاء الشرعي
محكمة أبوظبي الشرعية - قلم التصديقات

محكمة أبوظبي الشرعية الإبتدائية - قلم التصديقات
صورة طبق الأصل
التاريخ : ٢٠٠٣/١٠/٢٦
الرسوم : معفاة
رقم الإيصال : ٢٢٨٥٨٩١

UNITED ARAB EMIRATES
Ministry of Foreign Affairs
Consular Section
Abu Dhabi

This document has been signed by
Mr. Atteeq Juma Al Muhairy
of the Ministry of Foreign Affairs
United Arab Emirates in Abu Dhabi

P. KUTTYKRISHNAN
HM Consul / British Vice-Consul
British Pro-Consul
Date : 8:11:03

ABU DHABI

I hereby certify Amal Moussa to be known by me to be competent to translate the document attached to the affidavit of Timothy James Watkins as Exhibit TJW1 dated 27 February 2004 into English.

Dated: 26 February 2004

JD SWEETING
SOLICITOR

LAW NO. 1/2003

TO INCORPORATE THE ETIHAD AIRWAYS

Translated by Amal Moussa c/o

Trowers & Hamlins
Sceptre Court
40 Tower Hill
London
EC3N 4DX

LAW NO. 1/2003

TO INCORPORATE THE ETIHAD AIRWAYS

- We, Khalifa Bin Zayed Al Nahyan, Deputy Ruler of Abu Dhabi
- Pursuant to the powers vested in us by the Ruler of Abu Dhabi, and
- After perusal of Law No. 1/1974 to re-organise the government apparatus in the Emirate of Abu Dhabi and the amendments thereto, and
- Law No. 2/1971 apropos the National Consultative Council and the amendments thereto, and
- Law No. 1/1985 apropos the Financial Control Authority and the amendments thereto, and
- Federal Law No. 8/1984 apropos Commercial Companies and the amendments thereto, and
- by virtue of the proposal put forward by the Member of the Executive Council, and approval of the Executive Council thereto,

Have promulgated the law hereunder:

Article (1)

A public joint stock company called "Etihad Airways" shall be incorporated pursuant to the provisions hereof. It shall be fully owned by the Government of Abu Dhabi and have financial and administrative autonomy, and shall have complete legal personality.

Article (2)

The objects of the Company shall be the acquisition, charter, lease, operation and maintenance of aircrafts whatever the type, in addition to all regular air transportation work, air services, and all actions necessary or related thereto, including the transportation of passengers, cargo, goods and mail; and investment in the field of passenger and cargo air transportation, and the facilities and utilities necessary to serve and fulfil the objects of the Company.

Article (3)

Towards the achievement of its objects the company may directly or indirectly, exercise the following activities;

1. Finance, acquire, invest, operate and manage passenger and cargo aircrafts.

2. Purchase, sell, market, rent and hire passenger and cargo aircrafts and enter into contracts and agreements necessary or required for this purpose.

3. Ground handling, air services and training of technical cadres in the field of aviation.

4. Establish, develop, review and suggest amendments to any regulations or other procedures that the Company deems necessary and put forward the same to the authorities concerned.

5. Possess, contribute to, or hold shares or stocks or any other interests, whether inside or outside the Emirate, in companies and public enterprises operating in any field, to expand such operations or to execute work similar to the works carried out by the Company or works which enable the Company to achieve its objects inside or outside the Emirate, as well as to finance such companies and enterprises.

Article (4)

The share capital of the Company has been fixed at AED. 500 Million (UAE Dirhams Five Hundred Million) fully paid up by the government of Abu Dhabi, and divided into five million shares (5,000,000) shares at a nominal value AED. 100 (UAE Dirhams One Hundred) per share.

Article (5)

The headquarters of the Company shall be located in Abu Dhabi, and the board of directors of the Company may establish branches, offices or agencies, whether inside or outside the Emirate, as deemed necessary.

Article (6)

The Company shall undertake any work and exercise all the activities required for the execution of the project, including the following:

1. To enter into agreements with banks, financial institutions and credit agencies regarding the financing of the Company.

2. To enter into any contracts or agreements required to achieve its objects and goals including contracts for construction, operation, management, maintenance, transportation, marketing, purchase, sale, distribution, lease and rent as well as agreements for the management of the companies operating in the fields of construction, development, operation, or maintenance of any of the facilities or services relating to aviation, or agreements relating to the construction, development, operation and maintenance of the utilities owned by such companies.

Article (7)

The financial year of the Company shall start at the beginning of January and end on 31 December in each calendar year, save for the first financial year which shall start as of the date of

the Company's entry in the commercial register of the Emirate, and shall end on 31 December of the following year.

Article (8)

The term of the Company shall be 100 calendar years as of the date of its entry in the commercial register of the Emirate, unless it is dissolved or liquidated in accordance with the provisions of its memorandum of incorporation.

Article (9)

The board of directors of the Company shall be composed of the chairman and six members. They shall be appointed by an Emiri Decree. The term of the Board shall be five years, renewable for similar periods by virtue of an Emiri Decree. The board of directors of the Company shall establish the Company's articles of incorporation as well as all other regulations necessary for the achievement of the objects and goals of the Company.

Article (10)

The concerned authorities in the Emirate shall do all the works, and take all necessary actions to enable the Company to fulfil its tasks in the best possible manner in accordance with the provisions hereof.

Article (11)

The Company, any of its affiliates, and any of its direct or sub collaborators, shall be exempted from all taxes and fees, including:

3. Income tax and customs duties on all their purchases be they aircrafts, goods, materials, tools, machines, equipment and spare parts which are imported to enable the Company to fulfil its objects and all other materials necessary for use or sale on board, or which will be distributed for promotional purposes, whether imported in the Company's name or in the name of any of its affiliates, or in the name of the contractors or sub-contractors.

4. Any taxes due on the sale or transfer of the shares of the Company or the shares or stocks of any of its affiliates.

5. Any taxes due on the profits distributed to the shareholders of the Company or the shareholders of any of its affiliates.

Article (12)

Neither the Company nor any of its affiliates shall be subject to the laws or regulations relating to tenders and auctions, or direct orders applied in the Emirate. The Company or any of its affiliates shall establish adequate rules and regulations to organise their tenders, auctions and activities. Neither the Company nor its affiliates shall be subject to the regulation of the Financial Control Authority.

Article (13)

This law shall be executed and enacted as of the date of issue, and published in the Gazette.

Khalifa Bin Zayed Al Nahyan

Deputy Ruler of Abu Dhabi

Promulgated in Abu Dhabi

On January 5, 2003

AFFIDAVIT OF TIMOTHY JAMES WATKINS

I, **TIMOTHY JAMES WATKINS** of Trowers & Hamlins, Butti Al Otaiba Building, Khalifa Street, PO Box 45628, Abu Dhabi, United Arab Emirates, **MAKE OATH** and do solemnly and sincerely declare as follows:

1. I am a solicitor in the firm of Trowers & Hamlins, Butti Al Otaiba Building, Khalifa Street, PO Box 45628, Abu Dhabi, United Arab Emirates.

2. I have been shown the volume of the Official Gazette of the Government of Abu Dhabi in which Abu Dhabi Decree No.1 of 2003 was published, which Decree established Etihad Airways as a public joint stock company in the United Arab Emirates.

3. A true copy of the Decree as published in the Official Gazette is attached to this Affidavit and marked "TJW 1".

4. The contents of this Affidavit are true to the best of my knowledge, information and belief.

SWORN at)
)
)

on the 22nd day of February 2004

Before me, Anna Moores.
BRITISH VICE CONSUL

Commissioner for Oaths
BRITISH EMBASSY,
P. O. BOX 248,
ABU DHABI,
UNITED ARAB EMIRATES

قانون رقم (١) لسنة ٢٠٠٣م

بتأسيس شركة الإتحاد للطيران.

– نحن خليفة بن زايد آل نهيان ، نائب حاكم أبوظبي.

– بناء على الصلاحيات المخولة لنا من قبل حاكم أبوظبي.

– وبعد الإطلاع على القانون رقم (١) لسنة ١٩٧٤ بإعادة تنظيم الجهاز الحكومي في إمارة أبوظبي وتعديلاته .

– وعلى القانون رقم (٢) لسنة ١٩٧١ في شأن المجلس الإستشاري الوطني وتعديلاته.

– وعلى القانون رقم (١) لسنة ١٩٨٥ في شأن جهاز الرقابة المالية وتعديلاته.

– وعلى القانون الإتحادي رقم (٨) لسنة ١٩٨٤ في شأن الشركات التجارية وتعديلاته .

– وبناء على ما عرضه عضو المجلس التنفيذي ،وموافقة المجلس التنفيذي عليه .

– أصدرنا القانون الآتي :–

This is the Exhibit marked 'TJW1' referred to in the Affidavit of Timothy James Watkins sworn this 22nd day of February 2004.

Before me, Amin Moores

BRITISH VICE CONSUL

BRITISH EMBASSY ABU DHABI

– المادة (١) –

تؤسس بموجب أحكام هذا القانون شركة مساهمة عامة تسمى «شركة الإتحاد للطيران» تكون مملوكة بالكامل لحكومة أبوظبي ، وتتمتع بالأستقلال المالي والإداري وتكون لها الشخصية الاعتبارية الكاملة .

– المادة (٢) –

غرض الشركة هو تملك وإستئجار وتأجير الطائرات بمختلف أنواعها وتشغيلها وصيانتها والقيام بجميع أعمال النقل الجوي المنتظم والخدمات الجوية وكافة الأعمال اللازمة لها أو المتعلقة بها أو المرتبطة بها بما في ذلك نقل الأشخاص والحمولات والبضائع والبريد والإستثمار في مجالات النقل الجوي للركاب والبضائع والمرافق والمنافع اللازمة لخدمة أغراض الشركة أو إستكمالها.

– المادة (٣) –

تهدف الشركة إلى تحقيق أغراضها سواء عن طريق القيام بها مباشرة أو غير مباشرة ، ولها في سبيل ذلك أن تمارس الأعمال الآتية : –

١ – تمويل وتملك وإستثمار وتشغيل وإدارة طائرات نقل الركاب والبضائع.

This is the Exhibit marked " TJW 1 " referred to in the Affidavit of Timothy James Watkins Sworn this 22nd Day of February 2004

before me, Amjas Moores

BRITISH EMBASSY ABU DHABI

٢ – شـراء وبيع وتسـويق والتـأجيـر وإسـتـئـجـار طائرات نقل الركـاب والبضائع ، وكذلك إبرام العقود والإتفاقيات الضرورية أو المطلوبة لهذا الغرض.

٣– خدمات المناولة الأرضية والخدمات الجوية وتدريب الكوادر الفنية في مجال الطيران.

٤ – وضع وتطوير ومراجعة وإقتراح تعديل أية أنظمة أو إجراءات أخرى تعتبرها الشركة ضرورية ورفعها للجهات المختصة.

٥ – حيازة أو المشاركة أو تملك حصص أو أسهم أو أية مصالح أخرى سواء داخل الإمارة أو خارجها في الشركات والمشاريع العاملة في أي مجال من مجالاتها أو التوسع فيه أو تنفيذعمل مشابه للأعمال التي تقوم بها الشركة أو التي من شأنها مساعدة الشركة في تحقيق أغراضها داخل الإمارة أو خارجها ، وكذلك تمويل هذه الشركات والمشاريع.

– المادة (٤) –

– حُدد رأس مال الشركة بمبلغ ٥٠٠ مليون درهم (خمسمائة مليون درهم إماراتي) مدفوعة بالكامل من حكومة أبوظبي وموزعة على خمسة ملايين (٥,٠٠٠,٠٠٠) سهم بقيمة إسمية مائة درهم (١٠٠) لكل سهم،

This is the Exhibit Marked "TJW 1" referred to in the Affidavit of Timothy James Watkins sworn this 22nd day of February 2004
before me Amias Moores

ENTERED

– المادة (٥) –

– يكون مركز الشركة الرئيسي في مدينة أبوظبي ، ولمجلس إدارة الشركة أن ينشيء لها أية فروع أو مكاتب أو توكيلات سواء داخل الإمارة أو خارجها حسبما يراه ضرورياً أو مطلوباً .

– المادة (٦) –

– يجوز للشركة القيام بكافة الأعمال وممارسة جميع الأنشطة اللازمة لتنفيذ المشروع ، بما في ذلك : –

١ – إبرام إتفاقيات مع البنوك والمؤسسات المالية والوكالات الائتمانية فيما يتعلق بتمويل الشركة .

٢ – إبرام أية عقود أو إتفاقيات لازمة لتحقيق أهدافها وأغراضها بما في ذلك عقود الإنشاء والتشغيل والإدارة والصيانة والنقل والتسويق والشراء والمبيعات والتوزيع والإيجار والإستئجار وكذلك الإتفاقيات الخاصة بإدارة الشركات العاملة في مجال إنشاء أو تطوير أو تشغيل أو صيانة أي من المرافق أو في أية خدمات تابعة تتعلق بالطيران ، أو الإتفاقيات الخاصة بإنشاء وتطوير وتشغيل وصيانة المرافق التي تمتلكها تلك الشركات .

This is the Exhibit marked "TJW 1" referred to in the Affidavit of Timothy James Watkins sworn this 22nd day of February 2004.

before me Amias Moores

BRITISH VICE CONSUL

BRITISH EMBASSY ABU DHABI

– المادة (٧) –

– تبدأ السنة المالية للشركة من أول يناير وتنتهي في ٣١ ديسمبر من كل عام ميلادي ، بإستثناء السنة المالية الأولى التي تبدأ من تاريخ تسجيل الشركة في السجل التجاري للإمارة وتنتهي في ٣١ ديسمبر من السنة التالية.

– المادة (٨) –

– تكون مدة الشركة مائة (١٠٠) سنة ميلادية إبتداءً من تاريخ قيدها في السجل التجاري بالإمارة ما لم يتم حلها أو تصفيتها وفقاً للأحكام الواردة في عقد تأسيسها.

– المادة (٩) –

– يقوم بإدارة الشركة مجلس إدارة مكون من رئيس وستة أعضاء ويصدر بتعيينهم مرسوم أميري وتكون مدة المجلس خمس سنوات قابلة للتجديد لمدد مماثلة بموجب مرسوم أميري ويضع مجلس إدارة الشركة نظامها الاساسي وكافة الأنظمة اللازمة لتحقيق أغراض الشركة .

This is the Exhibit Marked "TJW 1" referred to in the Affidavit of Timothy James Watkins sworn this 22nd day of February 2004
before me Amias Moores

BRITISH VICE CONSUL

- المادة (١٠) -

- تلتزم الجهات المعنية في الإمارة بالقيام بجميع الأعمال وإتخاذ كافة الإجراءات اللازمة لتمكين الشركة من القيام بمهامها لأحسن وجه وفقاً لأحكام هذا القانون .

- المادة (١١) -

- تُعفى الشركة أو أية جهة تابعة لها أو تتعامل معها مباشرة أو من الباطن من جميع الضرائب والرسوم بما في ذلك :-

١ - ضرائب الدخل والرسوم الجمركية على جميع مشترياتها من الطائرات والبضائع والمواد والمعدات والآلات والأجهزة وقطع الغيار التي تُستورد بهدف تحقيق أغراضها وجميع المواد الاخرى اللازمة لاستعمالها أو للبيع علي متن طائراتها أو التي تقوم بتوزيعها على سبيل الدعاية سواءً تم إستيرادها بأسم الشركة أو بإسم أية جهة تابعة لها أو بإسم المقاولين أو المقاولين من الباطن.

٢ - أية ضرائب تترتب على بيع أو نقل ملكية حصصها أو حصص أو أسهم أية جهة تابعة لها .

٣ - أية ضرائب تترتب على الأرباح الموزعة على الشركاء في الشركة أو الشركاء في أي جهة تابعة لها .

This is the Exhibit marked "TJW 1" referred to in the Affidavit of Timothy James Withers sworn this 22nd day of February 2004 before me Amias Moores

BRITISH VICE CONSUL

ABU DHABI

- المادة (١٢) -

- لا تخضع الشركة أو أي جهة تابعة لها لأحكام قوانين ونظم المناقصات أو المزايدات أو الأوامر المباشرة المطبقة في الإمارة ، وللشركة أو أي جهة تابعة لها وضع ما تراه مناسباً من اللوائح والنظم لتنظيم المناقصات والمزايدات والممارسات التي تقوم بها ، كما لا تخضع الشركة أو أي جهة تابعة لها لرقابة جهاز الرقابة المالية .

- المادة (١٣) -

- يُنفذ هذا القانون ويُعمل به إعتباراً من تاريخ صدوره ، وينشر في الجريدة الرسمية .

خليفة بن زايد آل نهيان
نائب حاكم أبوظبي

صدر عنا في أبوظبي :-
بتاريخ : ٥ يناير ٢٠٠٣م
الموافق : ٢ ذي القعدة ١٤٢٣ هـ.

This is the Exhibit marked "TJW1" referred to in the Affidavit of Timothy James Watkins sworn this 22nd day of February 2004 Before me Amias Moores.

BRITISH VICE CONSUL

FILE COPY

CERTIFICATE OF REGISTRATION

OF AN OVERSEA COMPANY

(Establishment of a branch)

Company No. FC025070

Branch No. BR007478

The Registrar of Companies for England and Wales hereby certifies that

ETIHAD AIRWAYS

has this day been registered under Schedule 21A to the Companies Act 1985 as having established a branch in England and Wales

Given at Companies House, Cardiff, the 2nd March 2004

REGISTRAR OF COMPANIES FOR ENGLAND AND WALES

THE OFFICIAL SEAL OF THE REGISTRAR OF COMPANIES

Companies House

for the record

Dynamic
Translation & Office Services

Translation

دايناميك
للترجمة والخدمات المكتبية

وفاء وريدان
مترجمة - انجليزي وبالعكس
دايناميك للترجمة
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Arabic - English & Vice Versa
Wafaa Wreidan

AFFIDAVIT

إقرار كتابي مشفوع بقسم

دائرة القضاء - أبوظبي
إدارة الكاتب العدل والتوثيق
قسم الكاتب العدل
Notary Public & Attestation Division
Emirate of Abu Dhabi - Judicial Department

أشهد أنا الموقع على هذا المستند، بصفتي مترجماً قانونياً مرخصاً من وزارة العدل، بأن الترجمة المرفقة صحيحة و مطابقة للنص الأصلي

I, the signatory to this document, as a legal translator duly licensed and sworn in by the Ministry of Justice, do hereby certify that the enclosed translation is correct and identical to the original text.

U.A.E. ABU DHABI Tel. : 02-6424002– Fax : 02-6424003 – P.O.Box : 8096
DUBAI Tel. : 04-3513501– Fax : 04-3513502 /3– P.O.Box : 33659
Website : www.dynamic4translation.com *E-mail : info@d4t.ae*

الإتحاد
ETIHAD
AIRWAYS

وفاء وريدان
عربي - انجليزي وبالعكس
دايناميك للترجمة
Dynamic Translation
Arabic - English & Vice Versa
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AFFIDAVIT — **إقرار كتابي مشفوع بقسم**

In the matter of the Companies Act, Cap. 50.

and

In the matter of **ETIHAD AIRWAYS PJSC**

في مسألة قانون الشركات ، العنوان رقم (٥٠).

و

في مسألة **الإتحاد للطيران ش.م.ع**

I, James Hogan, holder of Australian Passport No E3024660 of 15 Marina Village, Abu Dhabi, United Arab Emirates hereby solemnly swear and say that:

أنا جيمس هوجن ، حامل جواز السفر الأسترالي رقم E3024660، وعنواني ١٥ مارينا فيليج، أبوظبي، الإمارات العربية المتحدة ، أقسم بموجب هذا وأفيد:

1. I am the Chief Executive Officer of ETIHAD AIRWAYS PJSC (the "Company") a company incorporated in Abu Dhabi, United Arab Emirates.

١. بأنني الرئيس التنفيذي لشركة الأتحاد للطيران ش.م.ع. ("الشركة")، شركة تأسست في إمارة أبوظبي، الإمارات العربية المتحدة.

2. The document annexed hereto and marked "A" is a true and faithful copy of the amended Articles of Association of the Company, the original of which was filed and registered with Abu Dhabi Chamber of Commerce & Industry.

٢. ان المستند المرفق طيه (الملحق أ) هو صورة طبق الاصل من ملحق تعديل عقد تأسيس الشركة حيث ان المستند الاصلي قد تم ايداعه وتسجيله لدى غرفة تجارة وصناعة ابوظبي.

Emirate of Abu Dhabi - Judicial Department
Notary Public & Attestation Division

ETIHAD AIRWAYS

وفاء وريدان
مترجم - انجليزي وبالعكس
دايناميك للترجمة
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الإتحاد
ETIHAD
AIRWAYS

Affirmed by the abovenamed at Abu Dhabi, United Arab Emirates, this 7 day of February 2010.

تم التأكيد من جانب المذكور أعلاه في أبوظبي، في هذا اليوم ٧ من فبراير ٢٠١٠.

Before me, Saif Bani Rasheed, Notary Public.

أمامي أنا، سيف بني رشيد – الكاتب العدل.

الإتحاد ETIHAD James Hogan C.E.O ETIHAD AIRWAYS P.J.S.C.

جيمس هوجن
الرئيس التنفيذي
James Hogan
Chief Executive Officer

Witness شاهد طه محمد المحمود

Witness شاهد عبدالحميد بوكتان

إمارة أبوظبي
دائرة القضاء - إدارة الكاتب العدل
الكاتب العدل - فرع بلدية أبوظبي (٦)
توثيق رقم ١٩٥٢ / ٢٠١١
إنه في يوم السبت الموافق ٤ / ٢ / ٢٠١١
حضر
بموجب
الرسوم ٧٠ درهم بالايصال رقم
وقد أفاد بعلمه بمحتوى هذا المستند المؤلف من صفحة و وقع عليه بعد استيفاء الإجراءات

إدارة الكاتب العدل
الكاتب العدل / سيف عبيد الهاجري بني رشيد

الإتحاد للطيران ETIHAD ETIHAD AIRWAYS

الاتحاد للطيران، ص.ب: ٣٥٥٦٦، شارع المطار الجديد، أبو ظبي، الإمارات العربية المتحدة. هاتف: ٨٠٠٠ ٥٠٥ ٢ ٩٧١+، فاكس: ٨١١١ ٥٠٥ ٢ ٩٧١+
Etihad Airways, P. O. Box: 35566, New Airport Road, Abu Dhabi, United Arab Emirates, Tel.: +971 2 505 8000, Fax: +971 2 505 8111, www.etihadairways.com

Commercial Registration No. 54319, Public Joint Stock Company

1150/-

United Arab Emirates
Ministry of Foreign Affairs
Consular Department
Attestation Section

دولة الإمارات العربية المتحدة
وزارة الخارجية
إدارة الشؤون القنصلية
قسم التصديقات

No. :

الرقم:

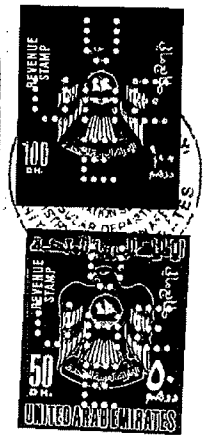
Date 07 FEB 2010

التاريخ:

تصادق على صحة توقيع وختم

دون تحمل الوزارة أية مسؤولية تجاه المحتويات

وكيل وزارة الخارجية



EMBASSY OF THE REPUBLIC OF SINGAPORE
ABU DHABI

Abdul Rahman Bin Hasan
Third Secretary
(Administration and Consular)

07 FEB 2010

الإتحاد
ETIHAD
AIRWAYS

وفاء وريدان
مترجم - انجليزي وبالعكس
دايناميك للترجمة
Dynamic Translation
Arabic - English & Vice Versa
Wafaa Wreidan

Annexure "A"

الملحق "أ"

This is the Annexure marked "A" referred to in the Affidavit of James Hogan declared this 7 day of February 2010.

هذا الملحق "أ" المشار إليه في الإقرار المشفوع بقسم المقدم من السيد جيمس هوجن في هذا اليوم ٧ من فبراير ٢٠١٠.

Before me, Saif Bani Rasheed, Notary Public

أمامي أنا، سيف بني رشيد – الكاتب العدل

الإتحاد
ETIHAD
James Hogan
C.E.O
ETIHAD AIRWAYS P.J.S.C.

جيمس هوجن
الرئيس التنفيذي
James Hogan
Chief Executive Officer

Witness شاهد

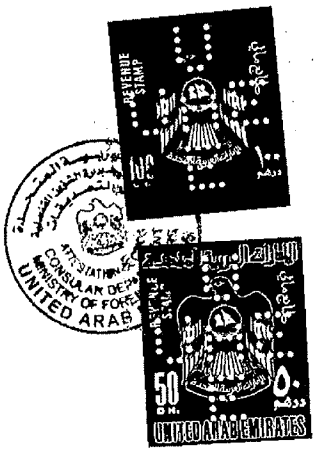
Witness شاهد

إمارة أبوظبي
دائرة القضاء - إدارة الكاتب العدل
الكاتب العدل - فرع بلدية أبوظبي (٦)
توثيق رقم ..... / ٢٠١١
إنه في يوم ..... الموافق ..... / ٢٠١٠
حضر .....
بموجب .....
الرسوم ..... درهم بالايصال رقم .....
وقد أفاد بعلمه بمحتوى هذا المستند المؤلف من ..... صفحة و وقع عليه بعد استيفاء الإجراءات

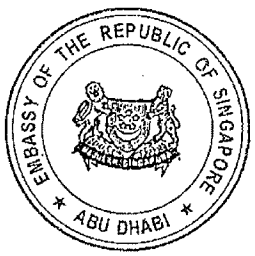
إدارة الكاتب العدل
الكاتب العدل / سيف عبد الرزاق بني رشيد

الإتحاد
ETIHAD
ETIHAD AIRWAYS

1150







Abdul Rahman Bin Hasan
Third Secretary
(Administration and Consular)
07 FEB 2010



ARTICLES OF ASSOCIATION

النظام الأساسي

ETIHAD AIRWAYS

الاتحاد للطيران

PUBLIC JOINT STOCK COMPANY

شركة مساهمة عامة



Articles of Association
of
Etihad Airways
(a Public Joint Stock Company)

النظام الأساسي
الاتحاد للطيران
(شركة مساهمة عامة)

وفاء وريدان
مترجم - الجليزي ورسمي
Dynamic Translation
Arabic - English & Vice Versa
Wafaa Wreidan

Part One
Company Incorporation and Definitions

الباب الأول
في تأسيس الشركة والتعاريف

Article 1

المادة (1)

1. In accordance with Law No.1 of 2003 as amended by Law No 8 of 2004, the provisions of these Articles of Association and Federal Law No. (8) of 1984 Concerning Commercial Companies as amended (the "Companies Law") a public joint stock company has been established in the Emirate of Abu Dhabi.

1. تأسست بموجب أحكام القانون رقم (1) لسنة 2003 شركة الاتحاد للطيران والمعدل بموجب القانون رقم (8) لسنة 2004 وأحكام هذا النظام الأساسي والقانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له (ويُشار إليه لاحقاً بقانون الشركات) شركة مساهمة عامة في إمارة أبوظبي.

2. In these Articles of Association, unless contrary to the context or meaning thereof, the following expressions shall have the meanings ascribed thereto respectively as follows:

2. يكون للتعابير التالية في النظام الأساسي هذا المعاني المبينة قرين كل منها ما لم يشير سياق النص أو المعنى إلى خلاف ذلك:

Amiri Decree means an Abu Dhabi Decree relating to the Board of the Company and any of its members;

"المرسوم الأميري" يعني المرسوم الأميري لإمارة أبوظبي بشأن مجلس إدارة الشركة أو أي من أعضائه؛

Board means the Board of the Company consisting of the Directors from time to time;

"المجلس" يعني مجلس إدارة الشركة من حين إلى آخر؛

Companies Law means Federal Law No. (8) of 1984 regarding Commercial Companies and all decrees, decisions and regulations made or issued thereunder from time to time, and including all re-enactments from, reissuances, modifications, variations or alterations thereof for the time

"قانون الشركات" يعني القانون الاتحادي رقم (8) لعام 1984بشأن الشركات التجارية وتعديلاته وكافة المراسيم والقرارات واللوائح من وقت لآخر بموجب ذلك ويشمل كافة حالات إعادة التعديلات أو الإضافات أو

being in force;

عليه النافذة من وقت لآخر؛

Company means Etihad Airways PJSC a public joint stock company, established in accordance with the Establishing Law;

"الشركة" تعني شركة الاتحاد للطيران شركة مساهمة عامة تم تأسيسها وفقاً للقانون التأسيسي؛

Establishing Law means Law No. 1 of 2003 as amended by Law No. 8 of 2004;

"القانون التأسيسي" يعني القانون رقم (1) لسنة 2003 كما تم تعديله بالقانون رقم (8) لسنة 2004؛

Executive Council means the Executive Council of the Emirate of Abu Dhabi;

"المجلس التنفيذي" يعني المجلس التنفيذي لإمارة أبوظبي؛

Executive Committee means the Executive Committee established by the Board pursuant to Article 15;

"اللجنة التنفيذية" تعني اللجنة التنفيذية المؤسسة من قبل المجلس بموجب المادة (15)؛

Law means an Abu Dhabi Law issued by the ruler of the Emirate of Abu Dhabi;

"القانون" يعني قانون إمارة أبوظبي صادر عن حاكم أبوظبي؛

Article 2

المادة (2)

The name of the Company is Etihad Airways a Public Joint Stock Company, hereafter referred to as the "Company".

اسم الشركة هو شركة الاتحاد للطيران شركة مساهمة عامة ويشار اليها لاحقاً بلفظ "الشركة".

Article 3

المادة (3)

The head office of the Company and its legal place of business shall be in the City of Abu Dhabi, Emirate of Abu Dhabi. The Board may establish branches, offices, or subsidiaries agencies of the Company in the United Arab Emirates or abroad.

مركز الشركة الرئيسي ومحلها القانوني في مدينة أبوظبي بإمارة أبوظبي ويجوز للمجلس أن ينشئ لها فروعاً أو مكاتب أو توكيلات أو تأسيس شركات تابعة للشركة في دولة الإمارات العربية المتحدة أو في خارجها.

Article 4

المادة (4)

The duration of the Company shall be one hundred (100) Gregorian years, commencing from the date announcing the establishment thereof, and shall thereafter automatically continue for consecutive similar periods unless a resolution is passed at an Extraordinary General Assembly terminating the Company.

مدة الشركة هي مائة (100) سنة ميلادية تبدأ من تاريخ إعلان تأسيسها. وتجدد بعد ذلك تلقائياً لمدد متعاقبة مماثلة ما لم يصدر قرار من الجمعية العمومية غير العادية بإنهاء الشركة.

Article 5

المادة (5)

The objects for which the Company is established are as follows:

أغراض الشركة

1. The objects of the Company are: the acquisition, charter, operation and maintenance of aircraft, whatever the type; engaging all regular air transportation works, air services and carry out all actions necessary or related thereto, including engaging in ancillary services (such as road transportation, holiday packages, car rental and car hire with and without driver), transportation of passengers, cargo, goods and mail, the investment in passengers and cargo air transportation fields, and the facilities and utilities necessary to serve and complete the Company's objectives.

1- أغراض الشركة هي تملك واستئجار وتأجير الطائرات بمختلف أنواعها وتشغيلها وصيانتها والقيام بجميع أعمال النقل الجوي المنتظم والخدمات الجوية وكافة الأعمال اللازمة لها أو المتعلقة بها أو المرتبطة بها بما في ذلك نقل الأشخاص والحمولات والبضائع والبريد والاستثمار في مجالات النقل الجوي للركاب والبضائع والمرافق والمنافع اللازمة لخدمة أغراض الشركة أو استكمالها. وكذلك القيام بجميع الأعمال المرتبطة أو المتعلقة بذلك بما في ذلك النقل براً أو خدمات العطلات والرحلات المتكاملة وتأجير السيارات مع أو بدون سائق.

2. The Company shall achieve its objects, either directly or indirectly, and for this purpose it may carry on the following activities:

2- تهدف الشركة إلى تحقيق أغراضها سواء عن طريق القيام بها مباشرة أو غير مباشرة، ولها في سبيل ذلك أن تمارس الأعمال الآتية:

a. Finance, acquire, invest in, operate and manage passenger and cargo aircraft;

أ- تمويل وتملك واستثمار وتشغيل وإدارة طائرات نقل الركاب والبضائع؛

b. Purchase, sell, market, rent and charter passenger and cargo aircraft, arrange for necessary insurance for this purpose by licensed entities, and to enter into such contracts and agreements as are necessary or required for this purpose;

ب- شراء وبيع وتسويق وتأجير واستئجار طائرات نقل الركاب والبضائع وترتيب التأمين اللازم لذلك من خلال الجهات المرخصة، وكذلك إبرام العقود والاتفاقيات الضرورية أو المطلوبة لهذا الغرض؛

c. Provide ground handling and [illegible] air services and to train technical staff in the aviation field;

ج- خدمات المناولة الأرضية [illegible] الجوية وتدريب الكوادر [illegible] مجال الطيران؛

d. Devise, develop, review and propose any amendments to any such other rules and procedures as are deemed necessary by the Company and to place the same before the relevant authorities;

د- وضع وتطوير ومراجعة واقتراح تعديل أية أنظمة أو إجراءات أخرى تعتبرها الشركة ضرورية ورفعها للجهات المختصة؛

e. Acquire, participate in or hold share, stocks or any other interest, whether within or outside the Emirate, in companies and enterprises engaged in any of the Company's fields or to expand the same or to carry on activities similar to the activities carried on by the Company or which would assist the Company to achieve its objects both within or outside the Emirate and to finance such companies and enterprises;

هـ- حيازة أو المشاركة أو تملك حصص أو أسهم أو أية مصالح أخرى سواء داخل الإمارة أو خارجها في الشركات والمشاريع العاملة في أي مجال من مجالاتها أو التوسع فيه أو تنفيذ عمل مشابه للأعمال التي تقوم بها الشركة او التي من شأنها مساعدة الشركة في تحقيق أغراضها داخل الإمارة أو خارجها، وكذلك تمويل هذه الشركات والمشاريع؛

f. Ownership, management and investment in real estate and buildings in or outside the United Arab Emirates, this shall include carrying out all activities relating thereto;

و- التملك والإدارة والاستثمار في قطاع العقارات والمباني سواءً داخل أو خارج دولة الامارات العربية المتحدة، ويشمل ذلك ممارسة سائر النشاطات المرتبطة بها؛

g. Provision of management services and maintenance services for real estate and buildings whether in or outside the United Arab Emirates;

ز- تقديم خدمات الإدارة والصيانة للعقارات والمباني سواءً داخل أو خارج دولة الامارات العربية المتحدة؛

h. Construction, management, purchasing, ownership, selling, leasing, and development of all types of real estate and buildings including but not limited to: commercial and medical centres, hotels, buildings for educational and training purposes, residential, hospitality, administrative and compounds whether

ح- الإنشاء والإدارة والتملك والشراء والبيع والتأجير والتطوير لجميع أنواع العقارات والمباني، بما في ذلك على سبيل المثال لا الحصر: المراكز التجارية والطبية والمباني التعليمية والتدريبية والمجمعات السكنية والصحية ومجمعات الرفاهية والمجمعات سواءً داخل أو خارج دو

outside the United Arab Emirates;	الامارات العربية المتحدة؛
l. Construction, ownership, and purchasing, management, operation, selling, leasing, renting hotels and tourist sites and recreational centres, sports centres and industrial plants whether in or outside the United Arab Emirates;	ط- البناء والتملك والشراء والإدارة والتشغيل والبيع والتأجير والاستئجار للفنادق والمنتجعات السياحية والترفيهية والمراكز الرياضية .والمنشآت الصناعية سواءً داخل أو خارج دولة الامارات العربية المتحدة؛
j. Ownership and grant of any concessions or outsourcing or leases or investments or any other rights relating to aircrafts, development or investment in any real estate or buildings owned or managed by or being invested by the Company;	ي- التملك والمنح لأي امتيازات أو إيجارات أو استثمارات أو تعهيد أو أية حقوق أخرى متعلقة بالطائرات، وتطوير أو الاستثمار في أي من العقارات والمباني التي تملكها أو تديرها أو تستثمرها الشركة؛
k. Ownership, purchasing, selling, management, leasing any transport media;	ك- شراء وبيع وتملك واستئجار وتأجير وإدارة أية من وسائل النقل؛
l. Establishment and participation in companies, all types of investment funds, derivative products and operation, fund raising or investing in the above mentioned activities or companies or any other activity in or outside the United Arab Emirates;	ل- التأسيس أو المساهمة أو المشاركة في الشركات والصناديق الاستثمارية بكافة أنواعها والمشاريع العاملة أو التمويل أو الاستثمار في الأنشطة والشركات المذكورة أعلاه أو غيرها من الأنشطة سواء داخل أو خارج دولة الامارات العربية المتحدة؛

m. Ownership and operation of any of the above activities or projects in or outside the United Arab Emirates;	م- تملك وإدارة الأنشطة والمشاريع المذكورة آنفا سواء داخل أو خارج دولة الامارات العربية المتحدة؛
n. Carrying-out research, development and deployment activity including owning and licensing of patents and all intellectual property rights and provide all types of consultations or engage in any activity of whatsoever nature that may, in the opinion of the Board of the Company, be associated with or complimentary to any of the main activities of the Company or which may directly or indirectly increase the value of the assets of the Company or increase its profitability or support the interests of the Company or its shareholders;	ن- مزاولة أعمال البحث والتطوير والتجميع والتجهيز وتملك وترخيص براءات الاختراع وجميع حقوق الملكية الفكرية وتقديم الاستشارات بمختلف أنواعها أو أيّ عمل أو نشاط والقيام بأيّ شيء أو نشاط مهما كانت طبيعته والذي يكون، وفقا لرأي المجلس مرتبطاً أو تابعاً لأيّ من أغراض الشركة، أو من شأنه سواء بشكل مباشر أو غير مباشر أن يعزز قيمة أو زيادة ربحية كل أو أيّ من ممتلكات الشركة أو موجوداتها أو التي تدعم مصالح الشركة أو المساهمين فيها؛
o. Carrying-out any activity that the Board of the Company deem necessary to enable the Company to achieve any of its above mentioned activities (or which may be considered subsidiary thereof);	س- القيام بكافة الأعمال التي تؤدي وفقا لرأي المجلس إلى تحقيق كل أو أي من الأغراض المنوه عنها أعلاه أو تعد تابعة لها؛
p. The Company may have an interest in, or may participate, in any manner, with other authorities or companies engaged in a business which is similar to the business of the Company or that might assist the Company in achieving its Objects in or outside the United Arab Emirates. The Company may	ع- ويجوز للشركة أن تكون لها مصلحة او ان تشترك بأي وجه مع غيرها من الهيئات أو الشركات التي تزاول أعمالاً شبيهة بأعمالها أو التي قد تعاون على تحقيق أغراضها داخل أو خارج دولة الامارات العربية المتحدة ولها أن تشتري

وفاء ويلدان
مترجم - انجليزي وياباني
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Wafaa Wreldan

merge with or acquire such authorities or companies.

الهيئات أو الشركات أو أن تلحقها بها.

The Objects and powers of the Company set forth in the above paragraphs shall be interpreted in a non-restrictive fashion and in their broadest meanings. It shall be permissible for the Company to carry out its Objects and to exercise its aforesaid authorities in any geographical territory in or outside the United Arab Emirates. It may also, expand, modify or amend these Objects in any manner from time to time by a resolution of the Extraordinary General Assembly of the Company pursuant to the terms of these Articles of Association.

أغراض وصلاحيات الشركة المنصوص عليها في الفقرات أعلاه بشكل غير مقيد وبأوسع معانيها، ويجوز للشركة أن تحقق أغراضها وتمارس صلاحياتها المذكورة في أي اقليم جغرافي داخل أو خارج دولة الإمارات العربية، كما يجوز للشركة توسيع هذه الأغراض وتغييرها وتعديلها بأي طريقة من وقت لآخر بقرار من الجمعية العمومية غير العادية طبقاً لأحكام هذا النظام الأساسي.

Part Two

The Capital

الباب الثاني
في رأس مال الشركة

Article 6

المادة (6)

The share capital of the Company has been set at the amount of Twenty Three Billion Nine Hundred and Seventeen Million Nine Hundred and Seven Thousand one Hundred Dirham (AED 23,917,907,100) divided into Two Hundred Thirty Nine Million One Hundred Seventy Nines Thousand and Seventy One shares (239,179,071) having a nominal value of One Hundred Dirham (AED 100) for each share, all of which are nominal shares. The Company shall not be subject to Article (205) of the Companies Law.

حدد رأس مال الشركة بمبلغ ثلاثة وعشرين ملياراً وتسعمائة وسبعة عشر مليوناً وتسعمائة وسبعة آلاف ومائة درهم إماراتي (23.917.907.100 درهم) موزع على مائتان وتسعة وثلاثون مليوناً ومائة وتسعة وسبعون ألف وواحد وسبعون سهماً (239.179.071) بقيمة اسمية قدرها مائة درهم (100 درهم) لكل سهم وجميعها أسهم اسمية ولا تخضع الشركة لأحكام المادة (205) من قانون الشركات.

Article 7

المادة (7)

Unless the Executive Council of the Emirates of Abu Dhabi resolves otherwise, ownership of the shares in the Company shall be directly or indirectly held by the Government of the Emirate of Abu Dhabi.

ما لم يقرر المجلس التنفيذي خلاف ذلك بقرار منه، تقتصر ملكية الأسهم في الشركة بصورة مباشرة أو غير مباشرة على حكومة إمارة أبوظبي.

Article 8

المادة (8)

The Government of the Emirate of Abu Dhabi has paid the full nominal value

قامت حكومة إمارة أبوظبي بسداد كامل

the shares.

Article 9

The Company shall not be subject to the following Articles of Federal Law No. (8) of 1984 concerning Commercial Companies, as amended: (68), (73), (74), (75), (76), (77), (78), (79), (80), (81), (82), (83), (84), (85), (86), (87), (88), (89), (90), (111), (119), (120), (121), (122), (123), (124), (125), (126), (127), (128), (129), (130), (131), (132), (134), (135), (136), (137), (138), (139), (140), (141), (142), (143), (144), (199) , (202) and (206).

المادة (9)

لا تخضع الشركة لأحكام المواد (68) و(73) و(74) و(75) و(76) و(77) و(78) و(79) و(80) و(81) و(82) و(83) و(84) و(85) و(86) و(87) و(88) و(89) و(90) و(111) و(119) و(120) و(121) و(122) و(123) و(124) و(125) و(126) و(127) و(128) و(129) و(130) و(131) و(132) و(134) و(135) و(136) و(137) و(138) و(139) و(140) و(141) و(142) و(143) و(144) و(199) و(202) و(206) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له.

Article 10

The liability of the shareholders is limited to the value of their shareholding in the share capital of the Company, otherwise the shareholders shall not be responsible for any liabilities or losses that the Company incurs and the obligations of shareholders may not be increased without their unanimous consent.

المادة (10)

مسؤولية المساهمين في الشركة محدودة ولا يلتزم المساهمون بأية التزامات أو خسائر على الشركة إلا في حدود قيمة ما يملكون من أسهم في الشركة، ولا يجوز زيادة التزاماتهم إلا بموافقتهم الإجماعية.

Article 11

Each share shall confer upon the owner acceptance of the Articles of Association and the general assembly's resolutions. No shareholder may request that the amount they contributed be repaid.

المادة (11)

يترتب على ملكية السهم قبول المساهم لنظام الشركة الأساسي ولقرارات جمعياتها العمومية، ولا يجوز للمساهم أن يطلب استرداد ما دفعه للشركة كحصة في رأس المال.

Article 12

The dividends due on a Share shall be paid to the holder thereof that was registered in the Register of Shares of the Company on the date that the General Assembly which resolved such distribution of dividends was convened. Such registered Shareholder shall have an exclusive right to payments made on the Share, whether in the form of an interest in profits or in the Company's assets upon liquidation.

المادة (12)

تدفع الشركة حصص الأرباح المستحقة عن السهم لآخر مالك مقيد اسمه في سجل الأسهم بالشركة في ذات اليوم المقرر لانعقاد الجمعية العمومية للشركة الذي تقرر فيه توزيع الأرباح بإكتمال النصاب القانوني، ويكون له وحده الحق في المبالغ المستحقة عن ذلك السهم سواء كانت حصصاً في الأرباح أو نصيباً في موجودات الشركة في حال تصفيتها.

Article 13

1. It shall be permissible to increase the capital of the Company by issuing new shares at the same nominal value as the original shares. A premium and subscription fee may also be added to the nominal value of the share.

2. It shall not be permissible to issue new shares at less than their nominal value, and if they are issued at a greater value the Board shall have the discretion to apply the difference in any way they see fit so as to enable the Company to attain its objects.

3. It shall be permissible to reduce the share capital after obtaining the approval of the Executive Council.

4. An increase in the share capital shall be by resolution of the Board of the Company.

5. The Company shall not be subject to the provisions of Articles 199 and 203 of the Companies Law.

Part Three

Loan Debentures

Article 14

1. The Board of the Company shall have the right to resolve to issue loan securities and/or sukuk, and to determine the conditions of issue thereof, and the extent of their convertibility into shares and to determine the amount, the purpose and terms and conditions of issue or issues as the Board deems fit. In all cases the conversion of bonds or sukuk into shares of the Company would result in an automatic increase in the share capital of the Company

المادة (13)

1- لمجلس الإدارة زيادة رأس مال الشركة بإصدار أسهم جديدة بنفس القيمة الاسمية للأسهم الأصلية كما يجوز إضافة علاوة ومصاريف إصدار للقيمة الاسمية للأسهم الأصلية.

2- ولا يجوز إصدار الأسهم الجديدة بأقل من قيمتها الاسمية، وإذا تم إصدارها بأكثر من ذلك كان للمجلس حق التصرف الكامل في الفرق في الأوجه التي يراها مناسبة لتمكين الشركة من تحقيق أغراضها.

3- يجوز تخفيض رأس مال الشركة بعد الحصول على موافقة المجلس التنفيذي.

4- تكون زيادة رأس المال بقرار من المجلس.

5- لا تخضع الشركة لأحكام المواد (199) و(203) من قانون الشركات.

الباب الثالث
في سندات القرض

المادة (14)

1. للمجلس ابرام اتفاقيات قرض مع البنوك والمؤسسات المالية لتمويل المشاريع وإصدار سندات قرض أو صكوك من أي نوع كانت وتحديد شروط الاصدار أو الاصدارات وقيمة السندات ومدى قابليتها للتحويل إلى أسهم وتحديد مبلغ وشروط وحالات هذا الإصدار أو الاصدارات وأسبابه، حسبما يراه المجلس مناسباً في هذا الصدد. وفي جميع الأحوال فإن تحويل السندات أو الصكوك إلى أسهم في الشركة يؤدي تلقائياً إلى زيادة رأس مال الشركة بقرار من مجلس ادارتها.

2. The Company shall not be subject to the provisions of Article (177), (179), (180), (181), (183), (184) and (186) of the Companies Law. The Board of Directors may issue bonds with a value that exceeds that of the Company's share capital at the time of issuing such bonds without the Board having to specify the method and conditions of issuing the bonds including the class or classes of persons who may subscribe in such bonds which include the conditioning of bond and/or Sukuk issue and issue conditions and method, manner and conditions of redemption and/or conversion to shares and who has such right to determine this

2. لا تخضع الشركة لأحكام المواد (177) و (179) و(180) و(181) و(182) و(183) و(184) و (186) من القانون الإتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له ويجوز للمجلس إصدار سندات قرض تزيد قيمتها على رأس مال الشركة وقت إصدار هذه السندات دون الحاجة للحصول على أي ترخيص أو إذن أو اتخاذ أي إجراء آخر ويجوز للمجلس تحديد طريقة وشروط طرح السندات و/أو الصكوك بما في ذلك تحديد الفئة أو الفئات التي يمكن لها الاكتتاب بهذه السندات بما في ذلك الشروط الخاصة بذلك الطرح وطريقة وأسلوب وشروط استرداد السندات و/أو التحويل إلى أسهم ومن يملك حق تحديد ذلك.

Part Four

The Board of Directors of the Company

الباب الرابع
مجلس إدارة الشركة

Article 15

المادة (15)

1. The Company shall be managed by a Board appointed by Amiri Decree. Such decree shall determine their term and remuneration.

1- يقوم بإدارة الشركة مجلس يصدر بتعيينه وتحديد مدته ومكافآته مرسوم أميري.

2. The Company shall not be subject to Articles 96,98,99,101 of the Companies Law.

2- لا تخضع الشركة لأحكام المواد (96) و (98) و(99) و(101) من قانون الشركات.

3. The Company shall have an Executive Committee (the "Executive Committee") constituted by decision of the Board.

3- يكون للشركة لجنة تنفيذية تشكل بقرار من المجلس.

Article 16

المادة (16)

Each of the Chairman, the Vice Chairman and any other person authorised by the Board, shall be entitled to represent the Company before the courts and the signature of any of them shall be deemed equivalent to the signature of the Board vis-a-vis third parties provided that they were acting within the powers delegated to each of them by the Board.

يمثل كل من رئيس المجلس ونائبه وكل من يفوضه المجلس مجتمعين أو منفردين الشركة أمام القضاء ويعتبر توقيع أي منهم كتوقيع المجلس في علاقة الشركة بالغير وذلك في الصلاحيات التي يحددها المجلس لكل منهم

Article 17

The Board may appoint, from amongst its members or from third parties, a managing director or chief executive officer and shall specify their responsibilities and remuneration. The Board of Directors may also form, from amongst its members and other third parties, one or more committees including the Executive Committee to which certain of the Board of Directors' authorities may be delegated, or which may be entrusted with supervising the conduct of the Company's business and the execution of the resolutions of the Board. The Board shall appoint from amongst its members or third parties a secretary to the Board and determine the authority of such secretary.

المادة (17)

للمجلس ان يعين من بين أعضائه او من الغير رئيساً تنفيذياً للشركة أو عضواً منتدباً لها وتحديد صلاحياته ومكافآته. للمجلس كذلك أن يشكل من بين أعضائه ومن الغير لجنة أو أكثر من بينها اللجنة التنفيذية يمنحها بعض اختصاصاته أو يعهد إليها بمراقبة سير العمل بالشركة وتقديم الاستشارة إلى المجلس وتنفيذ قرارات المجلس. ويُعين المجلس مقرراً له من أعضائه أو من الغير ويحدد المجلس صلاحيات المقرر.

Article 18

1. The Board or its designees (including the Executive Committee) shall have all the powers and rights to perform all acts and things on behalf of the Company as the Company may be permitted to do for the management of the Company, and to engage in all actions and exercise all the necessary powers to achieve its goals. Such powers and actions shall not be limited except as provided by these Articles of Association or a resolution of the extraordinary general assembly of the Company. The Board or its designee (including the Executive Committee) has been expressly authorised, for the purposes of Article 103 of the Companies Law to enter into loan agreements having a period in excess of three (3) years, to sell the Company's real estate and its assets, mortgage the said real estate and assets and to release the liability of creditors of the Company and to enter into conciliations and agree arbitration, commence, defend, settle and withdraw from arbitration or legal proceedings.

المادة (18)

1- للمجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) كافة السلطات في إدارة الشركة والقيام بكافة الأعمال والتصرفات نيابة عن الشركة حسبما هو مصرح للشركة القيام به، وممارسة كافة الصلاحيات المطلوبة لتحقيق أغراضها. ولا يحد من هذه السلطات والصلاحيات إلا بما نص عليه صراحة في هذا النظام الأساسي أو بقرار من الجمعية العمومية غير العادية للشركة. كما تم تفويض المجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) صراحة ولأغراض المادة (103) من قانون الشركات بإبرام الاتفاقيات الخاصة بالقروض لمدة تتجاوز الثلاث (3) سنوات وبيع عقارات وأموال الشركة أو رهن هذه العقارات والأموال وإبراء ذمة مديني الشركة من التزاماتهم وإجراء المصالحات والاتفاق على التحكيم وإقامة الدعاوى القضائية وقضايا التحكيم وتسويتها وسحبها وتقديم الدفوع فيها.

2. The Board or its designee (including the Executive Committee) may exercise all its authorities to utilise any of the Company's assets or funds to enable the Company to achieve its objectives. As such the Board or its designee (including the Executive Committee) may, for example, but not exclusively on behalf of and for the Company enter into agreements and contracts related to acquiring companies by the Company and investing in and managing and operating and maintaining such companies. The Board or its designee (including the Executive Committee) may appoint consultants and determine their remuneration and form of payment.

2- وللمجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) كافة السلطات والصلاحيات لإستخدام أي من موجودات الشركة وأموالها لتمكين الشركة من تحقيق أغراضها. فيجوز للمجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) على سبيل المثال لا الحصر نيابة عن وباسم الشركة إبرام الاتفاقيات والعقود الخاصة بشراء الشركات من قبل الشركة والاستثمار في تلك الشركات وإدارتها وتشغيلها وصيانتها. وللمجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) تعيين مستشارين له وللشركة وتحديد أتعابهم وسدادها.

3. The Board may not make any change in the nature of the Company's main business which, if made, would affect the ability of the Company to carry on its business in substantially the manner and substantially to the same extent as such business was carried on immediately prior to such disposition or change, unless such change has first been approved by the Executive Council.

3- لا يجوز للمجلس أن يغير في طبيعة نشاط الشركة الرئيسي إذا كان ذلك التغيير في النشاط جوهرياً أو من شأنه التأثير في قدرة الشركة بشكل أساسي على ممارسة نشاطها بنفس الطريقة وبنفس الدرجة السابقة مباشرة قبل ذلك التغيير، ما لم يكن ذلك التغيير قد أجيز بقرار من المجلس التنفيذي.

4. The Board or its designee (including the Executive Committee) shall be responsible for laying down the rules relating to administrative and financial matters, employee affairs and their entitlements, and shall likewise lay down a special regulation governing its business and meetings, and the distribution of functions and responsibilities amongst its members.

4- ويضع المجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) اللوائح المتعلقة بالشؤون الإدارية والمالية وشؤون الموظفين ومستحقاتهم المالية، كما يضع المجلس لائحة خاصة بتنظيم أعماله واجتماعاته وتوزيع الاختصاصات والمسؤوليات.

5. Each member, on appointment, [illegible] the Board shall declare to [illegible] Board any business dealings he [illegible] may have with the Company and

5- يلتزم كل من أعضاء المجلس عند تعيينه كعضو في المجلس بالافصاح [illegible] عن أي تعامل خاص بينه وبين [illegible] وأية تغييرات قد تطرأ على [illegible]

must disclose any changes that may occur at any time.

يجب الإفصاح عن أي تغيرات تحدث في أي وقت.

Article 19

Subject always to the internal financial authorities and limits within the Company and to the decisions of the Board, the Chairman of the Board, the Vice Chairman, or other individual duly authorised by the Board shall individually have the right to sign on behalf of the Company.

المادة (19)

يحق التوقيع عن الشركة على انفراد كل من رئيس المجلس أو نائبه او اي شخص آخر يفوضه المجلس في ذلك على أن يتم ذلك في جميع الأحوال ضمن الحدود المالية المقررة داخلياً في الشركة وتنفيذاً لقرارات المجلس.

Article 20

The Board shall convene at least once every three months at the head office of the Company or any other location to be agreed among the Directors within the UAE or abroad and upon notification by the Chairman or the Vice Chairman in the case of the former's absence, or upon the request of two members of the Board.

المادة (20)

يعقد المجلس اجتماعاته في المركز الرئيسي للشركة أو في أي مكان آخر داخل الدولة أو خارجها يوافق عليه أعضاء المجلس كلما دعت الحاجة إلى انعقاده بناء على دعوة الرئيس أو نائبه في حالة غيابه أو بناء على طلب عضوين من أعضاء المجلس ويجب أن يجتمع المجلس مرة كل ثلاثة أشهر على الأقل.

Article 21

1. No meeting of the Board shall be valid unless attended by a majority of its members and it shall be permissible for a member of the Board to appoint another member of the Board to vote at the said meeting in which case such member shall have two (2) votes; provided that no member of the Board may hold more than one proxy at any particular meeting of the Board. A member of the Board shall be considered present if he attends in person or via teleconferencing or any other audiovisual media such as video teleconferencing.

2. Resolutions of the Board shall be adopted by a majority of the members present, in person or by proxy. In the case of a tie, the Chairman of the meeting shall have a casting vote.

3. The minutes of the meetings of the Board shall be kept in a special file

المادة (21)

1. لا يكون اجتماع المجلس صحيحاً إلا بحضور أغلبية أعضائه، ويجوز لعضو المجلس أن ينيب عنه غيره من أعضاء المجلس في التصويت، وفي هذه الحالة يكون لهذا العضو صوتان، ولا يجوز أن ينوب عضو المجلس عن أكثر من عضو واحد ويعتبر عضو المجلس حاضراً إذا كان حضوره شخصياً أو عن طريق الهاتف أو من خلال أية وسيلة مرئية كالفيديو الهاتفي.

2. وتصدر قرارات المجلس بأغلبية أصوات الأعضاء الحاضرين والممثلين وإذا تساوت الأصوات رجح الجانب الذي منه رئيس الاجتماع أو من يقوم مقامه.

3. يعد ملف خاص تحفظ فيه محاضر اجتماعات المجلس ويوقع عليها

The minutes shall be signed by the chairman of the meeting and the secretary to the Board. A dissenting member may register his opinion in such minutes. Such minutes may be prepared in either Arab or English or both languages.

الاجتماع ومقرر المجلس، ويجوز للعضو المعارض إثبات رأيه في المحضر. وتدون محاضر الاجتماعات باللغة العربية أو الانجليزية أو باللغتين معاً.

4. Any member of the Board who has a personal interest in any business or matter presented in the Board for discussion or approval must disclose such interest to the Board, and this must be recorded in the minutes. Such member may not vote on the resolution pertaining to the relevant business or matter.

4. يجب على أي عضو من أعضاء المجلس لكون له مصلحة خاصة في أي معاملة أو مسألة مطروحة على المجلس لمناقشتها والموافقة عليها أن يخطر المجلس بهذه المنفعة، ويجب أن تدون في محضر الاجتماع، ولا يجوز لهذا العضو التصويت على القرار الخاص بهذه المعاملة أو المسألة المعنية.

5. Despite the provisions of the Companies Law and the provisions of these Articles of Association, a written resolution issued by the Board singed by all the members of the Board who are entitled to vote on that relevant resolution shall be effective and the same as a resolution passed in a duly held meeting of the Board.

5. وبالرغم مما ورد في قانون الشركات أو في هذا النظام الأساسي، يعتبر قرار المجلس الخطي والموقع عليه من قبل جميع أعضاء المجلس، ممن يحق لهم التصويت على ذلك القرار، نافذاً و صحيحاً وبمثابة قرار اتخذ في اجتماع المجلس تمت الدعوة إليه والعقد أصولاً.

Article 22

المادة (22)

The post of a member of the Board shall be deemed vacant upon the expiration of the term of his appointment as specified in the appointing Amiri Decree or earlier replacement by Amiri Decree. Nevertheless such member may, with the approval of the Board, continue to act as a member of the Board until a replacement is appointed.

يشغر منصب عضو المجلس عند انتهاء مدة تعيينه المحددة في المرسوم الأميري أو اعفائه من منصبه كعضو في المجلس قبل انتهاء مدة تعيينه ومع ذلك يجوز، بموافقة المجلس، أن يستمر ذلك العضو بمباشرة مهامه كعضو في المجلس لحين تعيين خلفاً له.

Article 23

المادة (23)

The Board shall have the right to appoint authorised representatives of the Company and to specify their powers, their employment terms, their salaries and their remuneration.

للمجلس الحق في أن يعين وكلاء مفوضين وأن يحدد صلاحياتهم وشروط خدماتهم ورواتبهم ومكافآتهم.

Article 24

المادة (24)

The Chairman of the Board

يكون رئيس المجلس وأعضاؤه مسؤولين

members thereof shall be liable vis-à-vis the Company and the shareholders and to others in respect of all acts of deceit, misuse of the authority granted to them and in respect of any wilful mismanagement. However members of the Board shall not be personally liable in connection with the undertakings of the Company by reason of their having carried out their duties as members of the Board to the extent they do not exceed the scope of their authorities.

الشركة والمساهمين والغير عن جميع أعمال الغش وإساءة استعمال السلطات الممنوحة لهم، كما يكونون مسؤولين عن أي خطأ عمدي وجسيم في الإدارة. ومع ذلك لا يكون أعضاء المجلس مسؤولين مسؤولية شخصية فيما يتعلق بالتزامات الشركة الناتجة عن قيامهم بواجباتهم كأعضاء في المجلس وذلك بالقدر الذي لا يتجاوزون فيه حدود سلطاتهم.

Article 25

The Company is not subject to the provisions of Article 118 of the Commercial Companies Law, as amended. Remuneration of the members of the Board shall be a set amount for each of them in the Amiri Decree appointing them or by a decision of the Executive Council. The Company may also provide any of its members with expenses, additional fees, or a monthly salary in the amount decided by the Board if that member is part of any committee, exerts special efforts, or undertakes additional duties over and above his ordinary duties as a member of the Board.

المادة (25)

تخضع الشركة لأحكام المادة (118) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له، ويتم تحديد مكافأة أعضاء المجلس بمرسوم تعيينهم أو بقرار من المجلس التنفيذي. كما يجوز أن تدفع الشركة مصاريف أو أتعاباً إضافية أو مرتباً شهرياً بالقدر الذي يقرره المجلس لأي عضو من أعضائه إذا كان ذلك العضو يعمل في أي لجنة أو يبذل جهوداً خاصة أو يقوم بأعمال إضافية لخدمة الشركة فوق واجباته العادية كعضو في المجلس.

Part Five
The General Assembly

Article 26

1. A duly constituted General Assembly shall represent all shareholders. It shall not be permissible to convene it except in Abu Dhabi, unless all the shareholders decide otherwise.

2. As long as all the shares are fully owned directly or indirectly by the Government of Abu Dhabi, the Board shall constitute the Ordinary and Extra ordinary General Assembly of the Company. The decisions of the Board of the Company in its capacity as the Ordinary or Extra-Ordinary General Assembly of the Company – as the case may be - shall not be valid and effective except after obtaining the prior written consent of the Executive Council in the following circumstances:

- Dissolving or merging or amalgamating the Company or selling more than 50% of its assets.
- Terminating the term of the Company
- Disposing of or selling any of the shares of the Company.
- Decreasing the share capital of the Company.

3. Notwithstanding the provisions of paragraph (2) of this Article, the shareholders shall constitute the general assembly of the company if the Government of Abu Dhabi assigns any of its shares in the Company to an entity which is not directly or indirectly wholly owned by the Government of Abu Dhabi.

4. Quorum and voting at Ordinary and

الباب الخامس
في الجمعية العمومية

المادة (26)

1- الجمعية العمومية المكونة تكويناً صحيحاً تمثل جميع المساهمين ولا يجوز انعقادها إلا في مدينة أبوظبي.

2- ما دامت جميع الأسهم مملوكة بصورة مباشرة أو غير مباشرة بالكامل لحكومة إمارة أبوظبي يشكل المجلس الجمعية العمومية العادية وغير العادية للشركة ومع ذلك لا تعتبر قرارات المجلس بوصفه الجمعية العمومية العادية أو غير العادية للشركة - كما تكون عليه الحال - صحيحة ونافذة إلا بعد الحصول على موافقة خطية من المجلس التنفيذي في الحالات التالية:

- حل الشركة أو دمجها او اندماجها او بيع ما يزيد عن 50% من أصولها.
- انهاء مدة الشركة.
- التصرف أو بيع اي من أسهم الشركة.
- تخفيض رأسمال الشركة.

3- بالرغم مما ورد في البند (2) من هذه المادة، إذا تنازلت حكومة إمارة أبوظبي عن أي من أسهمها في الشركة لجهة غير مملوكة بصورة مباشرة أو غير مباشرة بالكامل من حكومة إمارة أبوظبي شكل المساهمون جمعيتها العمومية.

4- يتم تحديد نصاب الاجتماع والتصويت

Extra-ordinary General Assemblies of the Company shall be as determined by the Board in a resolution adopted by a majority of its members.

في الجمعيات العمومية العادية وغير العادية من قبل المجلس بموجب قرار يتم اعتماده من قبل أغلبية أعضائه.

Part Six
The Auditor

الباب السادس
في مراجع الحسابات

Article 27

The Company shall have one or more auditors, appointed for a one-year renewable term by the Board, which shall determine their remuneration. The auditor shall audit the accounts for the fiscal year for which he was appointed. The Board shall also appoint internal auditor for the accounts of the Company.

المادة (27)

يكون للشركة مدقق حسابات أو أكثر يعينه المجلس لمدة سنة قابلة للتجديد وتقدر أتعابه وعليه مراقبة حسابات السنة المالية التي عين لها، كما ويُعين المجلس مدققا داخليا لحسابات الشركة.

Article 28

The auditor of accounts shall have the powers and obligations provided for in Federal Law No. 8 of 1984 concerning Commercial Companies as amended, and he shall in particular have the right at any time to examine all of the books, records and papers of the Company and other documents, and shall have the right to request any explanations as he deems necessary in order to discharge his functions. He shall likewise have the right to verify the assets and liabilities of the Company, and if he is unable to exercise those powers he shall give a statement to that effect in writing in a report to be submitted to the Board, and if the Board does not permit the auditor to carry out his functions, the auditor must send a copy of the report to the Ministry of Economy and Department of Planning and Economy in the Emirate of Abu Dhabi, and present it to the Executive Council.

المادة (28)

تكون لمدقق الحسابات الصلاحيات وعليه الالتزامات المنصوص عليها في القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له، وله بوجه خاص الحق في الإطلاع في كل وقت على جميع دفاتر الشركة وسجلاتها ومستنداتها وغير ذلك من وثائق وله أن يطلب الإيضاحات التي يراها لازمة لأداء مهمته وله كذلك أن يتحقق من موجودات الشركة والتزاماتها، وإذا لم يتمكن من استعمال هذه الصلاحيات أثبت ذلك كتابة في تقرير يقدم إلى المجلس فإذا لم يقم المجلس بتمكين المدقق من أداء مهمته وجب عليه أن يرسل صورة من التقرير إلى وزارة الاقتصاد وإلى دائرة التخطيط والاقتصاد في إمارة أبوظبي، وأن يعرضه على المجلس التنفيذي.

Article 29

The auditor of accounts shall present to the Ordinary General Assembly a report containing the particulars provided for in Article 150 of Federal Law No. 8 of 1984 concerning Commercial Companies as amended, and he must attend the Ordinary General Assembly and shall, during such

المادة (29)

يقدم مدقق الحسابات إلى الجمعية العمومية العادية تقريراً يشتمل على البيانات المنصوص عليها في المادة (150) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له، وعليه أن يحضر

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meeting, express his opinion on everything concerning his work, and in particular the balance sheet of the Company. The auditor shall be responsible for the accuracy of the particulars set out in his report, and each member of the Board shall have the right to discuss the auditor's report, and to seek clarification from him on the matters contained therein.

اجتماع الجمعية العمومية وأن يدلي في اجتماع برأيه في كل ما يتعلق بعمله وبوجه خاص في ميزانية الشركة ويكون المدقق مسؤولاً عن صحة البيانات الواردة في تقريره ولكل عضو من أعضاء المجلس أن يناقش تقرير المدقق وأن يستوضحه عما ورد فيه.

Part Seven
The Company's Finance

الباب السابع
مالية الشركة

Article 30

المادة (30)

The Company must duly maintain accurate books of accounts in order to give a fair and accurate picture of the Company's state of affairs and to explain its operations. Such books shall be maintained in accordance with recognized international accounting standards. No shareholder shall be permitted to examine these books without the Board's authorization to do so.

على الشركة أن تحتفظ بدفاتر حسابات منتظمة حسب الأصول لإعطاء صورة صحيحة وعادلة عن وضع أعمال الشركة ولتفسير تعاملاتها وتحفظ هذه الدفاتر طبقاً للمبادئ المحاسبية المتعارف عليها والمطبقة دولياً، ولا يحق لأي مساهم في الشركة فحص دفاتر الحسابات تلك إلا بموجب تفويض بهذا المعنى صادر عن المجلس.

The Financial year of the Company shall commence on 1st January and end on 31st December each year, with the exception of the first financial year of the Company, which shall commence as from the date of its registration in the Commercial Register, and shall terminate on 31st December of the following year.

تبدأ السنة المالية للشركة من أول يناير وتنتهي في 31 ديسمبر من كل سنة ويستثنى من ذلك السنة المالية الأولى للشركة فتبدأ من تاريخ قيدها في السجل التجاري وتنتهي في 31 ديسمبر من السنة التالية.

Article 31

المادة (31)

The Board or its designee must, at least one month before the annual Ordinary General Assembly prepare, in respect of each financial year, the balance sheet of the Company and the profit and loss account. The Board or its designee must also prepare a report concerning the activities of the Company during the financial year, its financial standing as at the end of that year, and the manner in which it proposes that the net profits shall be distributed. The Board shall send a copy of the balance sheet and the profit and loss account along with a report from the Board to the Executive Council.

على المجلس أو من يفوضه بذلك أن يعد عن كل سنة مالية قبل الاجتماع السنوي للجمعية العمومية العادية بشهر على الأقل ميزانية الشركة وحساب الأرباح والخسائر، وعلى المجلس أو من يفوضه بذلك أيضاً أن يعد تقريراً عن نشاط الشركة خلال السنة المالية وعن مركزها المالي في ختام السنة ذاتها والطريقة التي يقترحها لتوزيع الأرباح الصافية وترسل صورة من الميزانية وحساب الأرباح والخسائر وتقرير المجلس إلى المجلس التنفيذي.

المادة (32)

Article 32

ما لم يقرر المجلس خلاف ذلك، لا يتوجب على الشركة انشاء أي احتياطي من الأرباح السنوية. ولا تخضع الشركة لأحكام المواد (192) و (193) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له.

Unless the Board resolves otherwise, the company shall not be required to create any reserve from the annual profits. The Company shall not be subject to articles (192) and (193) of the Federal Law No. (8) of 1984 concerning Commercial Companies as amended.

المادة (33)

Article 33

توزع الأرباح السنوية وفقا لما يُقررهُ المجلس مع مراعاة السيولة النقدية المتوفرة لدى الشركة والإدارة المالية الفعالة. ولا تخضع الشركة لأحكام المادة (194) من قانون الشركات.

The annual profits shall be distributed according to the decisions of the Board whilst taking into consideration the availability of cash and sound financial management. The Company shall not be subject to article (194) of the Companies Law.

المادة (34)

Article 34

تدفع حصص الأرباح إلى المساهمين في المكان والمواعيد التي يحددها المجلس. ولن تدفع الشركة أية فوائد على الأرباح.

Dividends on profits shall be paid to the shareholders at the time and place specified by the Board. The Company will not pay any interest on dividends.

الباب الثامن
في المنازعات

Part Eight
Disputes

المادة (35)

Article 35

لا يترتب على أي قرار يصدر عن الجمعية العمومية سقوط دعوى المسؤولية المدنية ضد أعضاء المجلس بسبب الأخطاء التي تقع منهم في ممارسة اختصاصاتهم، وإذا كان الفعل الموجب للمسؤولية قد عرض على الجمعية العمومية بتقرير من المجلس أو مدقق الحسابات وصادقت عليه فإن دعوى المسؤولية تسقط بمضي سنة من تاريخ انعقاد الجمعية. ومع ذلك إذا كان الفعل المنسوب إلى أعضاء المجلس يكون جريمة جنائية فلا تسقط دعوى المسؤولية إلا بسقوط الدعوى العمومية.

No resolution of a General Assembly releasing the Board of liability shall result in the lapse of any claim of civil liability because of mistakes committed by any of them in exercising their functions, but if the act giving rise to liability has been placed before the General Assembly by a report from the Board or the auditor of accounts, and has been approved, the claim of liability shall lapse (cease to be effective) upon the expiration of one year from the date of the convening of the General Assembly. Nevertheless, if the act attributed to the members of the Board amounts to a criminal offence, the claim of liability shall not lapse unless the criminal liability suit ceases to be effective.

Article 36

The Company shall (to the extent of its assets) indemnify each member of the Board against any liability (with the exception of criminal liability) incurred by him arising from or in relation to or in connection with the performance of his duties to the Company provided that such person was acting in good faith, and in a manner he reasonably believed to be in, or at least not contrary to, the best interests of the Company, and provided further that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged by a Competent Court to be liable to the Company.

المادة (36)

تعوض الشركة في حدود موجوداتها مسؤولة عن [illegible] أي عضو في المجلس، وأي مدير في الشركة عن أية مسؤولية يتحملها (باستثناء المسؤولية الجنائية) نتيجة لـ أو متصلة أو لها علاقة بالقيام بواجباته، شريطة أن يكون ذلك الشخص قد قام بذلك بحسن نية ونتيجة لاعتقاده المعقول أن ما قام به إنما هو لصالح أو على الأقل لا يتعارض مع مصالح الشركة، مع مراعاة أن ذلك الشخص لا يستحق أي تعويض بخصوص أية مطالبة أو مسألة ثبتت مسؤوليته عنها تجاه الشركة بمقتضى حكم صادر من محكمة مختصة.

Part Nine
Dissolution and Liquidation of the Company

الباب التاسع
في حل الشركة وتصفيتها

Article 37

The Company may not be dissolved except by a Law, Decree or a resolution of the Executive Council.

المادة (37)

لا تحل الشركة إلا بقانون أو مرسوم أو بموجب قرار من المجلس التنفيذي.

Article 38

In the event the Company's losses amount to at least half the capital of the Company, the Board shall represent the matter to the Executive Council to consider the continuation or dissolution of the Company.

المادة (38)

إذا بلغت خسائر الشركة على الأقل نصف رأس المال وجب على المجلس عرض الأمر على المجلس التنفيذي لتقدير النظر في استمرار الشركة أو حلها.

Part Ten
Final Provisions

الباب العاشر
أحكام ختامية

Article 39

المادة (39)

The provisions of the Companies Law (8) [illegible] shall apply to the extent that there is no relevant special provision in these Articles of Association or is impliedly excepted.

تطبق أحكام القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له فيما لم يرد في شأنه نص خاص في هذا النظام أو يستثنى منها ضمناً.

هذا النظام الأساسي، أو تم استثناؤه ضمنياً.

المادة (40)

لما لم يقض السياق بخلاف ذلك، لا يعتبر نفاذ أي مادة من مواد هذا النظام الأساسي محدداً أو مقيداً بالإحالة على أو الاستنتاج من أي مادة أخرى. وفي حالة اعتبار أي مادة أو أي جزء منها غير قانونية أو غير نافذة، فإن ذلك لا يمس سلامة بقية المواد.

Article 40

Each of the Articles contained in these Articles of Association shall not except where the context otherwise requires, be in any way limited or restricted by reference to or inference from any other Article. Also, if any Article or any part of an Article shall be held to be illegal or unenforceable, the enforceability of the remainder of these Articles of Association.

المادة (41)

يودع هذا النظام وينشر طبقاً للقانون.

Article 41

These Articles shall be deposited and published in accordance with the Law.

شاهد أول: أحمد محمود الطوالبة

شاهد ثاني: عبد المجيد حسن بوكشان

وفاء وريدان
مترجم - الجنسية وباسبورت
دايناميك للترجمة
Dynamic Translation
Arabic - English & Vice Versa
Wafaa Wreidan

Resolution of the Board of Directors of Etihad Airways

قرار مجلس إدارة شركة الإتحاد للطيران

أشهد أنا الموقع على هذا المستند، بصفتي مترجماً قانونياً مرخصاً من وزارة العدل، بأن الترجمة المرفقة صحيحة و مطابقة للنص الأصلي
I, the signatory to this document, as a legal translator duly licensed and sworn in by the Ministry of Justice, do hereby certify that the enclosed translation is correct and identical to the orginal text.

Resolution of the Board of Directors of Etihad Airways

(a Public Joint Stock Company)

("Company")

قرار مجلس إدارة شركة الإتحاد للطيران

(شركة مساهمة عامة)

("الشركة")

Minutes of a meeting of the Board of Directors of the Company ("Board") held on Tuesday 11 November 2008

محضر اجتماع مجلس إدارة الشركة ("المجلس") المنعقد في يوم الثلاثاء 11 نوفمبر 2008.

Present:

الحضور:

1. H.H Dr. Sheikh Ahmed Bin Saif Al Nahyan, Chairman of the Board.
1- الشيخ/ أحمد بن سيف آل نهيان، رئيس المجلس.
2. H.H. Sheikh Sultan Bin Tahnoon Al Nahyan, Member of the Board.
2- الشيخ/ سلطان بن طحنون آل نهيان، عضو المجلس
3. H.E Dr. Jauan Salem Al-Dhaheri, Member of the Board.
3- معالي/ د. جوعان سالم الظاهري، عضو المجلس.
4. H.E. Ahmed Ali Al Sayegh, Member of the Board.
4- سعادة/ أحمد علي الصايغ، عضو المجلس.
5. H.E. Hamad Abdullah Al-Shamsi, Member of the Board.
5- سعادة/ حمد عبدالله الشامسي، عضو المجلس.
6. Mr. Khalifa Sultan Al-Suwaidi, Member of the Board.
6- سعادة/ خليفة سلطان السويدي، عضو المجلس.
7. Mr. Mohamed Hareb Al-Yousef, Member of the Board.
7- سعادة/ محمد حارب اليوسف، عضو المجلس.

Apologies: None

المعتذرون: لا أحد

1. Quorum/Agenda

1- النصاب/الأجندة

The Chairman opened the meeting and noted the requisite quorum of the Directors present, he welcomed those present. He commenced discussion of the business of the Meeting in accordance with the Agenda of approving the increasing the share capital of the company.

افتتح رئيس المجلس الاجتماع ودوّن النصاب اللازم لأعضاء مجلس الإدارة الحاضرين، ورحب بالحاضرين. بدأ رئيس المجلس نقاش أعمال الاجتماع بالموافقة على زيادة رأس مال الشركة.

2. Approval of the Increase of the Share Capital.

According to the Resolution No. (53) of 2008 of H.H the Crown Prince, the Chairman of the Executive Council approving the increase of the contribution of the Government of Abu Dhabi in the Company's share capital, and being the best interest of the Company the members of the Board unanimously resolved that:

(a) Increase the share capital of the Company to Twenty Three Billion Nine Hundred and Seventeen Million Nine Hundred and Seven Thousand one Hundred Dirham only (AED 23,917,907,100).

(b) Amending Article (6) of the Company's Articles of Association to be as follows:

"The share capital of the Company has been set at the amount of Twenty Three Billion Nine Hundred and Seventeen Million Nine Hundred and Seven Thousand One Hundred Dirham (AED 23,917,907,100) divided into Two Hundred Thirty Nine Million One Hundred Seventy Nine Thousand and Seventy One shares (239,179,071) having a nominal value of One Hundred Dirham (AED 100) for each share, all of which are nominal shares. The Company shall not be subject to Article (205) of the Companies Law."

(c) Approving the attached Articles of Association which shall be notarised before the Notary Public.

2. زيادة رأس مال الشركة.

بموجب قرار سمو ولي العهد رئيس المجلس التنفيذي رقم (53) سنة 2008 بالموافقة على زيادة مساهمة حكومة أبوظبي في الشركة ووفقا لما تقتضيه مصلحة الشركة واستجابة لمتطلبات نمو وتطوير الشركة وبعد التداول قرر الأعضاء بالإجماع على ما يلي:

(أ) زيادة رأس مال الشركة ليصبح ثلاثة وعشرين مليارا وتسعمائة وسبعة عشر مليونا وتسعمائة وسبعة آلاف ومائة درهم فقط (23.917.907.100 درهم)

(ب) تعديل المادة 6 في النظام الأساسي للشركة لتصبح على النحو الآتي:

"حدد رأس مال الشركة بمبلغ ثلاثة وعشرين مليارا وتسعمائة وسبعة عشر مليونا وتسعمائة وسبعة آلاف ومائة درهم إماراتي (23.917.907.100 درهم) موزع على مائتان وتسعة وثلاثون مليونا ومائة وتسعة وسبعون ألف وواحد وسبعون سهما (239.179.071) بقيمة اسمية قدرها مائة درهم (100 درهم) لكل سهم وجميعها أسهم اسمية ولا تخضع الشركة لأحكام المادة (205) من قانون الشركات."

(ج) اعتماد النظام الأساسي المرفق بهذا القرار والمصادقة عليه من الكاتب العدل.

3. Closure

There being no matters of other business raised and no further business, the Chairman declared the Meeting closed.

ونظراً لأنه لم تعد هناك أية أمور أخرى مطروحة للنقاش، أعلن الرئيس انتهاء الاجتماع.

الدكتور/ أحمد بن سيف آل نهيان
رئيس مجلس إدارة الشركة
Dr. Ahmed bin Saif Al Nahyan
Chairman of the Board

Signed in the presence of:

وقعها بحضور:

Witness

شاهد

Witness

شاهد

إمارة أبوظبي
دائرة القضاء - محكمة أبوظبي الابتدائية
الكاتب العدل - مبنى بلدية أبوظبي (٦)
توثيق رقم ٢٠٩/
إنه في يوم ... الموافق ٢٠٠٩/٤/٢٠
حضر
بموجب
الرسوم ... درهم بالإيصال رقم
وقد أقر بعلمه بمحتوى هذا المستند المؤلف من صفحة و وقع عليه بعد استيفاء الإجراءات

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AFFIDAVIT

إقرار كتابي مشفوع بقسم

دائرة القضاء - أبوظبي
إدارة الكاتب العدل والتوثيق
قسم الكاتب العدل
Notary Public & Attestation Division
Emirate of Abu Dhabi - Judicial Department

أشهد أنا الموقع على هذا المستند، بصفتي مترجماً قانونيا مرخصاً من وزارة العدل، بأن الترجمة المرفقة صحيحة و مطابقة للنص الأصلي

I, the signatory to this document, as a legal translator duly licensed and sworn in by the Ministry of Justice, do hereby certify that the enclosed translation is correct and identical to the original text.

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DUBAI Tel. : 04-3513501– Fax : 04-3513502 /3– P.O.Box : 33659
Website : www.dynamic4translation.com *E-mail : info@d4t.ae*

الإتحاد
ETIHAD
AIRWAYS

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عربي - انجليزي وبالعكس
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AFFIDAVIT

إقرار كتابي مشفوع بقسم

In the matter of the Companies Act, Cap. 50.

and

In the matter of **ETIHAD AIRWAYS PJSC**

في مسألة قانون الشركات ، العنوان رقم (٥٠).

و

في مسألة الإتحاد للطيران ش.م.ع

I, James Hogan, holder of Australian Passport No E3024660 of 15 Marina Village, Abu Dhabi, United Arab Emirates hereby solemnly swear and say that:

أنا جيمس هوجن ، حامل جواز السفر الأسترالي رقم E3024660، وعنواني ١٥ مارينا فيليج، أبوظبي، الإمارات العربية المتحدة ، أقسم بموجب هذا وأفيد:

1. I am the Chief Executive Officer of ETIHAD AIRWAYS PJSC (the "Company") a company incorporated in Abu Dhabi, United Arab Emirates.

١. بأنني الرئيس التنفيذي لشركة الأتحاد للطيران ش.م.ع. ("الشركة")، شركة تأسست في إمارة أبوظبي، الإمارات العربية المتحدة.

2. The document annexed hereto and marked "A" is a true and faithful copy of the amended Articles of Association of the Company, the original of which was filed and registered with Abu Dhabi Chamber of Commerce & Industry.

٢. ان المستند المرفق طيه (الملحق أ) هو صورة طبق الاصل من ملحق تعديل عقد تأسيس الشركة حيث ان المستند الاصلي قد تم ايداعه وتسجيله لدى غرفة تجارة وصناعة ابوظبي.

Emirate of Abu Dhabi - Judicial Department
Notary Public & Attestation Division

الإتحاد
ETIHAD
AIRWAYS

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مترجم معتمد للترجمة
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Affirmed by the abovenamed at Abu Dhabi, United Arab Emirates, this 7 day of February 2010.

تم التأكيد من جانب المذكور أعلاه في أبوظبي، في هذا اليوم ٧ من فبراير ٢٠١٠.

Before me, Saif Bani Rasheed, Notary Public.

أمامي أنا، سيف بني رشيد – الكاتب العدل.

الإتحاد للطيران ش.م.ع.
ETIHAD
James Hogan
C.E.O
ETIHAD AIRWAYS P.J.S.C.

جيمس هوجن
الرئيس التنفيذي
James Hogan
Chief Executive Officer

Witness شاهد

Witness شاهد

إمارة أبوظبي
دائرة القضاء - إدارة الكاتب العدل
الكاتب العدل - فرع بلدية أبوظبي (٦)
توثيق رقم ١٩٥٤ / ٢٠١١
إنه في يوم ٤ الموافق ٤ / ٨ / ٢٠١١
حضر
بموجب
الرسوم ٧٠ درهم بالايصال رقم
وقد أفاد بعلمه بمحتوى هذا المستند المؤلف من صفحة و وقع عليه بعد استيفاء الإجراءات

إدارة الكاتب العدل
الكاتب العدل / بيرقدار عبد الرزاق بني رشيد

الإتحاد للطيران ش.م.ع.
ETIHAD
ETIHAD AIRWAYS

1150/=

United Arab Emirates
Ministry of Foreign Affairs
Consular Department
Attestation Section

دولة الإمارات العربية المتحدة
وزارة الخارجية
إدارة الشؤون القنصلية
قسم التصديقات

No. :

الرقم

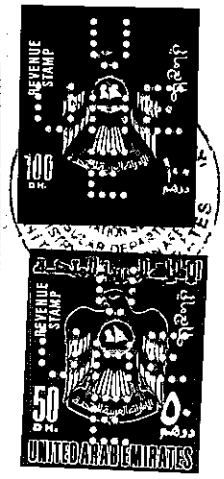
Date 07 FEB 2010

التاريخ

تصادق على صحة توقيع وختم

دون تحمل الوزارة أية مسؤولية تجاه المحتويات

وكيل وزارة الخارجية



EMBASSY OF THE REPUBLIC OF SINGAPORE
ABU DHABI

Abdul Rahman Bin Hasan
Third Secretary
(Administration and Consular)

07 FEB 2010

الإتحاد
ETIHAD
AIRWAYS

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مترجم - انجليزي وبالعكس
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Annexure "A"

الملحق "أ"

This is the Annexure marked "A" referred to in the Affidavit of James Hogan declared this 7 day of February 2010.

هذا الملحق "أ" المشار إليه في الإقرار المشفوع بقسم المقدم من السيد جيمس هوجن في هذا اليوم ٧ من فبراير ٢٠١٠.

Before me, Saif Bani Rasheed, Notary Public

أمامي أنا، سيف بني رشيد – الكاتب العدل

الإتحاد ETIHAD James Hogan C.E.O ETIHAD AIRWAYS P.J.S.C.

جيمس هوجن
الرئيس التنفيذي
James Hogan
Chief Executive Officer

Witness شاهد

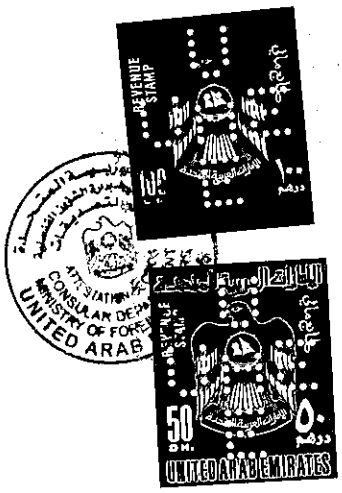
Witness شاهد

إمارة أبوظبي
دائرة القضاء - إدارة الكاتب العدل
الكاتب العدل - فرع بلدية أبوظبي (٦)
توثيق رقم ..... / ٢٠١٠
إنه في يوم ..... الموافق ٧/٢/٢٠١٠
حضر .....
بموجب .....
الرسوم ..... درهم بالايصال رقم .....
وقد أفاد بعلمه بمحتوى هذا المستند المؤلف من ..... صفحة و وقع عليه بعد استيفاء الإجراءات

إدارة الكاتب العدل
الكاتب العدل / سيف عبد الرزاق بني رشيد

الإتحاد للطيران
الإتحاد ETIHAD
ETIHAD AIRWAYS

1150F



United Arab Emirates
Ministry of Foreign Affairs
Consular Department
Attestation Section

دولة الإمارات العربية المتحدة
وزارة الخارجية
إدارة الشؤون القنصلية
قسم التصديقات

No. :

الرقم:

Date 07 FEB 2010

التاريخ:

نصادق بمن صحة توقيع وختم
الاكاد للطيران
دون تحمل الوزارة أية مسؤولية تجاه المحتويات
وكيل وزارة الخارجية

EMBASSY OF THE REPUBLIC OF SINGAPORE
ABU DHABI

Abdul Rahman Bin Hasan
Third Secretary
(Administration and Consular)
07 FEB 2010

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النظام الأساسي

ARTICLES OF ASSOCIATION

الاتحاد للطيران

ETIHAD AIRWAYS

شركة مساهمة عامة

PUBLIC JOINT STOCK COMPANY

إدارة الكاتب العدل
الكاتب العدل - فرع بلدية أبوظبي

Articles of Association
of
Etihad Airways
(a Public Joint Stock Company)

النظام الأساسي
الاتحاد للطيران
(شركة مساهمة عامة)

Part One
Company Incorporation and Definitions

الباب الأول
في تأسيس الشركة والتعاريف

Article 1

المادة (1)

1. In accordance with Law No.1 of 2003 as amended by Law No 8 of 2004, the provisions of these Articles of Association and Federal Law No. (8) of 1984 Concerning Commercial Companies as amended (the "Companies Law") a public joint stock company has been established in the Emirate of Abu Dhabi.

1. تأسست بموجب أحكام القانون رقم (1) لسنة 2003 شركة الاتحاد للطيران والمعدل بموجب القانون رقم (8) لسنة 2004 وأحكام هذا النظام الأساسي والقانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له (ويُشار إليه لاحقاً بقانون الشركات) شركة مساهمة عامة في إمارة أبوظبي.

2. In these Articles of Association, unless contrary to the context or meaning thereof, the following expressions shall have the meanings ascribed thereto respectively as follows:

2. يكون للتعابير التالية في النظام الأساسي هذا المعاني المبينة قرين كل منها ما لم يشير سياق النص أو المعنى إلى خلاف ذلك:

Amiri Decree means an Abu Dhabi Decree relating to the Board of the Company and any of its members;

"المرسوم الأميري" يعني المرسوم الأميري لإمارة أبوظبي بشأن مجلس إدارة الشركة أو أي من أعضائه؛

Board means the Board of the Company consisting of the Directors from time to time;

"المجلس" يعني مجلس إدارة الشركة من حين إلى آخر؛

Companies Law means Federal Law No. (8) of 1984 regarding Commercial Companies and all decrees, decisions and regulations made or issued thereunder from time to time, and including all re-enactments from, reissuance, modifications, variations or alterations thereof for the time

"قانون الشركات" يعني القانون الاتحادي رقم (8) لعام 1984بشأن الشركات التجارية وتعديلاته وكافة المراسيم والقرارات واللوائح من وقت لآخر بموجب ذلك ويشمل كافة حالات إعادة التعديلات أو الإضافات أو

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being in force;

عليه النافذة من وقت لآخر؛

Company means Etihad Airways PJSC a public joint stock company, established in accordance with the Establishing Law;

"الشركة" تعني شركة الاتحاد للطيران شركة مساهمة عامة تم تأسيسها وفقاً للقانون التأسيسي؛

Establishing Law means Law No. 1 of 2003 as amended by Law No. 8 of 2004;

"القانون التأسيسي" يعني القانون رقم (1) لسنة 2003 كما تم تعديله بالقانون رقم (8) لسنة 2004؛

Executive Council means the Executive Council of the Emirate of Abu Dhabi;

"المجلس التنفيذي" يعني المجلس التنفيذي لإمارة أبوظبي؛

Executive Committee means the Executive Committee established by the Board pursuant to Article 15;

"اللجنة التنفيذية" تعني اللجنة التنفيذية المؤسسة من قبل المجلس بموجب المادة (15)؛

Law means an Abu Dhabi Law issued by the ruler of the Emirate of Abu Dhabi;

"القانون" يعني قانون إمارة أبوظبي صادر عن حاكم أبوظبي؛

Article 2

المادة (2)

The name of the Company is Etihad Airways a Public Joint Stock Company, hereafter referred to as the "Company".

اسم الشركة هو شركة الاتحاد للطيران شركة مساهمة عامة ويشار اليها لاحقاً بلفظ "الشركة".

Article 3

المادة (3)

The head office of the Company and its legal place of business shall be in the City of Abu Dhabi, Emirate of Abu Dhabi. The Board may establish branches, offices, or subsidiaries agencies of the Company in the United Arab Emirates or abroad.

مركز الشركة الرئيسي ومحلها القانوني في مدينة أبوظبي بإمارة أبوظبي ويجوز للمجلس أن ينشئ لها فروعاً أو مكاتب أو توكيلات أو تأسيس شركات تابعة للشركة في دولة الإمارات العربية المتحدة أو في خارجها.

Article 4

المادة (4)

The duration of the Company shall be one hundred (100) Gregorian years, commencing from the date announcing the establishment thereof, and shall thereafter automatically continue for consecutive similar periods unless a resolution is passed at an Extraordinary General Assembly terminating the Company.

مدة الشركة هي مائة (100) سنة ميلادية تبدأ من تاريخ إعلان تأسيسها. وتجدد بعد ذلك تلقائياً لمدد متعاقبة مماثلة ما لم يصدر قرار من الجمعية العمومية غير العادية بإنهاء الشركة.

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Article 5

The objects for which the Company is established are as follows:

1. The objects of the Company are: the acquisition, charter, operation and maintenance of aircraft, whatever the type; engaging all regular air transportation works, air services and carry out all actions necessary or related thereto, including engaging in ancillary services (such as road transportation, holiday packages, car rental and car hire with and without driver), transportation of passengers, cargo, goods and mail, the investment in passengers and cargo air transportation fields, and the facilities and utilities necessary to serve and complete the Company's objectives.

2. The Company shall achieve its objects, either directly or indirectly, and for this purpose it may carry on the following activities:

   a. Finance, acquire, invest in, operate and manage passenger and cargo aircraft;

   b. Purchase, sell, market, rent and charter passenger and cargo aircraft, arrange for necessary insurance for this purpose by licensed entities, and to enter into such contracts and agreements as are necessary or required for this purpose;

   c. Provide ground handling and [illegible] air services and to train technical staff in the aviation field;

المادة (5)

أغراض الشركة هي تملك واستئجار وتأجير الطائرات بمختلف أنواعها وتشغيلها وصيانتها والقيام بجميع أعمال النقل الجوي المنتظم والخدمات الجوية وكافة الأعمال اللازمة لها أو المتعلقة بها أو المرتبطة بها بما في ذلك نقل الأشخاص والحمولات والبضائع والبريد والاستثمار في مجالات النقل الجوي للركاب والبضائع والمرافق والمنافع اللازمة لخدمة أغراض الشركة أو استكمالها. وكذلك القيام بجميع الأعمال المرتبطة أو المتعلقة بذلك بما في ذلك النقل براً أو خدمات العطلات والرحلات المتكاملة وتأجير السيارات مع أو بدون سائق.

2- تهدف الشركة إلى تحقيق أغراضها سواء عن طريق القيام بها مباشرة أو غير مباشرة، ولها في سبيل ذلك أن تمارس الأعمال الآتية:

أ- تمويل وتملك واستثمار وتشغيل وإدارة طائرات نقل الركاب والبضائع؛

ب- شراء وبيع وتسويق وتأجير واستئجار طائرات نقل الركاب والبضائع وترتيب التأمين اللازم لذلك من خلال الجهات المرخصة، وكذلك إبرام العقود والاتفاقيات الضرورية أو المطلوبة لهذا الغرض؛

ج- خدمات المناولة الأرضية [illegible] الجوية وتدريب الكوادر [illegible] مجال الطيران؛

وفاء وليد الجابري
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Arabic, English & Vice Versa
Wafaa Wreidan
مكتب العدل - فرع بلدية أبوظبي

d. Devise, develop, review and propose any amendments to any such other rules and procedures as are deemed necessary by the Company and to place the same before the relevant authorities;

د- وضع وتطوير ومراجعة واقتراح تعديل أية أنظمة أو إجراءات أخرى تعتبرها الشركة ضرورية ورفعها للجهات المختصة؛

e. Acquire, participate in or hold share, stocks or any other interest, whether within or outside the Emirate, in companies and enterprises engaged in any of the Company's fields or to expand the same or to carry on activities similar to the activities carried on by the Company or which would assist the Company to achieve its objects both within or outside the Emirate and to finance such companies and enterprises;

هـ- حيازة أو المشاركة أو تملك حصص أو أسهم أو أية مصالح أخرى سواء داخل الإمارة أو خارجها في الشركات والمشاريع العاملة في أي مجال من مجالاتها أو التوسع فيه أو تنفيذ عمل مشابه للأعمال التي تقوم بها الشركة او التي من شأنها مساعدة الشركة في تحقيق أغراضها داخل الإمارة أو خارجها، وكذلك تمويل هذه الشركات والمشاريع؛

f. Ownership, management and investment in real estate and buildings in or outside the United Arab Emirates, this shall include carrying out all activities relating thereto;

و- التملك والإدارة والاستثمار في قطاع العقارات والمباني سواءً داخل أو خارج دولة الامارات العربية المتحدة، ويشمل ذلك ممارسة سائر النشاطات المرتبطة بها؛

g. Provision of management services and maintenance services for real estate and buildings whether in or outside the United Arab Emirates;

ز- تقديم خدمات الإدارة والصيانة للعقارات والمباني سواءً داخل أو خارج دولة الامارات العربية المتحدة؛

h. Construction, management, purchasing, ownership, selling, leasing, and development of all types of real estate and buildings including but not limited to: commercial and medical centres, hotels, buildings for educational and training purposes, residential, hospitality, [illegible] administrative [illegible] compounds whether [illegible]

ح- الإنشاء والإدارة والتملك والشراء والبيع والتأجير والتطوير لجميع أنواع العقارات والمباني، بما في ذلك على سبيل المثال لا الحصر: المراكز التجارية والطبية والمباني التعليمية والتدريبية والمجمعات السكنية والصحية ومجمعات الرفاهية والمجمعات سواءً داخل أو خارج

outside the United Arab Emirates;

الامارات العربية المتحدة؛



l. Construction, ownership, and purchasing, management, operation, selling, leasing, renting hotels and tourist sites and recreational centres, sports centres and industrial plants whether in or outside the United Arab Emirates;

ط- البناء والتملك والشراء والإدارة والتشغيل والبيع والتأجير والاستئجار للفنادق والمنتجعات السياحية والترفيهية والمراكز الرياضية .والمنشآت الصناعية سواءً داخل أو خارج دولة الامارات العربية المتحدة؛

j. Ownership and grant of any concessions or outsourcing or leases or investments or any other rights relating to aircrafts, development or investment in any real estate or buildings owned or managed by or being invested by the Company;

ي- التملك والمنح لأي امتيازات أو إيجارات أو استثمارات أو تعهيد أو أية حقوق أخرى متعلقة بالطائرات، وتطوير أو الاستثمار في أي من العقارات والمباني التي تملكها أو تديرها أو تستثمرها الشركة؛

k. Ownership, purchasing, selling, management, leasing any transport media;

ك- شراء وبيع وتملك واستئجار وتأجير وإدارة أية من وسائل النقل؛

l. Establishment and participation in companies, all types of investment funds, derivative products and operation, fund raising or investing in the above mentioned activities or companies or any other activity in or outside the United Arab Emirates;

ل- التأسيس أو المساهمة أو المشاركة في الشركات والصناديق الاستثمارية بكافة أنواعها والمشاريع العاملة أو التمويل أو الاستثمار في الأنشطة والشركات المذكورة أعلاه أو غيرها من الأنشطة سواء داخل أو خارج دولة الامارات العربية المتحدة؛



m. Ownership and operation of any of the above activities or projects in or outside the United Arab Emirates;	م- تملك وإدارة الأنشطة والمشاريع المذكورة آنفاً سواء داخل أو خارج دولة الامارات العربية المتحدة؛
n. Carrying-out research, development and deployment activity including owning and licensing of patents and all intellectual property rights and provide all types of consultations or engage in any activity of whatsoever nature that may, in the opinion of the Board of the Company, be associated with or complimentary to any of the main activities of the Company or which may directly or indirectly increase the value of the assets of the Company or increase its profitability or support the interests of the Company or its shareholders;	ن- مزاولة أعمال البحث والتطوير والتجميع والتجهيز وتملك وترخيص براءات الاختراع وجميع حقوق الملكية الفكرية وتقديم الاستشارات بمختلف أنواعها أو أيّ عمل أو نشاط والقيام بأيّ شيء أو نشاط مهما كانت طبيعته والذي يكون، وفقاً لرأي المجلس مرتبطاً أو تابعاً لأيّ من أغراض الشركة، أو من شأنه سواء بشكل مباشر أو غير مباشر أن يعزز قيمة أو زيادة ربحية كل أو أيّ من ممتلكات الشركة أو موجوداتها أو التي تدعم مصالح الشركة أو المساهمين فيها؛
o. Carrying-out any activity that the Board of the Company deem necessary to enable the Company to achieve any of its above mentioned activities (or which may be considered subsidiary thereof);	س- القيام بكافة الأعمال التي تؤدي وفقاً لرأي المجلس إلى تحقيق كل أو أي من الأغراض المنوه عنها أعلاه أو تعد تابعة لها؛
p. The Company may have an interest in, or may participate, in any manner, with other authorities or companies engaged in a business which is similar to the business of the Company or that may assist the Company in achieving its Objects in or outside the United Arab Emirates. The Company may	ع- ويجوز للشركة أن تكون لها مصلحة أو ان تشترك بأي وجه مع غيرها من الهيئات أو الشركات التي تزاول أعمالاً شبيهة بأعمالها أو التي قد تعاون على تحقيق أغراضها داخل أو خارج دولة الامارات العربية المتحدة ولها أن تشتري

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merge with or acquire such authorities or companies.

الهيئات أو الشركات أو أن تلحقها بها.

The Objects and powers of the Company set forth in the above paragraphs shall be interpreted in a non-restrictive fashion and in their broadest meanings. It shall be permissible for the Company to carry out its Objects and to exercise its aforesaid authorities in any geographical territory in or outside the United Arab Emirates. It may also, expand, modify or amend these Objects in any manner from time to time by a resolution of the Extraordinary General Assembly of the Company pursuant to the terms of these Articles of Association.

أغراض وصلاحيات الشركة المنصوص عليها في الفقرات أعلاه بشكل غير مقيد وبأوسع معانيها، ويجوز للشركة أن تحقق أغراضها وتمارس صلاحياتها المذكورة في أي اقليم جغرافي داخل أو خارج دولة الإمارات العربية، كما يجوز للشركة توسيع هذه الأغراض وتغييرها وتعديلها بأي طريقة من وقت لآخر بقرار من الجمعية العمومية غير العادية طبقاً لأحكام هذا النظام الأساسي.

Part Two

The Capital

الباب الثاني
في رأس مال الشركة

Article 6

المادة (6)

The share capital of the Company has been set at the amount of Twenty Three Billion Nine Hundred and Seventeen Million Nine Hundred and Seven Thousand one Hundred Dirham (AED 23,917,907,100) divided into Two Hundred Thirty Nine Million One Hundred Seventy Nines Thousand and Seventy One shares (239,179,071) having a nominal value of One Hundred Dirham (AED 100) for each share, all of which are nominal shares. The Company shall not be subject to Article (205) of the Companies Law.

حدد رأس مال الشركة بمبلغ ثلاثة وعشرين ملياراً وتسعمائة وسبعة عشر مليوناً وتسعمائة وسبعة آلاف ومائة درهم إماراتي (23.917.907.100 درهم) موزع على مائتان وتسعة وثلاثون مليوناً ومائة وتسعة وسبعون ألف وواحد وسبعون سهماً (239.179.071) بقيمة اسمية قدرها مائة درهم (100 درهم) لكل سهم وجميعها أسهم اسمية ولا تخضع الشركة لأحكام المادة (205) من قانون الشركات.

Article 7

المادة (7)

Unless the Executive Council of the Emirates of Abu Dhabi resolves otherwise, ownership of the shares in the Company shall be directly or indirectly held by the Government of the Emirate of Abu Dhabi.

ما لم يقرر المجلس التنفيذي خلاف ذلك بقرار منه، تقتصر ملكية الأسهم في الشركة بصورة مباشرة أو غير مباشرة على حكومة إمارة أبوظبي.

Article 8

المادة (8)

The Government of the Emirate of Abu Dhabi has paid the full nominal value

قامت حكومة إمارة أبوظبي بسداد

the shares.

هذه الأسهم.

Article 9

The Company shall not be subject to the following Articles of Federal Law No. (8) of 1984 concerning Commercial Companies, as amended: (68), (73), (74), (75), (76), (77), (78), (79), (80), (81), (82), (83), (84), (85), (86), (87), (88), (89), (90), (111), (119), (120), (121), (122), (123), (124), (125), (126), (127), (128), (129), (130), (131), (132), (134), (135), (136), (137), (138), (139), (140), (141), (142), (143), (144), (199) , (202) and (206).

المادة (9)

تخضع الشركة لأحكام المواد (68) و(73) و(74) و(75) و(76) و(77) و(78) و(79) و(80) و(81) و(82) و(83) و(84) و(85) و(86) و(87) و(88) و(89) و(90) و(111) و(119) و(120) و(121) و(122) و(123) و(124) و(125) و(126) و(127) و(128) و(129) و(130) و(131) و(132) و(134) و(135) و(136) و(137) و(138) و(139) و(140) و(141) و(142) و(143) و(144) و(199) و(202) و(206) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له.

Article 10

The liability of the shareholders is limited to the value of their shareholding in the share capital of the Company, otherwise the shareholders shall not be responsible for any liabilities or losses that the Company incurs and the obligations of shareholders may not be increased without their unanimous consent.

المادة (10)

مسؤولية المساهمين في الشركة محدودة ولا يلتزم المساهمون بأية التزامات أو خسائر على الشركة إلا في حدود قيمة ما يملكون من أسهم في الشركة، ولا يجوز زيادة التزاماتهم إلا بموافقتهم الإجماعية.

Article 11

Each share shall confer upon the owner acceptance of the Articles of Association and the general assembly's resolutions. No shareholder may request that the amount they contributed be repaid.

المادة (11)

يترتب على ملكية السهم قبول المساهم للنظام الأساسي للشركة وقرارات جمعياتها العمومية، ولا يجوز للمساهم أن يطلب استرداد ما دفعه للشركة كحصة في رأس المال.

Article 12

The dividends due on a Share shall be paid to the holder thereof that was registered in the Register of Shares of the Company on the date that the General Assembly which resolved such distribution of dividends was convened. Such registered Shareholder shall have an exclusive right to payments made on the Share, whether in the form of an interest in profits or in the Company's assets upon liquidation.

المادة (12)

تدفع الشركة حصص الأرباح المستحقة عن السهم لآخر مالك مقيد اسمه في سجل الأسهم بالشركة في ذات اليوم المقرر لانعقاد الجمعية العمومية للشركة الذي تقرر فيه توزيع الأرباح بإكتمال النصاب القانوني، ويكون له وحده الحق في المبالغ المستحقة عن ذلك السهم سواء كانت حصصاً في الأرباح أو نصيباً في موجودات الشركة في حال تصفيتها.

Article 13

1. It shall be permissible to increase the capital of the Company by issuing new shares at the same nominal value as the original shares. A premium and subscription fee may also be added to the nominal value of the share.

2. It shall not be permissible to issue new shares at less than their nominal value, and if they are issued at a greater value the Board shall have the discretion to apply the difference in any way they see fit so as to enable the Company to attain its objects.

3. It shall be permissible to reduce the share capital after obtaining the approval of the Executive Council.

4. An increase in the share capital shall be by resolution of the Board of the Company.

5. The Company shall not be subject to the provisions of Articles 199 and 203 of the Companies Law.

Part Three

Loan Debentures

Article 14

1. The Board of the Company shall have the right to resolve to issue loan securities and/or sukuk, and to determine the conditions of issue thereof, and the extent of their convertibility into shares and to determine the amount, the purpose and terms and conditions of issue or issues as the Board deems fit. In all cases the conversion of bonds or sukuk into shares of the Company would result in an automatic increase in the share capital of the Company

المادة (13)

1- يجوز زيادة رأس مال الشركة بإصدار أسهم جديدة بنفس القيمة الاسمية للأسهم الأصلية كما يجوز إضافة علاوة ومصاريف إصدار للقيمة الاسمية للأسهم الأصلية.

2- ولا يجوز إصدار الأسهم الجديدة بأقل من قيمتها الاسمية، وإذا تم إصدارها بأكثر من ذلك كان للمجلس حق التصرف الكامل في الفرق في الأوجه التي يراها مناسبة لتمكين الشركة من تحقيق أغراضها.

3- يجوز تخفيض رأس مال الشركة بعد الحصول على موافقة المجلس التنفيذي.

4- تكون زيادة رأس المال بقرار من المجلس.

5- لا تخضع الشركة لأحكام المواد (199) و(203) من قانون الشركات.

الباب الثالث
في سندات القرض

المادة (14)

1. للمجلس ابرام اتفاقيات قرض مع البنوك والمؤسسات المالية لتمويل المشاريع وإصدار سندات قرض أو صكوك من أي نوع كانت وتحديد شروط الاصدار أو الاصدارات وقيمة السندات ومدى قابليتها للتحويل إلى أسهم وتحديد مبلغ وشروط وحالات هذا الإصدار أو الاصدارات وأسبابه، حسبما يراه المجلس مناسبا في هذا الصدد. وفي جميع الأحوال فإن تحويل السندات أو الصكوك إلى أسهم في الشركة يؤدي تلقائيا إلى زيادة رأس مال الشركة بقرار من مجلس ادارتها.

2. The Company shall not be subject to the provisions of Article (177), (179), (180), (181), (183), (184) and (186) of the Companies Law. The Board of Directors may issue bonds with a value that exceeds that of the Company's share capital at the time of issuing such bonds without the Board having to specify the method and conditions of issuing the bonds including the class or classes of persons who may subscribe in such bonds which include the conditioning of bond and/or Sukuk issue and issue conditions and method, manner and conditions of redemption and/or conversion to shares and who has such right to determine this

2. لا تخضع الشركة لأحكام المواد (177) و (179) و(180) و(181) و(182) و(183) و(184) و (186) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له ويجوز للمجلس إصدار سندات قرض تزيد قيمتها على رأس مال الشركة وقت إصدار هذه السندات دون الحاجة للحصول على أي ترخيص أو إذن أو اتخاذ أي إجراء آخر ويجوز للمجلس تحديد طريقة وشروط طرح السندات و/أو الصكوك بما في ذلك تحديد الفئة أو الفئات التي يمكن لها الاكتتاب بهذه السندات بما في ذلك الشروط الخاصة بذلك الطرح وطريقة وأسلوب وشروط استرداد السندات و/أو التحويل إلى أسهم ومن يملك حق تحديد ذلك.

Part Four

The Board of Directors of the Company

الباب الرابع
مجلس إدارة الشركة

Article 15

المادة (15)

1. The Company shall be managed by a Board appointed by Amiri Decree. Such decree shall determine their term and remuneration.

1- يقوم بإدارة الشركة مجلس يصدر بتعيينه وتحديد مدته ومكافآته مرسوم أميري.

2. The Company shall not be subject to Articles 96,98,99,101 of the Companies Law.

2- لا تخضع الشركة لأحكام المواد (96) و (98) و(99) و(101) من قانون الشركات.

3. The Company shall have an Executive Committee (the "Executive Committee") constituted by decision of the Board.

3- يكون للشركة لجنة تنفيذية تشكل بقرار من المجلس.

Article 16

المادة (16)

Each of the Chairman, the Vice Chairman and any other person authorised by the Board, shall be entitled to represent the Company before the courts and the signature of any of them shall be equivalent to the signature of the Board vis-a-vis third parties provided that they were acting within the powers delegated to each of them by the Board.

يمثل كل من رئيس المجلس ونائبه وكل من يفوضه المجلس مجتمعين أو منفردين الشركة أمام القضاء ويعتبر توقيع أي منهم كتوقيع المجلس في علاقة الشركة بالغير وذلك في حدود الصلاحيات التي يحددها المجلس لكل منهم.

Article 17

The Board may appoint, from amongst its members or from third parties, a managing director or chief executive officer and shall specify their responsibilities and remuneration. The Board of Directors may also form, from amongst its members and other third parties, one or more committees including the Executive Committee to which certain of the Board of Directors' authorities may be delegated, or which may be entrusted with supervising the conduct of the Company's business and the execution of the resolutions of the Board. The Board shall appoint from amongst its members or third parties a secretary to the Board and determine the authority of such secretary.

المادة (17)

للمجلس ان يعين من بين أعضائه او من الغير رئيساً تنفيذياً للشركة أو عضواً منتدباً لها وتحديد صلاحياته ومكافآته. للمجلس كذلك أن يشكل من بين أعضائه ومن الغير لجنة او أكثر من بينها اللجنة التنفيذية يمنحها بعض اختصاصاته أو يعهد إليها بمراقبة سير العمل بالشركة وتقديم الاستشارة إلى المجلس وتنفيذ قرارات المجلس. ويُعين المجلس مقرراً له من أعضائه أو من الغير ويحدد المجلس صلاحيات المقرر.

Article 18

1. The Board or its designee (including the Executive Committee) shall have all the powers and rights to perform all acts and things on behalf of the Company as the Company may be permitted to do for the management of the Company, and to engage in all actions and exercise all the necessary powers to achieve its goals. Such powers and actions shall not be limited except as provided by these Articles of Association or a resolution of the extraordinary general assembly of the Company. The Board or its designee (including the Executive Committee) has been expressly authorised, for the purposes of Article 103 of the Companies Law to enter into loan agreements having a period in excess of three (3) years, to sell the Company's real estate and its assets, mortgage the said real estate and assets and to release the liability of creditors of the Company and to enter into conciliations and agree arbitration, commence, defend, settle and withdraw any arbitration or legal proceedings.

المادة (18)

1- للمجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) كافة السلطات في إدارة الشركة والقيام بكافة الأعمال والتصرفات نيابة عن الشركة حسبما هو مصرح للشركة القيام به، وممارسة كافة الصلاحيات المطلوبة لتحقيق أغراضها. ولا يحد من هذه السلطات والصلاحيات إلا بما نص عليه صراحة في هذا النظام الأساسي أو بقرار من الجمعية العمومية غير العادية للشركة. كما تم تفويض المجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) صراحة ولأغراض المادة (103) من قانون الشركات بإبرام الاتفاقيات الخاصة بالقروض لمدة تتجاوز الثلاث (3) سنوات وبيع عقارات وأموال الشركة أو رهن هذه العقارات والأموال وإبراء ذمة مديني الشركة من التزاماتهم وإجراء المصالحات والاتفاق على التحكيم وإقامة الدعاوى القضائية وقضايا التحكيم وتسويتها وسحبها وتقديم الدفوع فيها.

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2. The Board or its designee (including the Executive Committee) may exercise all its authorities to utilise any of the Company's assets or funds to enable the Company to achieve its objectives. As such the Board or its designee (including the Executive Committee) may, for example, but not exclusively on behalf of and for the Company enter into agreements and contracts related to acquiring companies by the Company and investing in and managing and operating and maintaining such companies. The Board or its designee (including the Executive Committee) may appoint consultants and determine their remuneration and form of payment.

2- وللمجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) كافة السلطات والصلاحيات لإستخدام أي من موجودات الشركة وأموالها لتمكين الشركة من تحقيق أغراضها. فيجوز للمجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) على سبيل المثال لا الحصر نيابة عن وباسم الشركة إبرام الاتفاقيات والعقود الخاصة بشراء الشركات من قبل الشركة والاستثمار في تلك الشركات وإدارتها وتشغيلها وصيانتها. وللمجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) تعيين مستشارين له وللشركة وتحديد أتعابهم وسدادها.

3. The Board may not make any change in the nature of the Company's main business which, if made, would affect the ability of the Company to carry on its business in substantially the manner and substantially to the same extent as such business was carried on immediately prior to such disposition or change, unless such change has first been approved by the Executive Council.

3- لا يجوز للمجلس أن يغير في طبيعة نشاط الشركة الرئيسي إذا كان ذلك التغيير في النشاط جوهرياً أو من شأنه التأثير في قدرة الشركة بشكل أساسي على ممارسة نشاطها بنفس الطريقة وبنفس الدرجة السابقة مباشرة قبل ذلك التغيير، ما لم يكن ذلك التغيير قد أجيز بقرار من المجلس التنفيذي.

4. The Board or its designee (including the Executive Committee) shall be responsible for laying down the rules relating to administrative and financial matters, employee affairs and their entitlements, and shall likewise lay down a special regulation governing its business and meetings, and the distribution of functions and responsibilities amongst its members.

4- ويضع المجلس أو من يفوضه المجلس بذلك (بما في ذلك اللجنة التنفيذية) اللوائح المتعلقة بالشؤون الإدارية والمالية وشؤون الموظفين ومستحقاتهم المالية، كما يضع المجلس لائحة خاصة بتنظيم أعماله واجتماعاته وتوزيع الاختصاصات والمسؤوليات.

5. Each member, on appointment, of the Board shall declare to the Board any business dealings he may have with the Company and

5- يلتزم كل من أعضاء المجلس عند تعيينه كعضو في المجلس بالافصاح للمجلس عن أي تعامل خاص بينه وبين الشركة وأية تغييرات قد تطرأ على

must disclose any changes that may occur at any time.

Article 19

Subject always to the internal financial authorities and limits within the Company and to the decisions of the Board, the Chairman of the Board, the Vice Chairman, or other individual duly authorised by the Board shall individually have the right to sign on behalf of the Company.

المادة (19)

يحق التوقيع عن الشركة على انفراد كل من رئيس المجلس أو نائبه أو اي شخص آخر يفوضه المجلس في ذلك على أن يتم ذلك في جميع الأحوال ضمن الحدود المالية المقررة داخلياً في الشركة وتنفيذاً لقرارات المجلس.

Article 20

The Board shall convene at least once every three months at the head office of the Company or any other location to be agreed among the Directors within the UAE or abroad and upon notification by the Chairman or the Vice Chairman in the case of the former's absence, or upon the request of two members of the Board.

المادة (20)

يعقد المجلس اجتماعاته في المركز الرئيسي للشركة أو في اي مكان آخر داخل الدولة أو خارجها يوافق عليه أعضاء المجلس كلما دعت الحاجة إلى انعقاده بناء على دعوة الرئيس أو نائبه في حالة غيابه أو بناء على طلب عضوين من أعضاء المجلس ويجب أن يجتمع المجلس مرة كل ثلاثة أشهر على الأقل.

Article 21

1. No meeting of the Board shall be valid unless attended by a majority of its members and it shall be permissible for a member of the Board to appoint another member of the Board to vote at the said meeting in which case such member shall have two (2) votes; provided that no member of the Board may hold more than one proxy at any particular meeting of the Board. A member of the Board shall be considered present if he attends in person or via teleconferencing or any other audiovisual media such as video teleconferencing.

2. Resolutions of the Board shall be adopted by a majority of the members present, in person or by proxy. In the case of a tie, the Chairman of the meeting shall have a casting vote.

3. The minutes of the meetings of the Board shall be kept in a special file

المادة (21)

1. لا يكون اجتماع المجلس صحيحاً إلا بحضور أغلبية أعضائه، ويجوز لعضو المجلس أن ينيب عنه غيره من أعضاء المجلس في التصويت، وفي هذه الحالة يكون لهذا العضو صوتان، ولا يجوز أن ينوب عضو المجلس عن أكثر من عضو واحد ويعتبر عضو المجلس حاضراً إذا كان حضوره شخصياً أو عن طريق الهاتف أو من خلال أية وسيلة مرئية كالفيديو الهاتفي.

2. وتصدر قرارات المجلس بأغلبية أصوات الأعضاء الحاضرين والممثلين وإذا تساوت الأصوات رجح الجانب الذي منه رئيس الاجتماع أو من يقوم مقامه.

3. يعد ملف خاص تحفظ فيه محاضر اجتماعات المجلس ويوقع عليها

The minutes shall be signed by the chairman of the meeting and the secretary to the Board. A dissenting member may register his opinion in such minutes. Such minutes may be prepared in either Arab or English or both languages.

الاجتماع ومقرر المجلس، ويجوز للعضو المعارض إثبات رأيه في المحضر. وتدون محاضر الاجتماعات باللغة العربية أو الانجليزية أو باللغتين معاً.

4. Any member of the Board who has a personal interest in any business or matter presented in the Board for discussion or approval must disclose such interest to the Board, and this must be recorded in the minutes. Such member may not vote on the resolution pertaining to the relevant business or matter.

4. يجب على أي عضو من أعضاء المجلس تكون له مصلحة خاصة في أي معاملة أو مسألة مطروحة على المجلس لمناقشتها والموافقة عليها أن يخطر المجلس بهذه المنفعة، ويجب أن تدون في محضر الاجتماع، ولا يجوز لهذا العضو التصويت على القرار الخاص بهذه المعاملة أو المسألة المعنية.

5. Despite the provisions of the Companies Law and the provisions of these Articles of Association, a written resolution issued by the Board singed by all the members of the Board who are entitled to vote on that relevant resolution shall be effective and the same as a resolution passed in a duly held meeting of the Board.

5. وبالرغم مما ورد في قانون الشركات أو في هذا النظام الأساسي، يعتبر قرار المجلس الخطي والموقع عليه من قبل جميع أعضاء المجلس، ممن يحق لهم التصويت على ذلك القرار، نافذاً و صحيحاً وبمثابة قرار اتخذ في اجتماع المجلس تمت الدعوة إليه والعقد أصولاً.

Article 22

المادة (22)

The post of a member of the Board shall be deemed vacant upon the expiration of the term of his appointment as specified in the appointing Amiri Decree or earlier replacement by Amiri Decree. Nevertheless such member may, with the approval of the Board, continue to act as a member of the Board until a replacement is appointed.

يشغر منصب عضو المجلس عند انتهاء مدة تعيينه المحددة في المرسوم الأميري أو اعفائه من منصبه كعضو في المجلس قبل انتهاء مدة تعيينه ومع ذلك يجوز، بموافقة المجلس، أن يستمر ذلك العضو بمباشرة مهامه كعضو في المجلس لحين تعيين خلفاً له.

Article 23

المادة (23)

The Board shall have the right to appoint authorised representatives of the Company and to specify their powers, their employment terms, their salaries and their remuneration.

للمجلس الحق في أن يعين وكلاء مفوضين وأن يحدد صلاحياتهم وشروط خدماتهم ورواتبهم ومكافآتهم.

Article 24

المادة (24)

The Chairman of the Board and the

يكون رئيس المجلس وأعضاؤه مسؤولين

members thereof shall be liable vis-à-vis the Company and the shareholders and to others in respect of all acts of deceit, misuse of the authority granted to them and in respect of any wilful mismanagement. However members of the Board shall not be personally liable in connection with the undertakings of the Company by reason of their having carried out their duties as members of the Board to the extent they do not exceed the scope of their authorities.

الشركة والمساهمين والغير عن جميع أعمال الغش وإساءة استعمال السلطات الممنوحة لهم، كما يكونون مسؤولين عن أي خطأ عمدي وجسيم في الإدارة. ومع ذلك لا يكون أعضاء المجلس مسؤولين مسؤولية شخصية فيما يتعلق بالتزامات الشركة الناتجة عن قيامهم بواجباتهم كأعضاء في المجلس وذلك بالقدر الذي لا يتجاوزون فيه حدود سلطاتهم.

Article 25

The Company is not subject to the provisions of Article 118 of the Commercial Companies Law, as amended. Remuneration of the members of the Board shall be a set amount for each of them in the Amiri Decree appointing them or by a decision of the Executive Council. The Company may also provide any of its members with expenses, additional fees, or a monthly salary in the amount decided by the Board if that member is part of any committee, exerts special efforts, or undertakes additional duties over and above his ordinary duties as a member of the Board.

المادة (25)

لا تخضع الشركة لأحكام المادة (118) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له، ويتم تحديد مكافأة أعضاء المجلس بمرسوم تعيينهم أو بقرار من المجلس التنفيذي. كما يجوز أن تدفع الشركة مصاريف أو أتعاباً إضافية أو مرتباً شهرياً بالقدر الذي يقرره المجلس لأي عضو من أعضائه إذا كان ذلك العضو يعمل في أي لجنة أو يبذل جهوداً خاصة أو يقوم بأعمال إضافية لخدمة الشركة فوق واجباته العادية كعضو في المجلس.

Part Five
The General Assembly

Article 26

1. A duly constituted General Assembly shall represent all shareholders. It shall not be permissible to convene it except in Abu Dhabi, unless all the shareholders decide otherwise.

2. As long as all the shares are fully owned directly or indirectly by the Government of Abu Dhabi, the Board shall constitute the Ordinary and Extra ordinary General Assembly of the Company. The decisions of the Board of the Company in its capacity as the Ordinary or Extra-Ordinary General Assembly of the Company – as the case may be - shall not be valid and effective except after obtaining the prior written consent of the Executive Council in the following circumstances:

- Dissolving or merging or amalgamating the Company or selling more than 50% of its assets.
- Terminating the term of the Company
- Disposing of or selling any of the shares of the Company.
- Decreasing the share capital of the Company.

3. Notwithstanding the provisions of paragraph (2) of this Article, the shareholders shall constitute the general assembly of the company if the Government of Abu Dhabi assigns any of its shares in the Company to an entity which is not directly or indirectly wholly owned by the Government of Abu Dhabi.

4. Quorum and voting at Ordinary and

الباب الخامس
في الجمعية العمومية

المادة (26)

1- الجمعية العمومية المكونة تكوينا صحيحا تمثل جميع المساهمين ولا يجوز انعقادها إلا في مدينة أبوظبي.

2- ما دامت جميع الأسهم مملوكة بصورة مباشرة أو غير مباشرة بالكامل لحكومة إمارة أبوظبي يشكل المجلس الجمعية العمومية العادية وغير العادية للشركة ومع ذلك لا تعتبر قرارات المجلس بوصفه الجمعية العمومية العادية أو غير العادية للشركة - كما تكون عليه الحال - صحيحة ونافذة إلا بعد الحصول على موافقة خطية من المجلس التنفيذي في الحالات التالية:

- حل الشركة أو دمجها او اندماجها او بيع ما يزيد عن 50% من أصولها.
- انهاء مدة الشركة.
- التصرف أو بيع اي من أسهم الشركة.
- تخفيض رأسمال الشركة.

3- بالرغم مما ورد في البند (2) من هذه المادة، إذا تنازلت حكومة إمارة أبوظبي عن أي من أسهمها في الشركة لجهة غير مملوكة بصورة مباشرة أو غير مباشرة بالكامل من حكومة إمارة أبوظبي شكل المساهمون جمعيتها العمومية.

4- يتم تحديد نصاب الاجتماع والتصويت

Extra-ordinary General Assemblies of the Company shall be as determined by the Board in a resolution adopted by a majority of its members.

في الجمعيات العمومية العادية وغير العادية من قبل المجلس بموجب قرار يتم اعتماده من قبل أغلبية أعضائه.

Part Six
The Auditor

الباب السادس
في مراجع الحسابات

Article 27

المادة (27)

The Company shall have one or more auditors, appointed for a one-year renewable term by the Board, which shall determine their remuneration. The auditor shall audit the accounts for the fiscal year for which he was appointed. The Board shall also appoint internal auditor for the accounts of the Company.

يكون للشركة مدقق حسابات أو أكثر يعينه المجلس لمدة سنة قابلة للتجديد وتقدر أتعابه وعليه مراقبة حسابات السنة المالية التي عين لها، كما ويُعين المجلس مدققاً داخلياً لحسابات الشركة.

Article 28

المادة (28)

The auditor of accounts shall have the powers and obligations provided for in Federal Law No. 8 of 1984 concerning Commercial Companies as amended, and he shall in particular have the right at any time to examine all of the books, records and papers of the Company and other documents, and shall have the right to request any explanations as he deems necessary in order to discharge his functions. He shall likewise have the right to verify the assets and liabilities of the Company, and if he is unable to exercise those powers he shall give a statement to that effect in writing in a report to be submitted to the Board, and if the Board does not permit the auditor to carry out his functions, the auditor must send a copy of the report to the Ministry of Economy and Department of Planning and Economy in the Emirate of Abu Dhabi, and present it to the Executive Council.

تكون لمدقق الحسابات الصلاحيات وعليه الالتزامات المنصوص عليها في القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له، وله بوجه خاص الحق في الإطلاع في كل وقت على جميع دفاتر الشركة وسجلاتها ومستنداتها وغير ذلك من وثائق وله أن يطلب الإيضاحات التي يراها لازمة لأداء مهمته وله كذلك أن يتحقق من موجودات الشركة والتزاماتها، وإذا لم يتمكن من استعمال هذه الصلاحيات أثبت ذلك كتابة في تقرير يقدم إلى المجلس فإذا لم يقم المجلس بتمكين المدقق من أداء مهمته وجب عليه أن يرسل صورة من التقرير إلى وزارة الاقتصاد وإلى دائرة التخطيط والاقتصاد في إمارة أبوظبي، وأن يعرضه على المجلس التنفيذي.

Article 29

المادة (29)

The auditor of accounts shall present to the Ordinary General Assembly a report containing the particulars provided for in Article 150 of Federal Law No. 8 of 1984 concerning Commercial Companies as amended, and he must attend the General Assembly and shall, during such

يقدم مدقق الحسابات إلى الجمعية العمومية العادية تقريراً يشتمل على البيانات المنصوص عليها في المادة (150) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له، وعليه أن

meeting, express his opinion on everything concerning his work, and in particular the balance sheet of the Company. The auditor shall be responsible for the accuracy of the particulars set out in his report, and each member of the Board shall have the right to discuss the auditor's report, and to seek clarification from him on the matters contained therein.

ء وزيد الجمعية العمومية وأن يدلي في
جتماع برأيه في كل ما يتعلق بعمله وبوجه
ص في ميزانية الشركة ويكون المدقق
ولا عن صحة البيانات الواردة في تقريره
كل عضو من أعضاء المجلس أن يناقش
رير المدقق وأن يستوضحه عما ورد فيه.

Part Seven
The Company's Finance

الباب السابع
مالية الشركة

Article 30

المادة (30)

The Company must duly maintain accurate books of accounts in order to give a fair and accurate picture of the Company's state of affairs and to explain its operations. Such books shall be maintained in accordance with recognized international accounting standards. No shareholder shall be permitted to examine these books without the Board's authorization to do so.

على الشركة أن تحتفظ بدفاتر حسابات منتظمة حسب الأصول لإعطاء صورة صحيحة وعادلة عن وضع أعمال الشركة ولتفسير تعاملاتها وتحفظ هذه الدفاتر طبقاً للمبادئ المحاسبية المتعارف عليها والمطبقة دولياً، ولا يحق لأي مساهم في الشركة فحص دفاتر الحسابات تلك إلا بموجب تفويض بهذا المعنى صادر عن المجلس.

The Financial year of the Company shall commence on 1st January and end on 31st December each year, with the exception of the first financial year of the Company, which shall commence as from the date of its registration in the Commercial Register, and shall terminate on 31st December of the following year.

تبدأ السنة المالية للشركة من أول يناير وتنتهي في 31 ديسمبر من كل سنة ويستثنى من ذلك السنة المالية الأولى للشركة فتبدأ من تاريخ قيدها في السجل التجاري وتنتهي في 31 ديسمبر من السنة التالية.

Article 31

المادة (31)

The Board or its designee must, at least one month before the annual Ordinary General Assembly prepare, in respect of each financial year, the balance sheet of the Company and the profit and loss account. The Board or its designee must also prepare a report concerning the activities of the Company during the financial year, its financial standing as at the end of that year, and the manner in which it proposes that the net profits shall be distributed. The Board shall send a copy of the balance sheet and the profit and loss account along with a report from the Board to the Executive Council.

على المجلس أو من يفوضه بذلك أن يعد عن كل سنة مالية قبل الاجتماع السنوي للجمعية العمومية العادية بشهر على الأقل ميزانية الشركة وحساب الأرباح والخسائر، وعلى المجلس أو من يفوضه بذلك أيضاً أن يعد تقريراً عن نشاط الشركة خلال السنة المالية وعن مركزها المالي في ختام السنة ذاتها والطريقة التي يقترحها لتوزيع الأرباح الصافية وترسل صورة من الميزانية وحساب الأرباح والخسائر وتقرير المجلس إلى التنفيذي.

المادة (32)

ما لم يقرر المجلس خلاف ذلك، لا يتوجب على الشركة انشاء أي احتياطي من الأرباح السنوية. ولا تخضع الشركة لأحكام المواد (192) و (193) من القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له.

Article 32

Unless the Board resolves otherwise, the company shall not be required to create any reserve from the annual profits. The Company shall not be subject to articles (192) and (193) of the Federal Law No. (8) of 1984 concerning Commercial Companies as amended.

المادة (33)

توزع الأرباح السنوية وفقا لما يُقررهُ المجلس مع مراعاة السيولة النقدية المتوفرة لدى الشركة والإدارة المالية الفعالة. ولا تخضع الشركة لأحكام المادة (194) من قانون الشركات.

Article 33

The annual profits shall be distributed according to the decisions of the Board whilst taking into consideration the availability of cash and sound financial management. The Company shall not be subject to article (194) of the Companies Law.

المادة (34)

تدفع حصص الأرباح إلى المساهمين في المكان والمواعيد التي يحددها المجلس. ولن تدفع الشركة أية فوائد على الأرباح.

Article 34

Dividends on profits shall be paid to the shareholders at the time and place specified by the Board. The Company will not pay any interest on dividends.

الباب الثامن
في المنازعات

Part Eight
Disputes

المادة (35)

لا يترتب على أي قرار يصدر عن الجمعية العمومية سقوط دعوى المسؤولية المدنية ضد أعضاء المجلس بسبب الأخطاء التي تقع منهم في ممارسة اختصاصاتهم، وإذا كان الفعل الموجب للمسؤولية قد عرض على الجمعية العمومية بتقرير من المجلس أو مدقق الحسابات وصادقت عليه فإن دعوى المسؤولية تسقط بمضي سنة من تاريخ انعقاد الجمعية. ومع ذلك إذا كان الفعل المنسوب إلى أعضاء المجلس يكون جريمة جنائية فلا تسقط دعوى المسؤولية إلا بسقوط الدعوى العمومية.

Article 35

No resolution of a General Assembly releasing the Board of liability shall result in the lapse of any claim of civil liability because of mistakes committed by any of them in exercising their functions, but if the act giving rise to liability has been placed before the General Assembly by a report from the Board or the auditor of accounts, and has been approved, the claim of liability shall lapse (cease to be effective) upon the expiration of one year from the date of the convening of the General Assembly. Nevertheless, if the act attributed to the members of the Board amounts to a criminal offence, the claim of liability shall not lapse unless the criminal liability suit ceases to be effective.

Article 36

The Company shall (to the extent of its assets) indemnify each member of the Board against any liability (with the exception of criminal liability) incurred by him arising from or in relation to or in connection with the performance of his duties to the Company provided that such person was acting in good faith, and in a manner he reasonably believed to be in, or at least not contrary to, the best interests of the Company, and provided further that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged by a Competent Court to be liable to the Company.

المادة (36)

تلتزم الشركة في حدود موجوداتها مسؤولة عن تعويض أي عضو في المجلس، وأي مدير في الشركة عن أية مسؤولية يتحملها (باستثناء المسؤولية الجنائية) نتيجة لـ أو متصلة أو لها علاقة بالقيام بواجباته، شريطة أن يكون ذلك الشخص قد قام بذلك بحسن نية ونتيجة لاعتقاده المعقول أن ما قام به إنما هو لصالح أو على الأقل لا يتعارض مع مصالح الشركة. مع مراعاة أن ذلك الشخص لا يستحق أي تعويض بخصوص أية مطالبة أو مسألة ثبتت مسؤوليته عنها تجاه الشركة بمقتضى حكم صادر من محكمة مختصة.

Part Nine
Dissolution and Liquidation of the Company

الباب التاسع
في حل الشركة وتصفيتها

Article 37

The Company may not be dissolved except by a Law, Decree or a resolution of the Executive Council.

المادة (37)

لا تحل الشركة إلا بقانون أو مرسوم أو بموجب قرار من المجلس التنفيذي.

Article 38

In the event the Company's losses amount to at least half the capital of the Company, the Board shall represent the matter to the Executive Council to consider the continuation or dissolution of the Company.

المادة (38)

إذا بلغت خسائر الشركة على الأقل نصف رأس المال وجب على المجلس عرض الأمر على المجلس التنفيذي لتقدير النظر في استمرار الشركة أو حلها.

Part Ten
Final Provisions

الباب العاشر
أحكام ختامية

Article 39

المادة (39)

The provisions of the Companies Law No. (8) of 1984 shall apply to the extent that there is no relevant special provision in these Articles of Association or is impliedly excepted.

تطبق أحكام القانون الاتحادي رقم (8) لسنة 1984 في شأن الشركات التجارية والقوانين المعدلة له فيما لم يرد في شأنه نص خاص.

هذا النظام الأساسي، أو تم استثناؤه ضمنياً.

المادة (40)

ما لم يقض السياق بخلاف ذلك، لا يعتبر نفاذ أي مادة من مواد هذا النظام الأساسي محدداً أو مقيداً بالإحالة على أو الاستنتاج من أي مادة أخرى. وفي حالة اعتبار أي مادة أو أي جزء منها غير قانونية أو غير نافذة، فإن ذلك لا يمس سلامة بقية المواد.

Article 40

Each of the Articles contained in these Articles of Association shall not except where the context otherwise requires, be in any way limited or restricted by reference to or inference from any other Article. Also, if any Article or any part of an Article shall be held to be illegal or unenforceable, the enforceability of the remainder of these Articles of Association.

المادة (41)

يودع هذا النظام وينشر طبقاً للقانون.

Article 41

These Articles shall be deposited and published in accordance with the Law.

شاهد أول: أحمد محمود الحمود

شاهد ثاني: عبد المحسن حمد بوكدان

Resolution of the Board of Directors of Etihad Airways

قرار مجلس إدارة شركة الإتحاد للطيران

أشهد أنا الموقع على هذا المستند، بصفتي مترجماً قانونياً مرخصاً من وزارة العدل، بأن الترجمة المرفقة صحيحة و مطابقة للنص الأصلي
I, the signatory to this document, as a legal translator duly licensed and sworn in by the Ministry of Justice, do hereby certify that the enclosed translation is correct and identical to the orginal text.

Resolution of the Board of Directors of Etihad Airways

(a Public Joint Stock Company)

("Company")

قرار مجلس إدارة شركة الإتحاد للطيران

(شركة مساهمة عامة)

("الشركة")

Minutes of a meeting of the Board of Directors of the Company ("Board") held on Tuesday 11 November 2008

محضر اجتماع مجلس إدارة الشركة ("المجلس") المنعقد في يوم الثلاثاء **11** نوفمبر **2008**.

Present:

الحضور:

1. H.H Dr. Sheikh Ahmed Bin Saif Al Nahyan, Chairman of the Board.

1- الشيخ/ أحمد بن سيف آل نهيان، رئيس المجلس.

2. H.H. Sheikh Sultan Bin Tahnoon Al Nahyan, Member of the Board.

2- الشيخ/ سلطان بن طحنون آل نهيان، عضو المجلس

3. H.E Dr. Jauan Salem Al-Dhaheri, Member of the Board.

3- معالي/ د. جوعان سالم الظاهري، عضو المجلس.

4. H.E. Ahmed Ali Al Sayegh, Member of the Board.

4- سعادة/ أحمد علي الصايغ، عضو المجلس.

5. H.E. Hamad Abdullah Al-Shamsi, Member of the Board.

5- سعادة/ حمد عبدالله الشامسي، عضو المجلس.

6. Mr. Khalifa Sultan Al-Suwaidi, Member of the Board.

6- سعادة/ خليفة سلطان السويدي، عضو المجلس.

7. Mr. Mohamed Hareb Al-Yousef, Member of the Board.

7- سعادة/ محمد حارب اليوسف، عضو المجلس.

Apologies: None

المعتذرون: لا أحد

1. Quorum/Agenda

1- النصاب/الأجندة

The Chairman opened the meeting and noted the requisite quorum of the Directors present, he welcomed those present. He commenced discussion of the business of the Meeting in accordance with the Agenda of approving of the increasing the share capital of the company

افتتح رئيس المجلس الاجتماع ودوّن النصاب اللازم لأعضاء مجلس الإدارة الحاضرين، ورحب بالحاضرين. بدأ رئيس المجلس نقاش أعمال الاجتماع بالموافقة على زيادة رأس مال الشركة

2. Approval of the Increase of the Share Capital.

According to the Resolution No. (53) of 2008 of H.H the Crown Prince, the Chairman of the Executive Council approving the increase of the contribution of the Government of Abu Dhabi in the Company's share capital, and being the best interest of the Company the members of the Board unanimously resolved that:

(a) Increase the share capital of the Company to Twenty Three Billion Nine Hundred and Seventeen Million Nine Hundred and Seven Thousand one Hundred Dirham only (AED 23,917,907,100).

(b) Amending Article (6) of the Company's Articles of Association to be as follows:

"The share capital of the Company has been set at the amount of Twenty Three Billion Nine Hundred and Seventeen Million Nine Hundred and Seven Thousand One Hundred Dirham (AED 23,917,907,100) divided into Two Hundred Thirty Nine Million One Hundred Seventy Nine Thousand and Seventy One shares (239,179,071) having a nominal value of One Hundred Dirham (AED 100) for each share, all of which are nominal shares. The Company shall not be subject to Article (205) of the Companies Law. "

(c) Approving the attached Articles of Association which shall be notarised before the Notary Public.

2. الموافقة على زيادة رأس مال الشركة.

بموجب قرار سمو ولي العهد رئيس المجلس التنفيذي رقم (53) سنة 2008 بالموافقة على زيادة مساهمة حكومة أبوظبي في الشركة ووفقاً لما تقتضيه مصلحة الشركة واستجابة لمتطلبات نمو وتطوير الشركة وبعد التداول قرر الأعضاء بالإجماع على ما يلي:

(أ) زيادة رأس مال الشركة ليصبح ثلاثة وعشرين مليارا وتسعمائة وسبعة عشر مليونا وتسعمائة وسبعة آلاف ومائة درهم فقط (23.917.907.100 درهم)

(ب) تعديل المادة 6 في النظام الأساسي للشركة لتصبح على النحو الآتي:

"حدد رأس مال الشركة بمبلغ ثلاثة وعشرين مليارا وتسعمائة وسبعة عشر مليونا وتسعمائة وسبعة آلاف ومائة درهم إماراتي (23.917.907.100 درهم) موزع على مائتان وتسعة وثلاثون مليونا ومائة وتسعة وسبعون ألف وواحد وسبعون سهما (239.179.071) بقيمة اسمية قدرها مائة درهم (100 درهم) لكل سهم وجميعها أسهم اسمية ولا تخضع الشركة لأحكام المادة (205) من قانون الشركات."

(ج) اعتماد النظام الأساسي المرفق بهذا القرار والمصادقة عليه من الكاتب العدل.

3. Closure

There being no matters of other business raised and no further business, the Chairman declared the Meeting closed.

ونظراً لأنه لم تعد هناك أية أمور أخرى مطروحة للنقاش، أعلن الرئيس انتهاء الاجتماع.

الدكتور/ أحمد بن سيف آل نهيان
رئيس مجلس إدارة الشركة
Dr. Ahmed bin Saif Al Nahyan
Chairman of the Board

Signed in the presence of:

وقعها بحضور:

Witness

شاهد طه محمود الحمود الحمادي

Witness

شاهد عبد الحسيب محمد بوكدان

إمارة أبوظبي
دائرة القضاء - محكمة أبوظبي الابتدائية
الكاتب العدل - مبنى بلدية أبوظبي (٦)
توثيق رقم ٢٠٩/٢٠٠٩
إنه في يوم الأربعاء الموافق ٢٠٠٩/٤/٢٢
حضر
بموجب
الرسوم ٥٠٠ درهم بالإيصال رقم ٩٩٠٢٢٦
وقد أقر بعلمه بمحتوى هذا المستند المؤلف من صفحة و وقع عليه بعد استيفاء الإجراءات

إدارة التوثيق / الصلال
الكاتب العدل / سيف عبد الرزاق بني وليد

Emirates Airline Documents

ASC registered agent number 83
lodging party or agent name
address
postcode
telephone ( )
facsimile ( )
DX number suburb/city

AUSTRALIAN SECURITIES COMMISSION
012363477

ASS CASH PROC REG-A REG-B

Australian Securities Commission

form 405

Statement to
verify accounts of a foreign company

Corporations Law
349(1), 100(d)

foreign company name Emirates
A.R.B.N. 073 569696

Details of the foreign company

last financial year ended (d/m/y) 31/03/96
place of incorporation United Arab Emirates
registered office in Australia
at the office of
office, floor, building name Level 2
street number & name 257 Collins Street
suburb/city Melbourne state Vic postcode 3000
telephone ( ) facsimile ( )

Details of agent

Complete this section if the statement is made by a company which is an agent of the foreign company.

company name
Australian Company Number
registered office at the office of
office, floor, building name
street number & name
suburb/city state postcode

Annexures

(tick boxes which apply)

- ☐ balance sheet made up to the end of the last financial year — annexure marked ( ) of ( ) pages
- ☐ profit and loss account for the last financial year — annexure marked ( ) of ( ) pages
- ☒ documents still required to be prepared by the law of the company's place of origin — annexure marked (A) of (17) pages

give brief description of documents

Signature

I am

- ☐ *a director of the foreign company*
- ☐ *the secretary of the foreign company*
- ☒ *the duly appointed agent of the foreign company*
- ☐ *the secretary of a company which has been duly appointed as agent of the foreign company*

17 [illegible] 1997

I verify that the copies annexed to this form are true copies of the documents required to be lodged under subsection 349(1)

print name E.C.H. Lim

sign here

date 10/04/97

● Annexures must conform to the requirements shown at the end of this form

"A"

This is the annexure marked A of 17 pages referred to in the Form 405 dated 10 of April 1997 and signed by me.

(.....(Agent)

Coopers
&Lybrand

EMIRATES

Report and financial statements for the year ended 31 March 1996

EMIRATES

Report and financial statements for the year ended 31 March 1996

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Statement of cash flows	4
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Coopers &Lybrand

chartered accountants

professional licence 129155

1906/7 City Tower 2
Sheikh Zayed Road
PO Box 27674
Dubai
United Arab Emirates

telephone (04) 321919

facsimile (04) 321572

Independent auditor's report to the Government of Dubai

We have audited the accompanying balance sheet of Emirates at 31 March 1996 and the related statements of income and cash flows for the year then ended as set out on pages 2 to 17.

Respective responsibilities of management and auditors

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We obtained all the information and explanations which we considered necessary for the purpose of our audit.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Emirates at 31 March 1996 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards.

Coopers & Lybrand

Chartered Accountants
Dubai
18 June 1996

D4020FE6

Partners: A.C. Evans, A. Nasser, F. Nicholas
Directors: P. Berrington, P.K. Sebbage

Coopers & Lybrand is a member firm of Coopers & Lybrand International, a limited liability association incorporated in Switzerland

EMIRATES

Income statement
for the year ended 31 March 1996

	Note	1996 Dh'000	1995 Dh'000
Operating revenue	3	**2,777,651**	2,482,426
Operating costs	4	**(2,612,054)**	(2,295,850)
Operating income		**165,597**	186,576
Net interest charges	5	**(97,082)**	(89,661)
Other income		**14,124**	7,264
Income before taxation		**82,639**	104,179
Taxation	6	**(1,817)**	(9,123)
Income for the year		**80,822**	95,056
Statement of retained income			
Balance brought forward		**312,727**	217,671
Income for the year		**80,822**	95,056
Balance carried forward		**393,549**	312,727

EMIRATES

Balance sheet at 31 March 1996

	Notes	1996 Dh'000	1995 Dh'000
Long term assets			
Property, plant and equipment	7	**2,745,208**	2,526,884
Other long term assets			
Investments	8	**27,825**	27,822
Deferred expenditure	9	**23,869**	20,882
		2,796,902	2,575,588
Current assets			
Cash		**80,024**	249,003
Other liquid funds	10	**103,091**	96,869
Receivables	11	**479,514**	419,518
Inventories	12	**92,649**	87,261
		755,278	852,651
Current liabilities	13	**(1,127,393)**	(923,380)
Net current liabilities		**(372,115)**	(70,729)
Total assets less current liabilities		**2,424,787**	2,504,859
Long term liabilities	14	**(1,245,695)**	(1,400,631)
Other liabilities and provisions	18	**(258,329)**	(264,287)
		920,763	839,941
Capital and reserves			
Capital	20	**527,214**	527,214
Retained income		**393,549**	312,727
		920,763	839,941

The financial statements on pages 2 to 17 were approved on 18 June 1996 and were signed by:

Sheikh Ahmed bin Saeed Al Maktoum
Chairman

Maurice Flanagan
Group Managing Director

EMIRATES

Statement of cash flows for the year ended 31 March 1996

	1996 Dh'000	1995 Dh'000
Cash flows from operating activities		
Income for the year before taxation	**82,639**	104,179
Adjustments for:		
Depreciation	**221,669**	256,133
Amortisation	**7,741**	5,054
Finance charges (net)	**97,082**	89,661
Loss on sale of fixed assets	**2,291**	1,666
Net transfer (from) to aircraft maintenance provision	**(4,397)**	23,886
Net transfer to terminal benefit provision	**2,561**	7,248
Deferred credits recognised	**(4,122)**	(4,112)
(Increase)/decrease in working capital		
Receivables	**(59,996)**	(101,140)
Inventories	**(5,388)**	(2,311)
Current liabilities	**169,187**	77,659
Net cash provided from operating activities	**509,267**	457,923
Cash flows from investing activities		
Proceeds from sale of fixed assets	**30,633**	2,057
Purchase of fixed assets (net of transfers from Dnata)	**(472,917)**	(213,468)
Deferred expenditure	**(10,728)**	(19,583)
Investments made during the year	**(3)**	(27,818)
Investment in other liquid funds	**(6,222)**	(96,869)
Interest income	**13,283**	17,243
Net cash used in investing activities	**(445,954)**	(338,438)
Taxation paid	**(13,847)**	(6,128)
Cash flows from financing activities		
Loan repayments	**(149,134)**	(146,368)
Aircraft financing charges	**(105,244)**	(105,438)
Other finance charges	**(5,121)**	(1,466)
Lease commitments	**(74,312)**	(61,742)
Dnata account	**90,380**	65,975
Capital introduced	**-**	25,000
Net cash used in financing activities	**(243,431)**	(224,039)
Net decrease in cash and cash equivalents	**(193,965)**	(110,682)
Cash and cash equivalents at beginning of year	**201,261**	311,943
Cash and cash equivalents at end of year (Note 23)	**7,296**	201,261

EMIRATES

Notes to the financial statements for the year ended 31 March 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with International Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Revenue

Passenger and cargo sales are recognised as revenue when the transportation is provided. Tickets sold but unused are reflected as passenger and cargo sales in advance. Operating revenue is stated after deduction of discounts.

Property, plant and equipment

The cost of property, plant and equipment consists of purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The estimated useful lives and residual values are:

Aircraft	15 years (residual value 10%)
Aircraft engines and rotable spares	5 - 15 years (residual value 0-10%)
Buildings	5 - 20 years
Other property and equipment	3 - 15 years

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset.

Capital projects

Capital projects are stated at cost together with financing costs incurred from the date of commencement of the project to the date in which it is commissioned. When commissioned, capital projects are transferred to the appropriate property, plant and equipment category and depreciated in accordance with company policies.

Investments

Investments are stated at cost less provision for any permanent diminution in value. Income from the investments is recognised when receivable.

1 Principal accounting policies (continued)

Finance and operating leases

Where fixed assets have been financed by lease agreements under which substantially all of the risks and rewards of ownership are transferred to the lessee, they are treated as if they had been purchased outright. The amount included in fixed assets represents the principal sum included in total rents payable during the period of the lease. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. Interest on the outstanding liability at current rates together with depreciation on the asset are charged to the income statement.

Lease rental charges in respect of operating leases are charged to the income statement over the period of the lease.

Deferred expenditure

Expenditure associated with the development of new routes and pre-operating crew costs is deferred and amortised over a period of up to two years. Net expenditure associated with aircraft under operating leases is deferred and amortised over the period of the lease.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis.

Other liquid funds

Other liquid funds are stated at market value. Changes in market value are recognised in the income statement under net interest.

Aircraft maintenance provision

All costs in relation to maintenance and overhaul of aircraft and engines are charged to the income statement as they are incurred with the exception of heavy maintenance checks, which are provided for on the basis of a predetermined amount for each block hour flown. The hourly rate of provision is revised in each accounting period to reflect more accurately actual costs incurred. Movements in the provision arising from such revisions in estimates are dealt with in the income statement. The actual costs of such maintenance are charged against the provision.

Taxation

Taxation relates to certain overseas stations where the company is subject to tax and where tax exemptions are not likely to be obtained. No provision is made for taxation where management is of the firm opinion that exemption from such taxation will ultimately be granted by the countries concerned.

1 Principal accounting policies (continued)

Terminal benefit provision

Provision for terminal benefit for employees who joined the company prior to 1 July 1991 is based on cumulative service and current basic salary at the following rates:

21 days per annum for the first 3 years of employment
28 days per annum for the next 3 years of employment
35 days per annum thereafter

Provision for terminal benefit for employees who joined the company after 30 June 1991 is made in accordance with local labour legislation and is based on cumulative service and current basic salary.

Provident fund

Senior employees are entitled to participate in a defined contribution provident fund.

On termination, the company guarantees that senior employees will receive, at a minimum, benefits equal to their terminal benefit entitlements in accordance with their contracts of employment.

Deferred credits

Profits arising from sale and leaseback transactions are deferred and recognised over the period of the lease.

Foreign currency

Foreign currency transactions are translated into Dirhams at the rate ruling on the transaction date. Foreign currency assets and liabilities are translated into Dirhams at the rate ruling at the balance sheet date with the exception of lease commitments and the related matched term deposits which are translated into Dirhams at the original transaction rate. Differences on exchange are dealt with in the income statement.

Cash and cash equivalents

For the purposes of reporting cash flows, the company considers all bank and cash balances with a maturity of less than three months and bank overdrafts to be cash and cash equivalents.

2 Establishment and operations

Emirates was incorporated, with limited liability, by Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al Maktoum on 26 June 1985 as the national airline for the emirate of Dubai. Emirates is owned by the Government of Dubai and commenced commercial operations on 25 October 1985.

The main activity of Emirates is to undertake commercial air transport services which include passenger, cargo and postal carriage services.

Emirates also participates with Abela & Co. LLC in providing catering and related services to airlines using Dubai International Airport.

3 Operating revenue

	1995 - 96 **Dh'000**	1994 - 95 Dh'000
Passenger	**2,241,612**	2,029,348
Cargo	**375,286**	313,904
Excess baggage	**41,937**	40,787
Catering revenue	**34,415**	29,520
Courier	**38,322**	32,284
Mail	**11,315**	12,109
Emirates Holidays	**20,891**	13,552
Licensed engineering income	**10,314**	8,686
Duty free income	**3,559**	2,236
	2,777,651	2,482,426

4 Operating costs

Staff	**552,904**	485,998
Fuel and oil	**326,918**	271,075
Depreciation (see below)	**221,669**	256,133
Amortisation	**7,741**	5,054
Handling (see below)	**209,102**	198,199
Inflight catering	**219,368**	192,602
Sales commission	**181,730**	149,847
Aircraft maintenance (see below)	**130,028**	107,654
Aircraft operating leases (see below)	**148,472**	95,100
Overflying (see below)	**90,630**	81,895
Landing and parking (see below)	**69,123**	67,526
Other (see below)	**454,369**	384,767
	2,612,054	2,295,850

4 Operating costs (continued)

Aircraft operating lease charges include Dh128.7 million (1995 - Dh89.8 million) in respect of five aircraft (1995 - four), leased from Ghir Limited, GATX/CL Air Leasing Cooperative Association and International Lease Finance Corporation. Aircraft operating lease charges also include Dh19.7 million (1995 - Dh5.3 million) of payments to Atlas Air Inc. in respect of a wet lease of two freighter aircraft.

The block hour rate used as the basis for the aircraft maintenance provision has been revised in accordance with the accounting policy. The revision of estimated future costs was based on actual costs incurred and has resulted in a release of provisions made in prior years amounting to Dh22.3 million (1995 - Dh32.5 million).

A detailed review of direct operating cost accruals has been performed during the year. This review highlighted excess accruals against actual costs incurred for landing, handling and overflying charges. The excess accruals released to operating income included Dh24.9 million relating to prior years.

The depreciation charged for the year ended 31 March 1995 included accelerated depreciation of Dh32.4 million in respect of two Boeing 727 aircraft and spares sold during the current year.

Other operating costs include net losses from foreign currency transactions of Dh6.0 million (1995 gains - Dh7.3 million).

5 Net interest charges

	1995 - 96 Dh'000	1994 - 95 Dh'000
Aircraft financing charges	**(105,244)**	(105,438)
Interest charges	**(5,121)**	(1,466)
Interest income	**13,283**	17,243
	(97,082)	(89,661)

Interest income includes Dh6.2 million (1995 - Dh5.1 million) earned on other liquid funds.

6 Taxation

Taxation is provided in accordance with the accounting policy. In the event of exemptions from taxation not being granted, the maximum unprovided taxation liability as at 31 March 1996 was Dh1.3 million (1995 Dh5.2 million).

7 Property, plant and equipment

	Aircraft Dh'000	Aircraft engines and rotable spares Dh'000	Buildings Dh'000	Other property and equipment Dh'000	Capital projects Dh'000	Total Dh'000
Cost						
1 April 1995	2,621,439	352,481	87,281	263,659	217,045	3,541,905
Additions	-	57,322	2,175	26,366	387,046	472,909
Transfers	7,984	-	-	71,519	(79,503)	-
Re-classifications	(2,722)	2,722	-	-	-	-
Net transfers to Dnata	-	-	-	355	-	355
Disposals	(88,461)	(36,929)	(5)	(11,797)	-	(137,192)
31 March 1996	**2,538,240**	**375,596**	**89,451**	**350,102**	**524,588**	**3,877,977**
Depreciation						
1 April 1995	722,331	115,285	48,943	128,462	-	1,015,021
Additions	153,621	20,145	10,124	37,779	-	221,669
Re-classifications	(1,996)	1,996	-	-	-	-
Net transfers from Dnata	-	-	-	347	-	347
Disposals	(73,769)	(19,701)	(5)	(10,793)	-	(104,268)
31 March 1996	**800,187**	**117,725**	**59,062**	**155,795**	**-**	**1,132,769**
Net book value						
31 March 1996	**1,738,053**	**257,871**	**30,389**	**194,307**	**524,588**	**2,745,208**
31 March 1995	1,899,108	237,196	38,338	135,197	217,045	2,526,884

The net book value of aircraft and aircraft rotable spares includes Dh1,026.4 million (1995 - Dh1,097.8 million) in respect of assets held under finance leases (Note 16) and Dh714.7 million (1995 Dh747.5 million) in respect of assets acquired under term loans (Note 15).

7 Property, plant and equipment (continued)

Aircraft fleet

At 31 March 1996 the aircraft fleet comprised:

10 Airbus A310-300 (3 under operating leases)
6 Airbus A300-600R (2 under operating leases)
2 Boeing 727 aircraft and spares were sold during the current year (Note 4)

Capital projects

Capital projects include predelivery payments of Dh485.8 million (1995 - Dh185 million) in respect of seven aircrafts including spare engines due for delivery in 1996 and 1997 and non-refundable option deposits of Dh18 million held on seven aircraft (1995 - Dh 18 million) for delivery between 1998 and 2000 (Note 21).

8 Investments

Investments comprise a 5.81% shareholding in Chieftain Corporation N.V., a company incorporated in Netherlands Antilles, and GBP 1.9 million zero coupon notes in St. James' Court Hotel Ltd., London, a subsidiary of Chieftain Corporation N.V. The principal activities of Chieftain Corporation N.V., are investment holding, and hotel ownership and operations.

9 Deferred expenditure

	1996 **Dh'000**	1995 Dh'000
Balance brought forward	**20,882**	6,353
Expenses incurred	**10,728**	19,583
Amortisation for the year	**(7,741)**	(5,054)
Balance carried forward	**23,869**	20,882

10 Other liquid funds

Other liquid funds are placed with an international investment portfolio manager. These funds are managed on a discretionary basis within specified limits set by the management of the company, provide guaranteed earnings and are not expected to be converted into cash within three months.

11 Receivables

	1996 Dh'000	1995 Dh'000
Trade debtors:		
Airlines	**61,255**	67,577
Agents	**242,467**	186,169
Dnata (Note 17)	**2,512**	1,959
Other trade debtors	**56,780**	57,454
	363,014	313,159
Other debtors and prepayments:		
Prepayments and deposits	**71,232**	62,087
Aircraft operating lease deposits	**12,727**	12,727
Other	**32,541**	31,545
	116,500	106,359
	479,514	419,518

12 Inventories

Expendable engineering	**64,596**	55,808
Inflight consumables	**20,378**	22,696
Other	**7,675**	8,757
	92,649	87,261

13 Current liabilities

Bank overdrafts	**72,728**	47,742
Term loans (Note 15)	**152,136**	149,133
Lease commitments (Note 16)	**92,606**	73,739
Creditors and accruals	**503,649**	371,563
Taxation	**3,720**	15,750
Passenger and cargo sales in advance	**302,554**	265,453
	1,127,393	923,380

14 Long term liabilities

	1996 Dh'000	1995 Dh'000
Term loans (Note 15)	**552,836**	704,973
Lease commitments (Note 16)	**530,737**	623,916
Dnata account (Note 17)	**162,122**	71,742
	1,245,695	1,400,631

15 Term loans

Balance brought forward	**854,106**	1,000,474
Repayments during the year	**(149,134)**	(146,368)
Balance carried forward	**704,972**	854,106
Loans are repayable as follows:		
Within one year (Note 13)	**152,136**	149,133
2-5 years	**452,560**	507,307
After 5 years	**100,276**	197,666
Total over one year (Note 14)	**552,836**	704,973

The loans are secured on certain aircraft and bear interest at rates of 6% to 9.25% (1995 - 3.56% to 9.25%) per annum.

16 Lease commitments

	1996 Dh'000	1995 Dh'000
Deposit funded finance leases		
Gross liabilities under lease commitments	**414,856**	498,016
Future interest	**(71,786)**	(106,722)
	343,070	391,294
Term deposits	**(343,070)**	(391,294)
Net lease commitments	**-**	-

The term deposits are equivalent in value to the liabilities under the lease commitments. The finance charges accruing under these lease commitments are matched by interest earned on the term deposits. The lease commitments are secured on the term deposits and the related aircraft.

	1996 Dh'000	1995 Dh'000
Other finance leases		
Gross liabilities under lease commitments	**840,468**	972,930
Future interest	**(164,688)**	(225,898)
Term deposits	**(52,437)**	(49,377)
Net lease commitments	**623,343**	697,655

Net lease commitments are repayable as follows:

Within one year (Note 13)	**92,606**	73,739
2-5 years	**427,092**	370,774
After 5 years	**103,645**	253,142
Total over one year (Note 14)	**530,737**	623,916

The lease commitments are secured on the related aircraft.

In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had the leases been cancelled at 31 March 1996, the penalties would have been Dh629.9 million (1995 - Dh698.9 million).

16 Lease commitments (continued)

Operating leases

Emirates holds purchase options for three of five aircraft leased for a period of 5 to 10 years. Future minimum lease payments are as follows:

	1996 Dh'000	1995 Dh'000
Less than 1 year	**133,656**	126,068
2-5 years	**543,800**	553,630
After 5 years	**212,463**	340,148
	889,919	1,019,846

In the event of these leases being terminated prior to their expiry, penalties are payable. Had the leases been cancelled at 31 March 1996, the penalties would have been Dh661.3 million (1995 - Dh752.7 million).

17 Dnata account

Emirates and Dnata share senior management and central corporate functions. The amount payable to Dnata shown in Note 14 arises from the recharge of expenses wholly attributable to Emirates, charges raised in respect of services provided and the transfer of funds. Interest is paid to Dnata in line with Dirham bank deposit rates.

The amount receivable from Dnata shown in Note 11 arises from ticket and cargo sales less engineering and handling charges. Common Emirates/Dnata management costs are fully recharged except where the basis of recharge would be arbitrary and in these instances no recharge is made. The net effect of these arrangements did not materially affect income for the year.

18 Other liabilities and provisions

	1996 Dh'000	1995 Dh'000
Aircraft maintenance provision	**185,629**	190,026
Terminal benefit provision	**42,981**	40,420
Deferred credits (Note 19)	**29,719**	33,841
	258,329	264,287

18 Other liabilities and provisions (continued)

Terminal benefit provision relates to employees who do not participate in the company provident scheme.

Senior employees participate in the company provident scheme, an independent provident fund for which Emirates guarantees that, on termination, employees will receive as a minimum, benefits equal to their terminal benefit entitlements in accordance with their contracts of employment. At 31 March 1996, the benefits secured by Emirates' contributions exceeded employees' contractual terminal benefit entitlements.

	1996	1995
	Dh'000	Dh'000
19 Deferred credits		
Balance brought forward	**33,841**	37,953
Recognised during the year	**(4,122)**	(4,112)
Balance carried forward (Note 18)	**29,719**	33,841

20 Capital

Balance brought forward	**527,214**	502,214
Introduced during the year	**-**	25,000
Balance carried forward	**527,214**	527,214

Capital represents the permanent capital provided by the Government of Dubai.

21 Commitments

	1996	1995
	Dh'000	Dh'000
Capital commitments		
Authorised and contracted	**3,015,417**	3,280,946
Authorised but not contracted	**377,889**	442,518
	3,393,306	3,723,464

21 Commitments (continued)

Commitments have been entered into for the purchase of aircraft for delivery as follows:

Financial year	Boeing 777-200
1996 - 97	3
1997 - 98	4

In addition, options are held on seven Boeing 777-200 aircraft for delivery between 1998 and 2000 (Note 7).

	1996 Dh'000	1995 Dh'000
Operational commitments		
Letters of credit	**9,628**	7,960

The above were issued in the normal course of business.

22 Contingent liabilities

Guarantees and bills discounted	**3,598**	15,868

The above were issued in the normal course of business.

23 Cash and cash equivalents

Bank and cash	**80,024**	249,003
Bank overdrafts	**(72,728)**	(47,742)
	7,296	201,261

24 Comparative figures

Certain comparative figures have been re-classified to conform with current year presentation.

ASC registered agent number: 83
lodging party or agent name:
address:

postcode

telephone: ( )
facsimile: ( )
DX number

suburb/city

AUSTRALIAN SECURITIES COMMISSION
013508559

Australian Securities Commission

form **405**

Statement to
verify accounts of a foreign company

Corporations Law
349(1), 100(d)

foreign company name Emirates
A.R.B.N. 073 569 696

Details of the foreign company

last financial year ended (d/m/y) 31 /03/ 97
place of incorporation United Arab Emirates
registered office in Australia
at the office of
office, floor, building name Level 2
street number & name 257 Collins Street
suburb/city Melbourne
telephone ( )

AUSTRALIAN SECURITIES COMMISSION
31 OCT 1997
RECEIVED

state Vic postcode 3000
facsimile ( )

Details of agent

Complete this section if the statement is made by a company which is an agent of the foreign company.

company name
A.C.N.
registered office - at the office of
office, floor, building name
street number & name
suburb/city state postcode

Annexures

(tick boxes which apply)

- ☐ balance sheet made up to the end of the last financial year — annexure marked ( ) of ( ) pages
- ☐ profit and loss account for the last financial year — annexure marked ( ) of ( ) pages
- ☒ documents still required to be prepared by the law of the company's place of origin — annexure marked A of 20 ( ) pages

give brief description of the documents

Signature

I am
- ☐ a director of the foreign company
- ☐ the secretary of the foreign company
- ☒ the duly appointed agent of the foreign company
- ☐ the secretary of a company which has been duly appointed as agent of the foreign company

I verify that the copies annexed to this form are true copies of the documents required to be lodged under subsection 349(1)

print name E.C.H.Lim

sign here _____ date 23/9/97

A

This is the annexure A of 20 pages referred to in Form 405 dated 23/9/97 and signed by me.

.....

~~Director.~~ Agent

EMIRATES

Report and financial statements for the year ended 31 March 1997

EMIRATES

Report and financial statements for the year ended 31 March 1997

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Income statement	2
Balance sheet	3
Statement of cash flows	4
Notes to the financial statements	5 - 19
Appendix - Operating Statistics	

Coopers &Lybrand

business assurance
business recovery and insolvency
corporate finance
management consulting
tax and human resource advice

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United Arab Emirates

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facsimile (04) 321572

Independent auditor's report to the Government of Dubai

We have audited the accompanying balance sheet of Emirates at 31 March 1997 and the related statements of income and cash flows for the year then ended as set out on pages 2 to 19.

Respective responsibilities of management and auditors

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We obtained all the information and explanations which we considered necessary for the purpose of our audit.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Emirates at 31 March 1997 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards.

Coopers & Lybrand

Chartered Accountants
Dubai
9 June 1997

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Partners: Lists of the names of the partners are open to inspection at the above address

Coopers & Lybrand (Dubai professional licence 129155) is a member firm of Coopers & Lybrand International, a limited liability association incorporated in Switzerland

EMIRATES

Income statement
for the year ended 31 March 1997

	Note	1997 Dh'000	1996 Dh'000
Operating revenue	3	**3,255,290**	2,777,651
Operating costs	4	**(3,021,286)**	(2,612,054)
Operating income		**234,004**	165,597
Net interest charges	5	**(142,288)**	(97,082)
Other income		**25,224**	14,124
Income before taxation		**116,940**	82,639
Taxation	6	**(5,415)**	(1,817)
Income for the year		**111,525**	80,822

Statement of retained income

Balance brought forward		**393,549**	312,727
Income for the year		**111,525**	80,822
Balance carried forward		**505,074**	393,549

EMIRATES

Balance sheet at 31 March 1997

	Notes	1997 Dh'000	1996 Dh'000
Long term assets			
Property, plant and equipment	7	**3,917,548**	2,745,208
Other long term assets			
Investments	8	**-**	27,825
Deferred expenditure	9	**23,841**	23,869
		3,941,389	2,796,902
Current assets			
Cash		**197,349**	80,024
Other liquid funds	10	**108,885**	103,091
Receivables	11	**486,628**	479,514
Inventories	12	**174,488**	92,649
		967,350	755,278
Current liabilities	13	**(1,265,761)**	(1,127,393)
Net current liabilities		**(298,411)**	(372,115)
Total assets less current liabilities		**3,642,978**	2,424,787
Long term liabilities	14	**(2,254,016)**	(1,245,695)
Other liabilities and provisions	18	**(271,674)**	(258,329)
		1,117,288	920,763
Capital and reserves			
Capital	20	**612,214**	527,214
Retained income		**505,074**	393,549
		1,117,288	920,763

The financial statements on pages 2 to 19 were approved on 9 June 1997 and were signed by:

Sheikh Ahmed bin Saeed Al Maktoum
Chairman

Maurice Flanagan
Group Managing Director

EMIRATES

Statement of cash flows for the year ended 31 March 1997

	1997 Dh'000	1996 Dh'000
Cash flows from operating activities		
Income for the year before taxation	**116,940**	82,639
Adjustments for:		
Depreciation	**284,742**	221,669
Amortisation	**11,698**	7,741
Net interest charges	**142,288**	97,082
Loss on sale of fixed assets	**2,059**	2,291
Profit on sale of investments	**(5,018)**	-
Net transfer from aircraft maintenance provision	**(19,444)**	(4,397)
Net transfer to terminal benefit provision	**12,780**	2,561
Deferred credits recognised	**(5,061)**	(4,122)
(Increase)/decrease in working capital		
Receivables	**(7,114)**	(59,996)
Inventories	**(81,839)**	(5,388)
Current liabilities and deferred accounts	**145,158**	169,187
Net cash provided from operating activities	**597,189**	509,267
Cash flows from investing activities		
Proceeds from sale of fixed assets	**1,660**	30,633
Proceeds from sale of investments	**32,843**	-
Capital expenditure (Note 24)	**(81,108)**	(472,909)
Deferred expenditure	**(11,670)**	(10,728)
Investments made during the year	**-**	(3)
Investment in other liquid funds	**(5,794)**	(6,222)
Interest income	**11,565**	13,283
Net cash used in investing activities	**(52,504)**	(445,946)
Taxation paid	**(4,392)**	(13,847)
Cash flows from financing activities		
Loan repayments	**(152,136)**	(149,134)
Aircraft financing charges	**(140,213)**	(105,244)
Other finance charges	**(13,640)**	(5,121)
Lease commitments	**(124,876)**	(74,312)
Dnata account	**62,778**	90,372
Net cash used in financing activities	**(368,087)**	(243,439)
Net increase/(decrease) in cash and cash equivalents	**172,206**	(193,965)
Cash and cash equivalents at beginning of year	**7,296**	201,261
Cash and cash equivalents at end of year (Note 23)	**179,502**	7,296

EMIRATES

Notes to the financial statements for the year ended 31 March 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with International Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Revenue

Passenger and cargo sales are recognised as revenue when the transportation is provided. Tickets sold but unused are reflected as passenger and cargo sales in advance. Operating revenue is stated after deduction of discounts.

Foreign currency

Foreign currency transactions are translated into Dirhams at the rate ruling on the transaction date. Foreign currency monetary assets and liabilities are translated into Dirhams at the rate ruling at the balance sheet date with the exception of lease commitments and the related matched term deposits where the translation rates are fixed in the related agreement. Exchange differences are dealt with in the income statement.

Taxation

Taxation relates to certain overseas stations where the company is subject to tax and where tax exemptions are not likely to be obtained. No provision is made for taxation where management is of the firm opinion that exemption from such taxation will ultimately be granted by the countries concerned.

Property, plant and equipment

The cost of property, plant and equipment consists of purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The estimated useful lives and residual values are:

Aircraft	15 years (residual value 10%)
Aircraft engines and rotable spares	5 - 15 years (residual value 0-10%)
Buildings	5 - 20 years
Other property and equipment	3 - 15 years

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset.

1 Principal accounting policies (continued)

Capital projects

Capital projects are stated at cost together with financing costs incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, capital projects are transferred to the appropriate property, plant and equipment category and depreciated in accordance with company policies.

Finance and operating leases

Where fixed assets have been financed by lease agreements under which substantially all of the risks and rewards of ownership are transferred to the lessee, they are treated as if they had been purchased outright. The amount included in fixed assets represents the principal sum included in total rents payable during the period of the lease. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. Interest on the outstanding liability at current rates together with depreciation on the asset are charged to the income statement.

Lease rental charges in respect of operating leases are charged to the income statement on a systematic basis representative of the time pattern of the benefits derived by the company from the use of the asset.

Investments

Investments are stated at cost less provision for any permanent diminution in value. Income from the investments is recognised when receivable.

Deferred expenditure

Expenditure associated with the development of new routes and pre-operating crew costs is deferred and amortised over a period of up to two years. Net expenditure associated with aircraft under operating leases is deferred and amortised over the period of the lease.

Other liquid funds

Other liquid funds are stated at market value. Changes in market value are recognised in the income statement under net interest.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis.

1 Principal accounting policies (continued)

Aircraft maintenance provision

All costs in relation to maintenance and overhaul of aircraft and engines are charged to the income statement as they are incurred, with the exception of heavy maintenance checks, which are provided for on the basis of a predetermined amount for each block hour flown. The hourly rate of provision is revised in each accounting period to reflect more accurately actual costs incurred and the expected future costs of heavy maintenance checks. Movements in the provision arising from such revisions in estimates are dealt with in the income statement. The actual costs of such maintenance are charged against the provision.

Terminal benefit provision

Provision for terminal benefit for employees who joined the company prior to 1 July 1991 is based on cumulative service and current basic salary at the following rates:

21 days per annum for the first 3 years of employment
28 days per annum for the next 3 years of employment
35 days per annum thereafter

Provision for terminal benefit for employees who joined the company after 30 June 1991 is made in accordance with local labour legislation and is based on cumulative service and current basic salary.

Provident fund

Senior employees are entitled to participate in a defined contribution provident fund. On termination, Emirates guarantees that senior employees will receive, at a minimum, benefits equal to their terminal benefit entitlements in accordance with their contracts of employment.

Contributions to the provident fund are charged to the income statement in the period in which they fall due.

Deferred credits

Profits arising from sale and leaseback transactions are deferred and recognised over the period of the lease.

Manufacturers' credits

The company receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction of the cost of the related aircraft and engines except where the aircraft are held under operating leases, in which case the credits are deferred and recognised over the period of the related lease.

1 Principal accounting policies (continued)

Cash and cash equivalents

For the purpose of reporting cash flows, the company considers all bank and cash balances with a maturity of less than three months and bank overdrafts to be cash and cash equivalents.

2 Establishment and operations

Emirates was incorporated, with limited liability, by an Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al Maktoum on 26 June 1985 as the national airline for the emirate of Dubai. Emirates is owned by the Government of Dubai and commenced commercial operations on 25 October 1985.

The main activity of Emirates is to undertake commercial air transport services which include passenger, cargo and postal carriage services.

Emirates also participates with Abela & Co. LLC in providing catering and related services to airlines using Dubai International Airport.

3 Operating revenue

	1997 Dh'000	1996 Dh'000
Passenger	**2,616,432**	2,241,612
Cargo	**459,380**	375,286
Excess baggage	**43,125**	41,937
Catering revenue	**35,981**	34,415
Courier	**47,641**	38,322
Mail	**10,603**	11,315
Destination and leisure	**28,249**	20,891
Licensed engineering income	**6,982**	10,314
Duty free income	**6,897**	3,559
	3,255,290	2,777,651

4 Operating costs

	1997 Dh'000	1996 Dh'000
Staff (see (a) below)	**621,867**	552,904
Fuel and oil	**438,317**	326,918
Depreciation	**284,742**	221,669
Amortisation	**11,698**	7,741
Handling (see (c) below)	**255,688**	209,102
Inflight catering (see (c) below)	**237,787**	219,368
Sales commission	**218,423**	181,730
Aircraft maintenance (see (b) below)	**106,890**	130,028
Aircraft operating leases (see (d) below)	**135,620**	148,472
Overflying (see (c) below)	**115,597**	90,630
Landing and parking (see (c) below)	**87,360**	69,123
Corporate overheads (see (e) below)	**507,297**	454,369
	3,021,286	2,612,054

(a) Staff costs include Dh38.7 million (1996 - Dh32.8 million) in respect of terminal benefit provision and provident fund contributions and Dh18 million (1996 - nil) in respect of Emirates profit share scheme. This scheme commenced 1 April, 1996.

(b) The block hour rate used as the basis for the Aircraft Maintenance Provision has been revised in accordance with the accounting policy. This revision has resulted in a release of provisions made in prior years amounting to Dh23.1 million (1996 - Dh22.3 million).

During the year, the method of valuation of engineering repairable inventory has been revised to more accurately reflect the actual costs incurred. Previously, repairable inventory was charged to aircraft maintenance costs on issue and repaired inventory was returned to stock at its repair cost. Following the change in the method of valuation, the repair costs are charged to aircraft maintenance costs and repaired inventory is returned to stock at weighted average original cost. This resulted in a reduction in aircraft maintenance costs and increase in inventory value by Dh36.1 million which included Dh23.3 million relating to prior years (Note 12).

(c) A detailed review of direct operating cost accruals is performed each year. This review necessitated an adjustment to the accruals for landing, handling, overflying and catering costs resulting in a release of excess accruals made in prior years amounting to Dh2.7 million (1996 - Dh24.9 million).

(d) Aircraft operating lease charges include Dh108.6 million (1996 - Dh128.7 million) in respect of six aircraft (1996 - five) leased from Ghir Limited, GATX/CL Air Leasing Co-operative Association, International Lease Finance Corporation and NISR Limited. Aircraft lease charges also include Dh27 million (1996 - Dh19.7 million) of payments to Atlas Air Inc. in respect of wet leases of four freighter aircraft.

(e) Corporate overheads include net losses from foreign currency transactions of Dh6.1 million (1996 - Dh6 million).

5 Net interest charges

	1997 Dh'000	1996 Dh'000
Aircraft financing charges	**(140,213)**	(105,244)
Interest charges	**(13,640)**	(5,121)
Interest income	**11,565**	13,283
	(142,288)	(97,082)

Interest income includes Dh5.8 million (1996 - Dh6.2 million) earned on other liquid funds.

6 Taxation

Taxation is provided in accordance with the accounting policy. In the event of exemptions from taxation not being granted, the maximum unprovided taxation liability as at 31 March 1997 was Dh2.6 million (1996 - Dh1.3 million).

7 Property, plant and equipment

	Aircraft Dh'000	Aircraft engines and rotable spares Dh'000	Buildings Dh'000	Other property and equipment Dh'000	Capital projects Dh'000	Total Dh'000
Cost						
1 April 1996	2,538,240	375,596	89,451	350,102	524,588	3,877,977
Additions	471,043	109,350	86,818	20,343	764,936	1,452,490
Transfer from capital projects	689,647	59,374	28	13,170	(762,219)	-
Net transfers from Dnata	-	-	25,743	40,385	-	66,128
Disposals	-	(3,817)	(1,325)	(14,805)	-	(19,947)
31 March 1997	**3,698,930**	**540,503**	**200,715**	**409,195**	**527,305**	**5,376,648**
Depreciation						
1 April 1996	800,187	117,725	59,062	155,795	-	1,132,769
Charge for the year	203,502	20,843	17,766	42,631	-	284,742
Net transfers from Dnata	-	-	21,428	36,389	-	57,817
Disposals	-	(1,398)	(1,281)	(13,549)	-	(16,228)
31 March 1997	**1,003,689**	**137,170**	**96,975**	**221,266**	**-**	**1,459,100**
Net book value						
31 March 1997	**2,695,241**	**403,333**	**103,740**	**187,929**	**527,305**	**3,917,548**
31 March 1996	1,738,053	257,871	30,389	194,307	524,588	2,745,208

The net book value of aircraft and aircraft rotable spares includes an amount of Dh2,047.5 million (1996 - Dh1,026.4 million) in respect of assets held under finance leases (Note 16) and Dh654.9 million (1996 - Dh714.7 million) in respect of assets acquired under term loans (Note 15).

During the year, the company resolved to exercise purchase options held on two aircraft. Accordingly, the leases were reclassified from operating to finance leases. The related aircraft are included in the additions to property, plant and equipment at Dh471 million.

7 Property, plant and equipment (continued)

Aircraft fleet

At 31 March 1997 the aircraft fleet comprised nineteen aircraft (1996 sixteen).

10 Airbus A310-300 (2 under operating lease)
6 Airbus A300-600R (1 under operating lease)
3 Boeing B777-200A (1 under operating lease)

The company has entered into contracts to purchase four Boeing B777-200 and sixteen A330-200 aircraft to replace the existing fleet of A310-300 and A300-600 aircraft between 1997 and 2003. At the balance sheet date, one A310-300 aircraft was held for disposal.

Capital projects

Capital projects include predelivery payments of Dh413.3 million (1996 - Dh485.8 million) in respect of twenty aircraft (Note 21) due for delivery between 1997 and 2003 and non-refundable option deposits of Dh18 million (1996 - Dh18 million) held on seven aircraft.

8 Investments

Investments previously held in Chieftain Corporation N.V., a company incorporated in Netherlands Antilles and in St. James Court Hotel Ltd., London, a subsidiary of Chieftain Corporation N.V. were sold during the year.

9 Deferred expenditure

	1997 **Dh'000**	1996 Dh'000
Balance brought forward	**23,869**	20,882
Expenses incurred	**11,670**	10,728
Amortisation for the year	**(11,698)**	(7,741)
Balance carried forward	**23,841**	23,869

10 Other liquid funds

Other liquid funds are placed with an international investment portfolio manager. These funds are managed on a discretionary basis within specified limits set by the management of the company, provide guaranteed earnings and are not expected to be converted into cash within three months.

11 Receivables

	1997 Dh'000	1996 Dh'000
Trade debtors:		
Airlines	**32,228**	61,255
Agents	**209,342**	242,467
Dnata (Note 17)	**1,977**	2,512
Other trade debtors	**56,064**	56,780
	299,611	363,014
Other debtors and prepayments:		
Prepayments and deposits (see below)	**151,928**	83,959
Other	**35,089**	32,541
	187,017	116,500
	486,628	479,514

Prepayments and deposits include Dh67.2 million (1996 - Dh20.1 million) which is not expected to be realised within one year.

12 Inventories

	1997 Dh'000	1996 Dh'000
Engineering (Note 4)	**138,787**	64,596
Inflight consumables	**30,498**	20,378
Other	**5,203**	7,675
	174,488	92,649

	1997 Dh'000	1996 Dh'000
13 Current liabilities		
Bank overdrafts (Note 23)	**17,847**	72,728
Term loans (Note 15)	**133,606**	152,136
Lease commitments (Note 16)	**183,274**	92,606
Creditors and accruals	**634,524**	503,649
Taxation (Note 6)	**4,743**	3,720
Passenger and cargo sales in advance	**291,767**	302,554
	1,265,761	1,127,393
14 Long term liabilities		
Term loans (Note 15)	**419,230**	552,836
Lease commitments (Note 16)	**1,601,575**	530,737
Dnata account (Note 17)	**233,211**	162,122
	2,254,016	1,245,695
15 Term loans		
Balance brought forward	**704,972**	854,106
Repayments during the year	**(152,136)**	(149,134)
Balance carried forward	**552,836**	704,972
Loans are repayable as follows:		
Within one year (Note 13)	**133,606**	152,136
2-5 years	**409,040**	452,560
After 5 years	**10,190**	100,276
Total over one year (Note 14)	**419,230**	552,836

The loans are secured on the aircraft and bear interest at rates of 5.75% to 6.88% (1996 - 6% to 9.25%) per annum.

16 Lease commitments

	1997 Dh'000	1996 Dh'000
Deposit funded finance leases		
Gross liabilities under lease commitments	**333,444**	414,856
Future interest	**(40,713)**	(71,786)
	292,731	343,070
Term deposits	**(292,731)**	(343,070)
Net commitments	**-**	-

The term deposits are equivalent in value to the liabilities under lease commitments. The finance charges accruing under these lease commitments are matched by interest earned on the term deposits. The lease commitments are secured on the term deposits and the related aircraft.

	1997 Dh'000	1996 Dh'000
Other finance leases		
Gross liabilities under lease commitments	**2,679,161**	840,468
Future interest	**(768,422)**	(164,688)
Term deposits	**(125,890)**	(52,437)
Net commitments	**1,784,849**	623,343

Net lease commitments are repayable as follows:

Within one year (Note 13)	**183,274**	92,606
2-5 years	**878,958**	427,092
After 5 years	**722,617**	103,645
Total over one year (Note 14)	**1,601,575**	530,737

The lease commitments are secured on the related aircraft.

16 Lease commitments (continued)

In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 1997, the penalties would have been Dh138.9 million (1995 - Dh117.4 million).

Operating leases

Future minimum lease payments are as follows:

	1997 Dh'000	1996 Dh'000
Less than 1 year	**91,534**	133,656
2-5 years	**339,001**	543,800
After 5 years	**248,711**	212,463
	679,246	889,919

In the event of these leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 1997, the penalties would have been Dh161 million (1996 - Dh172.7 million).

Emirates holds purchase options for two of four aircraft leased for a period of 5 to 12 years.

17 Dnata account

Emirates and Dnata share senior management and central corporate functions. The amount payable to Dnata shown in Note 14 arises from the net recharge of expenses between Dnata and Emirates, charges raised in respect of services provided and the transfer of funds. Interest is paid to Dnata in line with Dirham bank deposit rates.

The amount receivable from Dnata shown in Note 11 arises from ticket and cargo sales.

Common Emirates/Dnata management costs are fully recharged except where the basis of recharge would be arbitrary and in these instances no recharge is made. The net effect of these arrangements does not materially affect income for the year.

18 Other liabilities and provisions

	1997 Dh'000	1996 Dh'000
Aircraft maintenance provision	**166,185**	185,629
Terminal benefit provision (see below)	**55,761**	42,981
Deferred credits (Note 19)	**49,728**	29,719
	271,674	258,329

Terminal benefit provision relates to employees who do not participate in the company provident fund.

Senior employees participate in the company provident scheme, an independent provident fund for which Emirates guarantees that, on termination, employees will receive as a minimum, benefits equal to their terminal benefit entitlements in accordance with their contract of employment. At 31 March 1997, the benefits secured by Emirates' contributions exceeded employees' contractual terminal benefit entitlement.

19 Deferred credits

	1997 Dh'000	1996 Dh'000
Balance brought forward	**29,719**	33,841
Additions during the year	**25,070**	-
Recognised during the year	**(5,061)**	(4,122)
Balance carried forward (Note 18)	**49,728**	29,719

20 Capital

Balance brought forward	**527,214**	527,214
Introduced during the year (Note 26)	**85,000**	-
Balance carried forward	**612,214**	527,214

Capital represents the permanent capital provided by the Government of Dubai.

21 Commitments

	1997 Dh'000	1996 Dh'000
Capital commitments		
Authorised and contracted	**7,294,470**	3,015,417
Authorised but not contracted	**175,644**	377,889
	7,470,114	3,393,306

Commitments have been entered into for the purchase of aircraft for delivery as follows (Note 7):

Financial year	Boeing 777-200	Airbus A330
1997 - 1998	4	-
1998 - 1999	-	2
1999 - 2000	-	6
2000 - 2001	-	4
2001 - 2002	-	2
2002 - 2003	-	2

In addition, options are held on seven Boeing B777-200 aircraft and seven Airbus A330-200 aircraft.

	1997 Dh'000	1996 Dh'000
Operational commitments		
Letters of credit	**720**	9,628

The above were issued in the normal course of business.

22 Contingent liabilities

Guarantees and bills discounted	**5,435**	3,598

The above were issued in the normal course of business.

	1997 Dh'000	1996 Dh'000
23 Cash and cash equivalents		
Cash	**197,349**	80,024
Bank overdrafts	**(17,847)**	(72,728)
	179,502	7,296
24 Analysis of capital expenditure		
Purchase of fixed assets	**1,452,490**	472,909
Less: Assets acquired under finance leases	**(1,286,382)**	-
Less: Non cash transactions (Note 26)	**(85,000)**	-
Capital expenditure	**81,108**	472,909

25 Financial instruments

The company has financial liabilities which bear interest at floating rates. A 1% increase in interest rates in respect of these financial instruments would increase the charge to the income statement in the next financial year by Dh10 million.

26 Non cash transactions

The ownership of the Emirates Training College has been transferred from the Government of Dubai to the company at a value, based on its original construction cost, of Dh85 million. This amount has been credited to the capital account (Note 20).

27 Comparative figures

Certain comparative figures have been re-classified to conform with current year presentation.

Operating statistics

	1997	1996	1995	1994	1993
Total revenue (Dh million)	**3,292**	2,805	2,507	2,204	1,827
Total expenditure (Dh million)	**3,180**	(2,724)	(2,412)	(2,114)	(1,816)
Income (Dh million)	**112**	81	95	90	11
Passengers carried (thousand)	**2,998**	2,563	2,252	2,006	1,628
Passenger seat KM (KM million)	**9,110**	7,461	6,528	5,895	4,638
Available seat KM (KM million)	**12,810**	10,635	9,583	8,438	6,928
Passenger seat factor (%)	**71.1**	70.2	68.1	69.9	66.9
Cargo carried (KG million)	**160**	130	108	87	64
Average staff strength (number)	**4,540**	4,270	3915	3,435	2,917
Revenue per employee (Dh'000)	**725**	657	640	642	626