THE EMIRATES GROUP

Report & Accounts

1993 - 1994

Emirates is the national airline of the emirate of Dubai. Its main activity is the provision of commercial air transportation services.

Dnata is the largest travel management services company in the U.A.E. and sole ground handling agent at the Dubai International Airport. Its main activities are the provision of aircraft and cargo handling, engineering services and the sale of air tickets on behalf of airlines either as the agent or General Sales Agent.

The Emirates Group consists of Emirates and Dnata.

H. H. Sheikh Maktoum bin Rashid Al Maktoum
Vice President & Prime Minister of the U.A.E and Ruler of Dubai

It is appropriate that in this introduction to the first Financial Report of the Emirates Group, I should pay tribute to the foresight of H. H. Sheikh Rashid bin Saeed Al Maktoum in founding Dnata and H. H. Sheikh Maktoum bin Rashid Al Maktoum, Vice President of the U. A. E. and Ruler of Dubai for launching Emirates.

INTRODUCTION BY H. H. GENERAL SHEIKH MOHAMMED BIN RASHID AL MAKTOUM, MINISTER OF DEFENCE, U.A.E.

The formation of Dnata 35 years ago was a landmark in the development of Dubai's commercial life and in 1994 we can all now appreciate the unique ability of Sheikh Rashid to see into the future. When Emirates was started in 1985, not many people in the aviation industry expected the fledgling airline to survive but the Government realised it needed an airline to help bring a synergy to the continued development of Dubai... today we can see that not only did it survive, but it prospered as did Dubai.

For me Emirates means many things - in the first instance it has provided a flexibility to airline schedules to and from the emirates which were fundamental to continuing our commercial connections, building on the foundations laid by Sheikh Rashid; secondly by continuously introducing innovations, Emirates has become a market-leader and grown into a successful and established quality airline, and thirdly we have seen a brand-new aviation industry introduced into Dubai providing jobs for our young people with the potential for more exciting opportunities in the future.

Together with the Dubai Commerce and Tourism Promotion Board, Emirates has also been responsible for creating a tourist industry in the U.A.E. Again this is an important area in our efforts to diversify the economy from its dependence on oil while providing more job opportunities for our citizens.

Emirates itself has underlined the benefits of the 'Open Skies' policy of Dubai. As other countries have protected their national airlines by raising artificial barriers, we have allowed Emirates to compete on the same terms as other airlines flying into the emirate. The result is plain to see for all those countries who do not believe in free enterprise - Emirates has emerged as a strong, healthy and profitable airline.

Emirates has become successful because (not despite) of the stiff competition from some of the world's great airlines which fly into Dubai... having to achieve high standards and levels of quality to attract its fair share of passengers.

I believe that when airlines practise the policy of 'Open Skies', coupled with reciprocity, it is good for the passenger and the cargo customer... and obviously good for the balance sheet, too.

Both Dnata and Emirates are well placed for their expansion into the next millennium - Dnata is continuing to expand its activities within and outside the U.A.E. while Emirates has a modern fleet of Airbuses with seven Boeing 777s on order and seven on option, plus a network of busy routes.

H.H. General Sheikh Mohammed bin Rashid Al Maktoum, Minister of Defence, U.A.E.

Most important for both organisations is the fact that we have a growing asset of a loyal and hardworking staff, with more and more nationals being employed in both companies. Finally, I want to stress we will only succeed in reaching our goals if we continue to be innovative, setting, rather than following, marketing trends, whilst always remembering to put the customer first.

Mohammed bin Rashid Al Maktoum

World Air Transport has been ailing for a number of years, a victim of the widespread recession which is now very slowly abating.

REVIEW BY H.H. SHEIKH AHMED BIN SAEED AL MAKTOUM, CHAIRMAN OF THE EMIRATES GROUP.

"In this Emirates Group Financial Report we underline the continuing strength of both Emirates and Dnata in a highly competitive marketplace. In its thirty-fifth year Dnata remains comfortably in the black as it strives to offer quality service to the 80 airlines serving Dubai International Airport. Emirates, too, has demonstrated a record of consistent profitability."

In that context, our first Emirates Group Financial Report underlines the uniqueness of both constituent companies, which have continued to display vigorous strength in market places suffering from capacity surpluses and low yields.

Emirates commenced operations in October 1985, and this year we were given the accolade of 'Airline of the Year 1994', by the readers of the UK's Executive Travel Magazine, and have, at the moment of writing, won 55 awards in countries from North America to the Far East. We are careful to avoid complacency, but do believe that this recognition indicates Emirates to be heading in the right direction.

Emirates has demonstrated a record of consistent profitability, whereas the combined loss of the world's airlines in the last four years amounted to USD 16 billion. I am particularly pleased with this bucking of industry trends - achieving fast growth whilst doing comfortably better than breaking even.

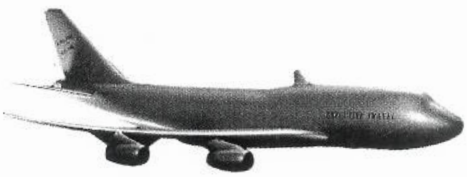
I should add that at no time has Emirates required subsidy of any kind. The company's success has been based on the provision of innovative and high quality products, rigorous management disciplines, and a selection process for new staff which guarantees that we choose experienced personnel of the highest quality to fit smoothly into our close-knit team.

Now in its 35th year, Dnata remains financially totally self-reliant, whilst providing the full range of ground services to some 80 airlines at Dubai International Airport, to a high standard and at only one third of world-wide average prices. In recent years Dnata has also emerged as a major international provider of comprehensive passenger travel and cargo services.

Both Emirates and Dnata, by striving to be market leaders and continuing to make major investments with this goal in mind, have managed to dominate regional markets, but there have also been significant developments further afield. Dnata has formed a joint venture company in Pakistan and is now an important ground handling force at Karachi Airport. We have become a part of an international consortium of major travel agents, Business Travel International, and have established a world-wide cargo agency network. We are also now examining a number of other overseas opportunities.

Emirates has concluded a code-sharing agreement with United Airlines on the London/US routes and together with other Gulf carriers has invested in a hotel and inflight catering complex in Bombay and a hotel in London, whilst evaluating further diversification.

As an airline which thrives on competition in the deregulated 'Open Skies' environment of its home market, Emirates welcomes the launch of both Oman Air and Qatar Airways, as well as the recent advent of a number of other carriers taking advantage of the Dubai strategic hub, which serves over 100 destinations. It is, however, unfortunate that many countries continue to provide lavish financial support and market entry protection to their national airlines, despite increasing evidence that



THE TROPHY
'Airline of the year 1994.'

unprotected airlines such as Emirates supply the best value for money and the highest standards of service - they have to, to survive.

We look forward to the day when all Governments will offer Emirates the same liberal facilities as the UAE offers other airlines, a situation which would benefit all communities. It is a pity that air transport has not been given sufficient emphasis in the latest GATT round, and we trust that the international bodies concerned will move to rectify this anomaly. With air transport, even in these hard times, growing at a rate approaching three times faster than the rest of the global economy, free trade in the air has assumed a significance which seems to have escaped the prime movers in this field.

In my opinion protectionism in the end is bad for the airline industry and offers the customer a raw deal. Nor is the present excess of capacity good for the customer, resulting as it does in many airlines finding themselves forced to sell at prices which are below cost, with the consequence in the long run of a diminution in choice of airlines and services.

We are also concerned over the perceived trend towards a concentration of the industry into a small number of mega-carriers which, if it is allowed to happen, will work to the detriment of the markets the industry serves. It is demonstrable that beyond a certain point in size, airline economies of scale go into reverse, unit costs therefore increase and as a result so do prices - but only as long as the mega-carriers can eliminate competition. This has been seen to happen by virtue of sheer size and consequent market dominance, and calls for the right to compete to be assiduously guarded on a world-wide basis, and not just within political blocs. Otherwise the consumer will lose out.

A most significant event for Emirates has been the agreement we signed with Boeing and Rolls Royce for the delivery of seven Boeing 777s with Rolls Royce engines, commencing in March 1996, with options on seven more aircraft. This contract underlines our commitment to building the airline into a medium-sized long haul carrier by the turn of the century.

Looking again to the future, Emirates is now building its own Training Centre to house our Airbus A310/A300 and Boeing 777 full flight training device and emergency evacuation trainer, and a fixed base simulator from the Canadian company CAE Electronics, together with the rest of the Group's extensive training facilities.

Whilst on the subject of training, I should mention our schemes for the development of UAE nationals. Before the formation of Emirates, we had established a structure for taking trainees from universities and preparing them, through both classroom and on-the-job training, for advancement. But even before that, UAE nationals held senior positions in Dnata both at the airport and in the travel agency side of the business.

The launch of the airline in 1985 generated a more pressing requirement for UAE nationals in all aspects of the operation, and more advanced and demanding courses were introduced, and have been refined over the years. Development follows three main streams - Commercial, Maintenance, and Flight Operations - all of which require graduate level entrants, who are selected following a battery of tests at in-house assessment centres.

In the Commercial division, UAE nationals have now been appointed as Area Managers in UK, Pakistan, Bangladesh, the Philippines, and all the Arab States to which we fly, and several have been promoted to senior positions in our headquarters.

In aircraft maintenance, we now have a satisfactory number who have progressed beyond the training stage and are moving on to become professionally licensed. The more advanced level incorporates the highly-regarded M.Sc. course at Cranfield University in UK, where, incidentally, we appointed an Emirates Fellow last year.

In Flight Operations, we have for some time had a system for regularly introducing UAE nationals on to the flight deck at various levels, and they now occupy positions up to Training Captain status. But we are undertaking ab-initio training. At present we have three UAE nationals who are about to qualify as airline pilots through the British Aerospace School at Prestwick, and plan an annual intake. Outside the training scheme, a small number of UAE nationals who have acquired full international air transport qualifications and rounded experience from outside the company, or from Dnata itself, now work at Director level in both Emirates and Dnata.

Finally, I believe the Group to be well positioned in all its diverse areas of activity. Emirates has a tremendous challenge as it looks to explosive growth over the next two and a half years, whilst Dnata will be pursuing its own expansion. But I am confident that, given the dedication and enthusiasm which our multi-ethnic management and staff have shown throughout our history, we will continue to report success in the years ahead.

Ahmed bin Saeed Al Maktoum

Dnata was formed by His Highness Sheikh Rashid bin Saeed Al Maktoum with four staff in 1959 to provide the full range of airport ground service and travel agency infrastructure which Dubai needed at that time.

REVIEW BY MAURICE FLANAGAN, GROUP MANAGING DIRECTOR

"Emirates' principal objectives have been three-fold... to grow rapidly whilst remaining independently profitable... to provide the best product on any route on which we fly...to serve the growth of Dubai. The objective of Dnata remains the same: to provide travellers and airlines with the highest standards of service. As Dubai and its international airport continue to grow, so too does the role of Dnata. Dubai and Dnata face an exciting future."

Typically of His Highness, this was a far-sighted move. By 1970 the number of employees had grown to 200 and Dubai was on the threshold of a decade of explosive growth which saw most indicators of economic activity multiply ten-fold, with passengers using Dubai Airport increasing from 200,000 in 1970 to 2,000,000 in 1980, and Dnata's staff strength increasing exactly in line, from 200 to 2,000.

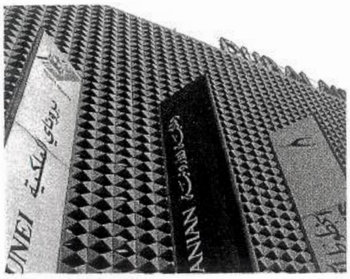
Then followed a period of relative consolidation, during which Dnata's internal systems were able to catch up with its growth in activity, and the business began to move to the forefront of air transport technology. For example, in the early 80's Dnata became the first agency east of Europe to provide a multi-access common language reservations system and, applying the same principle to airport services, made Dubai Airport the first in the world to operate a multi-access common language departure control system, and in this latter respect we believe it remains unique.

When Emirates was launched by the Government of Dubai in October 1985, Dnata, by then already frequently described as an airline without aircraft, was able to provide the new airline with the launching pad of a solid and advanced infrastructure of airline ancillary services.

Emirates start-up over the Spring and Summer of 1985 was the result of a series of inspired judgements by His Highness General Sheikh Mohammed bin Rashid Al Maktoum, who not only made the big decision, but also personally decreed that the name of the airline should be simply 'Emirates', and made the final choice of the airline's corporate identity and aircraft livery which remain among the most exciting in the industry.

At that time too, His Highness Sheikh Ahmed bin Saeed Al Maktoum became Chairman of Emirates and Dnata and, right from day one, has provided us with an energetic and charismatic leadership of rare quality, as well as becoming intimately involved in the executive direction of the airline, and inspiring a working atmosphere which binds all of us together as a team working towards common and clearly understood objectives.

From the start Emirates' principal objectives have been threefold - firstly, to grow rapidly whilst remaining independently profitable without recourse to subsidy or protection against competition, during one of the worst periods in air transport history to be making such an endeavour; secondly, to provide the best product on any route on which we fly which, given the widely varying nature of our markets, is rather more complicated than it sounds; thirdly, to serve the growth of Dubai by contributing a key element to the communications system which is at the heart of Dubai's establishment as the intermodal transport hub for West Asia, and by participating directly in the development of the UAE as an unusual and attractive tourist destination.



Looking ahead, we plan for Dnata to progress principally by augmenting its international dimension through the introduction of a growing range of value-added products in its three core activities - passenger travel services, cargo handling and freight forwarding, and information technology in both the passenger and cargo fields, where we continue to be in the forefront of industry enhancements.

Emirates has committed to the purchase of seven Boeing 777s with Rolls-Royce Trent engines, with options on a further seven aircraft. In the initial three-class configuration, we shall offer 310 seats, with 374 seats in a later two-class variant. Each of these aircraft will be capable of carrying up to 30 tonnes of cargo, and deliveries will commence in March 1996.

At the same time we retain our commitment to our General Electric powered Airbus A310-300 and A300-600R aircraft, which have served us magnificently since the inception of the airline.

To summarise the year, despite the unfavourable economic and operating conditions that the aviation industry faced globally, the Emirates Group remained financially successful whilst continuing its rapid growth.

Group revenue increased by 19.1% from Dh 2,001 million the previous year to Dh 2,385 million during 1993-94. Operating income increased 42.2% to Dh 203 million. Net income was 220.4% higher at Dh 118m.

Emirates' capacity growth of 20.2% to 1,281 million tonne kilometres was outpaced by a traffic growth of 30.3% to 867 million tonne kilometres. This resulted in an improvement in the load factor by 5.2 percentage points.

Unit costs reduced 1.7% but an erosion of overall yield of 7.6% caused a deterioration of the breakeven load factor from 59.6% to 63.5%.

Dnata continued its steady growth with cargo handled increasing by 15.7% over the previous year to 222,671 tonnes and aircraft handled increasing by 1.7% to 32,337. Unit income from these two main business lines was very much maintained.

Group staff strength rose by 11.2% over the previous year to an average of 7,498 with increases in every measure of productivity. Group revenue per employee increased by 7.1% while value added per employee and operating income per employee increased by 4.0% and 27.8% respectively.

Maurice Flanagan

Maurice Flanagan

EMIRATES

COMMERCIAL

Income and Activity

The airline's net revenue rose by 20.3% as a result of increased market penetration, increased capacity and the application of automated inventory management techniques. Other reasons for the increase in revenue include the fine-tuning of the product, vigorous selling as well as new customer awareness and service audit techniques.

It was significant and satisfying to note that despite the addition of two new aircraft and three new destinations, average load factor rose to 67.6%.

In 1993, Emirates purchased a Passenger Revenue Optimisation System (PROS) with installation completed in April 1994. With the capability the system offers, Emirates now has the capacity to improve its critical seat factors and yield and significantly reduce passenger inconvenience (denied boardings). In terms of revenue, the expected incremental gain is conservatively estimated at 1-2% or approximately Dh 30 million per year. Aircraft swaps, gauge changes, extra flights, schedule changes and meal management can all be performed with greater accuracy and efficiency. This is expected to bring in significant revenue in addition to the direct incremental gain.

Passenger seat factor improved by three percentage points to 69.9%, despite an increase in production and the addition of new destinations. Passengers carried rose by 23.2% from 1,628,268 in 1992-93 to 2,006,428 in 1993-94.

The strength of cargo (including courier and mail) continues with a very encouraging increase of revenue by 26.9%, whilst at the same time representing 14.1% of total company transport revenue.

Astute commercial planning has been the foundation for Emirates' success providing attractive schedules and achieving high utilisation of the fleet.

Emirates Holidays and Arabian Adventures, the leisure arm of the company, saw their first full year of operation with encouraging results. The number of passengers handled by this group virtually doubled in 1993-94 compared to 1992-93, whilst Arabian Adventures now has a 60% share of the inbound business into Dubai, making it the major entity in Destination Management. This has been one of the company's primary objectives with regard to the development of the leisure division.

Similarly, the company's intention from early concept has been to position Emirates Holidays as the largest quality wholesale tour operator not only in Dubai and the U.A.E., but the whole of the Middle East. This is clearly on track.

Fleet

Two additional Airbus aircraft were delivered during the course of the year, the first being an A310-300 received in May 1993 and the second an A300-600R in August. The total fleet then increased to thirteen Airbus aircraft, plus two Boeing 727s.

In February 1994, lease agreements were signed with GATX for a low hour and cycle A310-300 which was delivered in July 1994, and with ILFC for an A300-600R due to be delivered from Airbus Industrie in February 1995.

The Company continues its detailed preparations for the arrival of the first Boeing 777 in March 1996.

Schedules and Production

Production, in terms of available seat kilometres, increased by 21.3% during the financial year with Dhahran, Muscat and Doha being added as on-line destinations. Network total now stands at 32 destinations. Larnaca was also introduced under a code share arrangement with Cyprus Airways using their aircraft.

A marketing partnership was established with United Airlines in November 1993 which coincided with the transfer of the London Gatwick operation to Heathrow. A major element of this partnership was a code share arrangement which will provide access to the North American markets at little capital expense.

Sky Cargo

Another successful year for Sky Cargo with Emirates being voted Best Cargo Airline to the Middle East for the sixth consecutive year.

Overall, cargo revenue (i.e. including courier and mail) showed an increase of 26.9% over 1992-93. Cargo volume registered an increase of 36.4% over 1992-93. Overall cargo contribution to total transport revenue was 14.1%.

The role of the Cargo Control Unit and Cargo Revenue Optimisation sections has been fundamental to the attainment of the objectives of optimum yields, together with the field sales forces, by co-ordinating the most effective utilisation of capacity.

The automated systems in place have helped facilitate a more proactive management of the cargo products.

OPERATIONS

Flight Operations

Emirates' pilots and flight engineers, from 34 different countries, operate harmoniously as crew members on the Airbus and Boeing 727 fleets joining the company after undergoing one of the most rigorous selection procedures in the industry. The Flight Operations department is now able to conduct Airbus transition training in-house, instead of having to send pilots to the Airbus Industrie training facilities in Toulouse. The latest computer-based training devices (VACBI) have been installed in Dubai with savings up to the present, of approximately Dh 10 million.

The first group of young Dubai nationals was selected early in 1993 for pilot training at the British Aerospace Flying College in Prestwick, Scotland. It is expected that graduates will join Emirates as cadet pilots from October 1994.

Looking to the future, Emirates' Flight Operations has played a full part in the development of flight deck procedures and systems for the Boeing 777. Our Project Pilot works closely with representatives of Boeing and pilots from the other major airline customers to ensure that the final product will be tailored to Emirates flight operational requirements. (A contract for a Boeing 777 simulator was signed with CAE of Canada in June 1994.)

Operations Control

New Operations Control and flight crew Briefing Offices were opened and the Crisis Inquiry Centre facility was completed in November 1993. Senior managers have attended a three-day Crisis Management Course at Cranfield University and some 400 volunteers have been through a preliminary training programme.

The Operations Control unit offers third party flight despatch services to other airlines.

Engineering

Since accomplishing the first 'C' check in the year 1992-93 Emirates Engineering facilities have continued to develop with fourteen 'C' checks on Airbus aircraft completed up to the end of year 1993-94. The first 4 'C' check was also carried out during the year.

With the recognition of Emirates quality organization and standards by the UK CAA (for British Airways), Malaysian DCA (M.A.S.), Singapore CAA (Singapore Airlines), Republic of China DCA (China Airlines), Emirates Aircraft Maintenance contributed a substantial revenue from third party airlines. In addition to 'A' checks on 10 Airbus aircraft of Kuwait Airways, Aircraft Maintenance was responsible for handling 19 other airlines.

There was a further development of NDT (Non Destructive Testing) during the year including magnetic particle and fluorescent dye penetrant inspections.

In addition, Aircraft Maintenance now has a comprehensive calibration and standards unit.

The most noteworthy achievement of the Engineering Department during the year has been the delivery of exceptionally high levels of utilisation, coupled with despatch reliability, on the Airbus fleet, which are among the highest to be achieved by any airline.

Inflight Services

Emirates' Inflight Service has won countless accolades from passengers underlined by the awards of 'Airline of the Year' from Executive Travel, 'Best Airline in the World', from London's The Observer newspaper and 'Best Airline' from Germany's Globo.

Emirates became the first airline in the world to introduce a personal video set in all seats in all three classes on its Airbuses. Later the introduction of telephones and faxes scored another world first - and now the Inflight Services Department is working closely with Boeing and GEC Marconi to launch interactive television on its Boeing 777s which will be delivered from March 1996.

In addition to the state-of-the-art equipment, Emirates has become a market leader for the excellence of its inflight cuisine and multi-national cabin crew - two other recent awards being 'Best Food and Beverages' and 'Most Efficient Cabin Crew' (runner-up) from Executive Travel and Wagonlit Travel, UK.

The welfare and training of cabin crew was again given the highest priority, His Highness Sheikh Ahmed bin Saeed Al Maktoum, the Chairman, officially opening a new cabin crew briefing centre. To maintain our quality standards, Customer Awareness Seminars are held for all cabin crew on an ongoing basis.

D N A T A

AIRPORT SERVICES DIVISION

In the past year the Airport Services Division saw a substantial growth in passenger volume at Dubai International Airport now running at over six million per year, with more than a 10% increase in the first three months of 1994 and cargo growing by 15.7% for the fiscal year with some 230,000 tonnes annually. Dnata now has 85 carriers under contract plus approximately 15 ad-hoc operations.

On the Passenger Services front, the Marhaba Unit completed its second successful year, a highlight being its participation at Dubai Air Show '93 with its own stand. To help maintain standards all passenger services staff completed the 'Up where you belong' customer services enhancement programme.

On the Ground Operations side, Dnata introduced the Ramp Dispatcher (Red Cap) concept placing a single individual in charge of aircraft arrival and departure and at the same time commenced precision-timing schedules controlled by the dispatchers to keep aircraft on time.

Dnata Airport Services went international by entering into a joint venture - Gerry's Dnata - to provide ground handling at Karachi International Airport.

For Dnata Cargo this year was one of consolidation with performance being measured against the series of quality checks and standards introduced the previous year.

New features introduced included a re-packing service and a full security escort service for valuable consignments.

This year also saw Dnata Cargo becoming more active in the freight forwarding field with the recruitment of a sales and operations team, the setting up of an agency network and joining IFA, as well as signing an exclusive sales representation agreement with Emery Worldwide for Dubai.

Dnata Engineering again showed a profit on its operations. It is responsible at the Dubai Cargo Village for maintaining the largest fleet of battery-powered forklifts and tractors in the Middle East and also takes care of the DCA's cargo handling equipment. The installed cargo handling equipment has an availability record of 98% and the electrical equipment has proved a great success. The department has recently taken over the maintenance of the Shell/BP tanker fleet at the airport.

DNATA AGENCIES

Dnata started the fiscal year on a high note introducing a new uniform for its staff in April '93 and for the third successive year being voted 'Best Travel Agency in the Middle East '93' by the Travel & Tourism News in the annual Arab Travel Awards.

Major accounts awarded to Dnata were Dubai Municipality, Department of Health and Department of Ports and Customs adding approximately Dh 30 million worth of business to the existing portfolio of clients. New implants were also inaugurated at the Jebel Ali Free Zone, Unilever Arabia and J.W. Marriot Hotel. As a result of its partnership with Business Travel International, Dnata was empowered to recruit Regional Associate Partners on behalf of Business Travel International Corporation (BTIC). They are:

Bahrain - International Travel Bureau, Egypt - Menatours, Kuwait - Alghanim Travel, Oman - United Travel L.L.C., Pakistan - Gerry's Travel Agency (Pvt.) Ltd., Saudi Arabia - Attar Travel Company, Sri Lanka - Ace Travels & Conventions (Pvt.) Ltd., Turkey - Mandalin Travel Agency, United Arab Emirates - Advanced Travel & Tourism (Abu Dhabi) and Dnata (Dubai / Fujairah / Sharjah).

In another co-operative agreement, Dnata/Diners Club International introduced the region's First Lodged Card for business travel account management.

Another first for Dnata was also the opening of a new facility for the travel trade at the Airline Centre to provide non-ticket holding travel agents with direct purchase facilities for those carriers represented by Dnata.

Dnata is currently General Sales Agent for the following airlines: Aer Lingus, Lufthansa, Air Lanka, Middle East Airlines, Australian Airlines, Pakistan International Airlines, Ansett New Zealand, Qantas, Air India, Royal Brunei Airlines, Bangladesh Biman, Royal Jordanian, British Airways, Sabena, Emirates, Singapore Airlines, Gulf Air, Swissair, Iran Air, Thai Airways, K.L.M., United Airlines, Kuwait Airways and Libyan Arab Airlines.

Philippine Airlines and Jet Airways were two recent additions during the year.

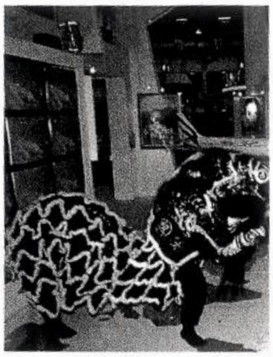
On the leisure side, Dnata was appointed the Partner in Distribution for the U.A.E. for Euro Disney World in Paris in April 1993.

Dnata also launched its AXIS product, a Middle East/Asian sub continent distribution network, offering instant market penetration for travel-related products and services.

GROUP

FINANCE

In terms of fleet financing activity, 1993-94 was a year of relative consolidation for Emirates ahead of the major fleet expansion in 1996 when the new generation high technology Boeing 777 aircraft will be introduced. In August 1993, we took delivery on an operating lease basis of an Airbus A300-600R which was financed using debt provided by a syndicate comprising Morgan Grenfell International Limited, Banque Indosuez, Deutsche Girozentrale, Kreditanstalt fur Wiederaufbau and Barclays Bank plc. The operating lease commitments with GATX for one Airbus A310-300 and with ILFC for one A300-600R are designed to introduce an appropriate mix of ownership structures into the fleet and boost cash reserves ahead of the Boeing 777 deliveries. Already we are seeing the benefit of this policy with a substantial increase in group year-end cash balances from Dh 121 million in 1992-93 to Dh 394 million in 1993-94.



In preparation for our financing requirements for the Boeing 777 aircraft, discussions have already been initiated with export credit agencies in the U.K. and U.S.A. Our financing programme is well in hand and we are confident of achieving competitive financial support to meet our future needs for both Emirates and Dnata.

EXTERNAL RELATIONS

The department continued to support Emirates and Dnata's commercial activities with advertising, promotions, media relations and publicity drives around the network - whilst also being responsible for the programmes on Emirates Television Personal Video System.

The 'Fly us once, fly us always' advertising theme which ran throughout 1993 was replaced by a new corporate campaign at the beginning of 1994, 'Finest in the Sky', coinciding with Emirates being voted 'Airline of the Year' by readers of Executive Travel.

The airline received an award from the Wall Street Journal for 'Best Recall' for one of its corporate advertisements and achieved the distinction of being mentioned in the Guinness Book of Records for the world's biggest advertising hoarding.

During the year External Relations was to the fore in the launches of Dhahran, Muscat and Doha and carried out major promotions at the Dubai Air Show '93, World Travel Market, London and ITB Berlin in March 1994. For Dnata, External Relations helped to launch the new uniform and the marketing partnership with Euro Disney World - as well as continuing to support total marketing activities including AXIS and BTI products.

INFORMATION TECHNOLOGY

Change is a way of life for the 200 professional staff in the IT department, who provide a round-the-clock computing and communications service to the Emirates Group of companies. To cope with the growth and complexity of the corporate development plans, these services are going through major change programmes which will facilitate corporate expansion through to the 21st century.

Significant sums are being spent this year in improving the communications networks both internationally and within the U.A.E. Each of the company's buildings has been recabled to bring the latest in personal computing technology to the fingertips of executives and their teams. These local networks have been linked to the already extensive international networks forming Algebra Link, one of the most technically advanced communications services in the industry. Algebra Link will provide a worldwide infrastructure to the organisation, integrating operations and extending the range of customer services.

Of equal importance is the demand for growth in computing power and uninterrupted availability of service from the two central data centres. The performance of EMIR, the airline reservations system, has been enhanced and it is now capable of handling 250 simultaneous transactions. It routinely processes more than one million such transactions a day, supporting sales offices and check-in desks at each of the overseas operations.

In the Emirates Group, the live data files now contain more than 10 billion pieces of information and this will double over the next few years. Through Algebra Link and strategically placed departmental server computers, the IT department is committed to increasing the performance, reliability and cost effectiveness of its service.

IT has an external service role too. The IT marketing division, Algebra Link, provides access to Galileo, one of the largest global airline, hotel and car hire reservation systems, for over 300 customers in the travel trade in the Gulf region. September 1994 marked the launching of EQUATION - the first cargo EDI (electronic data interchange) service in the Middle East. This service will link freight agents, airlines, customs and the Dnata cargo centre which will facilitate the growth of trade within the U.A.E.

CORPORATE STRUCTURE

GROUP

Chairman	H.H. Sheikh Ahmed bin Saeed Al Maktoum
Group Managing Director	Maurice Flanagan
Group Deputy Managing Director	Sultan Dhiyab Saqer Al Nahyan
Company Secretary	G.G.K. Nair
Finance & Information Technology Director	Gary Chapman
Senior General Manager, Human Resources	Peter Sharman
Senior General Manager, External Relations	Mike Simon
General Counsel	Chris Walsh
Senior General Manager, Customer Affairs & Service Audit	Richard Ng
Corporate Treasurer	Dermot Mannion
Chief Medical Officer	Dr. Alasdair G. Beatton
Senior General Manager, Information Technology	Hugh Pride
Chief Internal Auditor	Neeraj Kumar

EMIRATES

Chairman	H.H. Sheikh Ahmed bin Saeed Al Maktoum
Group Managing Director	Maurice Flanagan
Operations Director	Mohammed Al Khaja
Commercial Director	Tim Clark
Senior General Managers:	
Projects	Capt L. Smith
Flight Operations	Capt G. Jenkins
Commercial Operations (West Asia & Pacific Rim)	Peter Hill
Commercial Operations (Europe & North America)	Nigel Page
Commercial Operations (Middle East, Africa & CIS)	Ghaith Al Ghaith
Inflight Services	Don Foster
Engineering	Iftikhar Mir
Planning & Revenue Optimisation	George Rickabaugh
Cargo	Ram Menen
Ground Services	Mohammed Mattar
Head of Destination & Leisure Management	Hans Haensel

DNATA

Chairman	H.H. Sheikh Ahmed bin Saeed Al Maktoum
Group Managing Director	Maurice Flanagan
Group Deputy Managing Director	Sultan Dhiyab Saqer Al Nahyan
Director Dnata Airport Services	Ismail Ali Albanna
Senior General Managers:	
Dnata Agencies	Keith Longstaff
Airport Services	Dale Griffith
Dnata Cargo	Jean Pierre de Pauw

OPERATING STATISTICS

	1993-94	1992-93	1991-92	1990-91	1989-90
Emirates:					
Total revenue (Dh '000)	2,203,595	1,826,954	1,459,672	1,028,699	698,203
Total expenditure (Dh '000)	2,114,028	1,816,326	1,392,209	1,005,333	664,757
Operating income (Dh '000)	181,430	121,669	167,610	91,203	71,769
Net income (Dh '000)	89,567	10,628	67,463	23,366	33,446
Yield (Fils per RTKM)	247	268	294	288	261
Unit cost (Fils per ATKM)	157	159	170	184	174
Breakeven load factor (%)	63.5	59.6	57.9	64.0	66.7
Fleet					
No. of aircraft	15	15	11	8	6
Average age (months)	52	52	56	64	70
Production					
Destination cities	32	31	26	22	18
Overall capacity (ATKM million)	1,281	1,066	754	504	356
Available seat kilometres (ASKM '000)	8,438,075	6,927,524	5,045,691	3,488,253	2,600,875
Traffic					
Passengers carried (number)	2,006,428	1,628,268	1,288,217	923,953	764,681
Passenger seat kilometres (RPKM '000)	5,894,844	4,637,545	3,445,201	2,397,019	1,873,679
Passenger seat factor (%)	69.9	66.9	68.3	68.7	72.0
Cargo carried (KG '000)	81,545	61,857	42,682	32,507	26,178
Overall load carried (RTKM million)	867	665	480	341	262
Overall load factor (%)	67.6	62.4	63.7	67.7	73.8
Staff					
Average staff strength (number)	3,435	2,917	2,133	1,683	1,226
Capacity per employee (ATKM)	373,008	365,354	353,376	299,663	290,044
Load carried per employee (RTKM)	252,265	227,956	225,037	202,737	214,069
Revenue per employee (Dh)	641,512	626,313	684,328	611,229	569,497
Value added per employee (Dh)	238,831	237,466	264,988	213,825	208,047
Dnata:					
Total revenue (Dh '000)	272,136	257,673	235,454	175,828	187,037
Total expenditure (Dh '000)	244,157	231,621	200,029	154,684	142,824
Operating income (Dh '000)	21,343	20,958	45,348	32,840	62,449
Net income (Dh '000)	27,979	26,052	35,425	21,144	44,213
Aircraft handled (number)	32,337	31,785	28,571	23,981	23,441
Cargo handled (KG '000)	222,671	192,506	163,713	129,000	134,000
Staff					
Average staff strength (number)	4,063	3,824	3,222	2,792	2,588
Revenue per employee	66,979	67,383	73,077	62,976	72,271
Value added per employee	56,052	56,159	58,842	53,791	61,201

FINANCIAL STATISTICS

The Emirates Group

		1993-94	1992-93	%Change
Total revenue*	Dh (million)	2384.4	2001.2	19.1
Total costs*	Dh (million)	2266.8	1964.5	15.4
Operating income	Dh (million)	202.7	142.7	42.2
Net income	Dh (million)	117.6	36.7	220.4
Shareholders' funds	Dh (million)	800.6	683.1	17.2
Return on shareholders' funds	%	15.8	5.5	10.3 pts
Value added	Dh (million)	1048.0	906.2	15.6

Emirates

Total revenue	Dh (million)	2203.6	1827.0	20.6
Total costs	Dh (million)	2114.0	1816.4	16.4
Operating income	Dh (million)	181.4	121.7	49.1
Net income	Dh (million)	89.6	10.6	742.7
Value added	Dh (million)	820.4	692.7	18.3

Dnata

Total revenue	Dh (million)	272.1	257.7	5.6
Total costs	Dh (million)	244.1	231.6	5.4
Operating income	Dh (million)	21.3	21.0	1.8
Net income	Dh (million)	28.0	26.1	7.4
Value added	Dh (million)	227.7	214.8	6.0

*After eliminating inter company trading of Dh 91.3 million in 1993-94 and Dh 83.5 million in 1992-93.

The financial year of the Emirates Group is from 1 April to 31 March. Throughout this report all figures are in U.A.E. Dirhams (Dh), unless otherwise stated. The exchange rate of the Dirham to the US Dollar is 3.67.

The percentage change has been based on the exact figures in respect of the two financial years.

Income

Group operating income for 1993-94 was Dh 203 million, an increase of Dh 60 million (42.2%) over 1992-93.

Income before tax rose by a higher amount of Dh 80 million (175.9%) to Dh 126 million.

After provision for taxation payable to overseas governments, net income registered a 220.4% increase to Dh 118 million from Dh 37 million last year.

Return on shareholders' funds rose 10.3 percentage points to 15.8%.

At the company level, Emirates' operating income rose by Dh 60 million (49.1%) to Dh 181 million. Dnata's operating income remained at last year's level of Dh 21 million.

Emirates income before tax increased by Dh 78 million (400.2%) to Dh 98 million and net income increased by Dh 79 million (742.7%) to Dh 90 million. Dnata's income before and after tax increased 7.4% to Dh 28 million.

Revenue

Total Group revenue in 1993-94 was Dh 2,385 million, an increase of Dh 384 million (19.1%) over the previous year. Group revenue consists of operating revenue of Dh 2,365 million and other income of Dh 20 million. (1992-93 Dh 1,992 million and Dh 9 million).

All inter company trading between Emirates and Dnata has been eliminated in computing Group revenue.

Emirates operating revenue rose by Dh 370 million (20.3%) to Dh 2,191 million. Other income for the year was Dh 13 million, up from Dh 6 million in 1992-93. In spite of traffic growth of 30.3% and an improvement of 5.2 percentage points in the overall load factor, growth in operating revenue was restricted due to market pressures on overall yield.

Passenger revenue at Dh 1,796 million was 19.9% higher than last year, while cargo revenue grew by 27.7% to Dh 263 million. Passenger and cargo revenue constituted 94% of Emirates total operating revenue.

Dnata's operating revenue increased by 5.1% over last year to Dh 265 million. Other income for the year increased to Dh 7 million from Dh 5 million in 1992-93. Dnata handled 32,337 aircraft and 223 million kg of cargo, representing increases of 1.7% and 15.7% respectively.

Expenditure

Group operating costs at Dh 2,162 million were Dh 313 million (16.9%) up over last year.

Total expenditure including financing costs and taxation was Dh 2,267 million, a rise of Dh 302 million (15.4%) over last year.

The increase in costs came mainly from higher staff expenditure (Dh 54 million or 10.1%), aviation fuel and oil (Dh 39 million or 17.9%), aircraft maintenance (Dh 23 million or 17.5%), depreciation (Dh 18m or 8.3%) and other airline direct operating and fleet costs.

Capital expenditure

Group capital expenditure for 1993-94 was Dh 318 million, a decrease of Dh 790 million (71.3%) from the previous year. Aircraft, spares and spare engines comprised 89% of the total capital spend. This included disbursement for aircraft delivered during the year and progress payments for future deliveries.

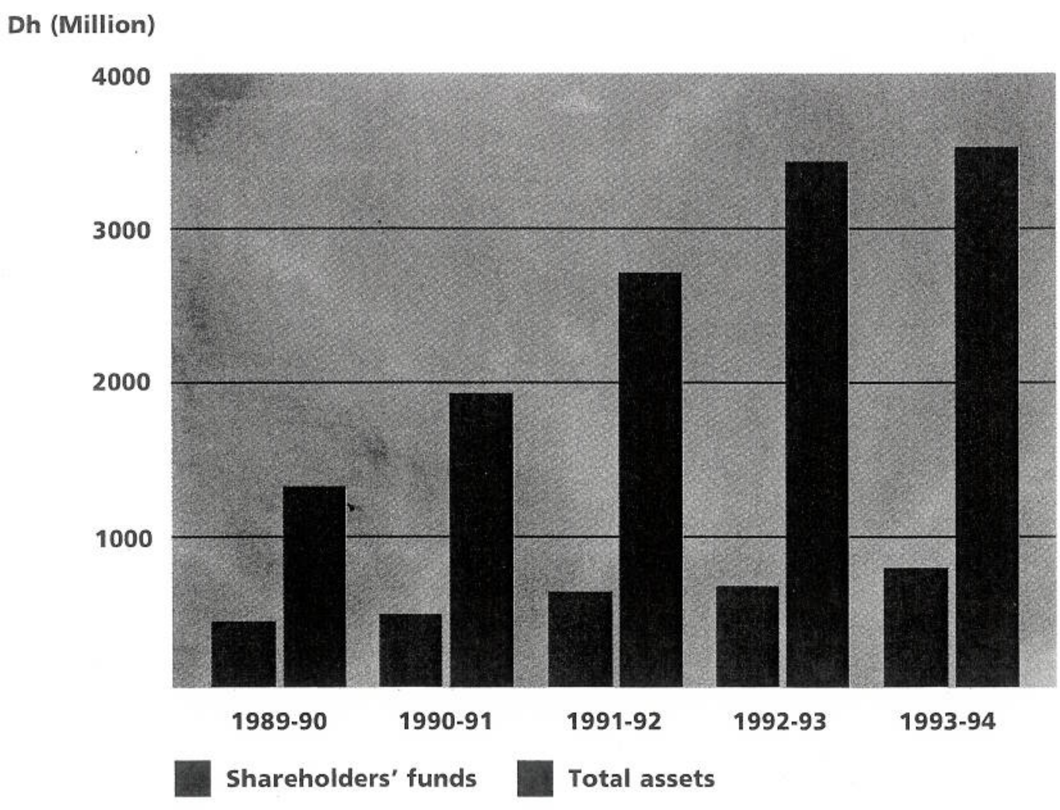
Financial position

The financial position of the Group remained healthy. Shareholders' funds at 31 March 1994 were Dh 801 million, up Dh 118 million (17.2%) from 31 March 1993.

The Group had a loan liability of Dh 1,000 million and lease commitments, net of term deposits, of Dh 759 million, mainly relating to aircraft purchases.

At 31 March 1994, the total assets of the Group were Dh 3,535 million, up by Dh 94 million (2.7%) on the previous year. Return on total assets was 3.4% against 1.2% in 1993.

SHAREHOLDERS' FUNDS & TOTAL ASSETS



VALUE ADDED

Value added is a measure of wealth created. This statement shows the value added by the Group over the past five years and its distribution by way of payments to employees, governments, and to providers of capital. It also indicates the portion of wealth retained in the business.

	1993-94 Dh '000	1992-93 Dh '000	1991-92 Dh '000	1990-91 Dh '000	1989-90 Dh '000
Total revenue	2,365,198	1,991,702	1,608,742	1,139,716	827,272
Less:Purchase of goods and services	1,336,428	1,095,005	872,318	648,475	438,787
Loss on sale of fixed assets	602	1,060	968	12	1,505
	1,028,168	**895,637**	**735,456**	**491,229**	**386,980**
Add: Investment income	9,498	2,675	7,606	11,298	10,807
Non-operating income	8,141	6,261	9,060	4,861	9,827
Share of profits of associated companies	2,173	1,596	1,503	932	1,014
Total value added by the Group	**1,047,980**	**906,169**	**753,625**	**508,320**	**408,628**
Distribution of value added:					
To employees - salaries and other staff costs	588,401	534,609	404,341	284,107	214,184
To overseas governments -					
Corporation and other taxes	8,373	8,950	9,976	1,804	-
To suppliers of capital -					
Dividends	25,000	25,000	45,000	100,000	-
Interest	96,064	106,469	97,449	71,416	40,230
Retained for re-investment and future growth -					
Depreciation	237,596	219,461	138,971	106,483	76,555
Retained profits	92,546	11,680	57,888	(55,490)	77,659
Total value added	**1,047,980**	**906,169**	**753,625**	**508,320**	**408,628**

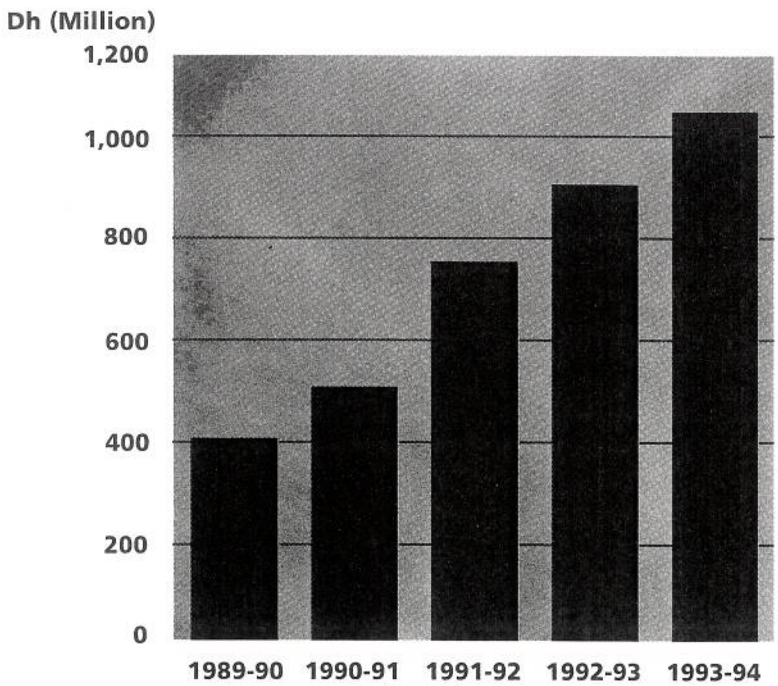
VALUE ADDED

In 1993-94, the total 'value added' of the Group increased by Dh 142 million (15.6%) against the previous year to Dh 1,048 million. The increase came mainly from increased revenue (Dh 373 million). It was also boosted by increases in investment income, share of profits of associated companies and a reduction in loss on sale of fixed assets, but was partially offset by higher purchase of goods and services (Dh 241 million).

Staff received Dh 588 million (56.1% of the total value added) in the form of salaries and other related costs while Dh 330 million (31.5%) was retained in the business for future growth.

Distributions as taxation, interest and dividends were Dh 129 million (12.4%).

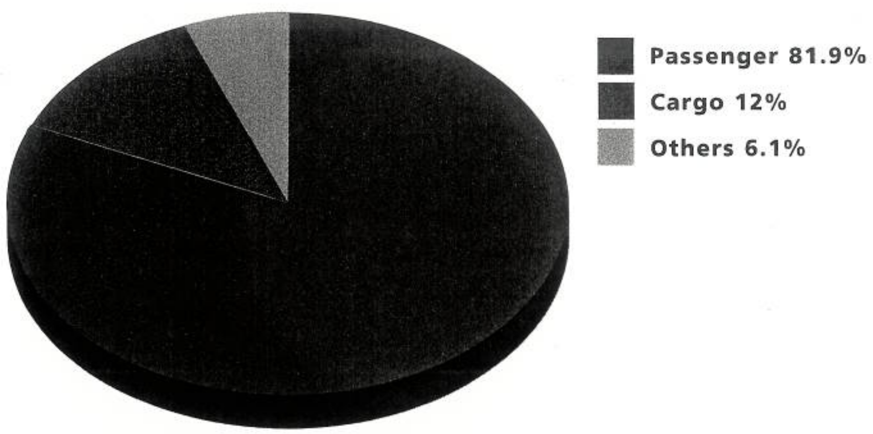
VALUE ADDED



EMIRATES

REVENUE

	1993-94 Dh (million)	%	1992-93 Dh (million)	%
Passenger	1,794	81.9	1,495	82.1
Cargo	263	12.0	206	11.3
Excess baggage	45	2.0	46	2.5
Courier	28	1.3	23	1.3
Mail	11	0.5	9	0.5
Revenue on scheduled services	**2,141**	**97.7**	**1,779**	**97.7**
Non-scheduled services	2	0.1	3	0.2
Transport revenue	**2,143**	**97.8**	**1,782**	**97.9**
Inflight catering	28	1.3	26	1.4
Emirates Holidays	10	0.4	5	0.2
Other	10	0.5	8	0.5
	2,191	**100.0**	**1,821**	**100.0**



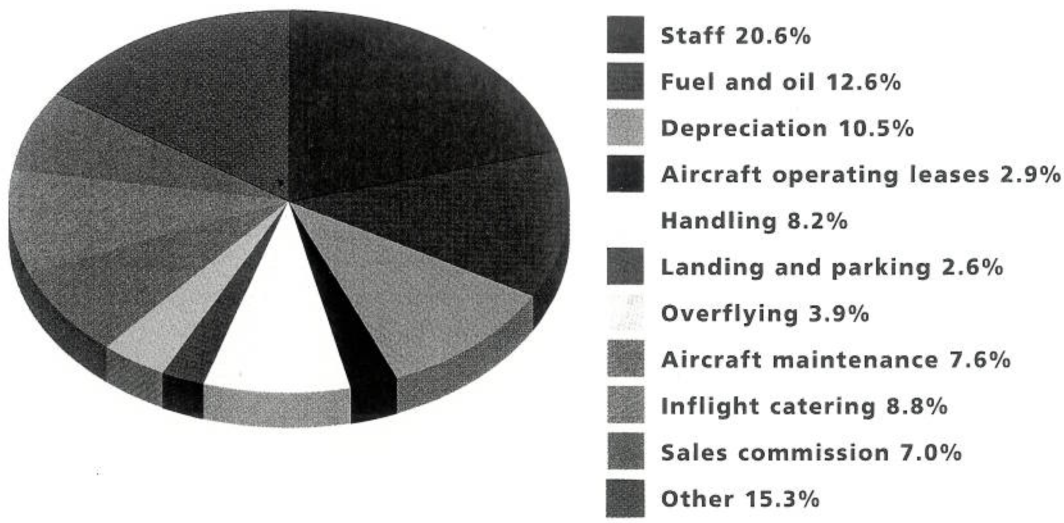
EMIRATES

EXPENDITURE

	1993-94 Dh (million)	%	1992-93 Dh (million)	%
Staff (1)	414	20.6	370	21.7
Fuel and oil	254	12.6	215	12.7
Depreciation	212	10.5	196	11.5
Aircraft operating leases	58	2.9	9	0.6
Handling	164	8.2	135	7.9
Landing and parking	52	2.6	45	2.6
Overflying	78	3.9	50	3.0
Aircraft maintenance	152	7.6	129	7.6
Inflight catering	177	8.8	149	8.8
Sales commission	140	7.0	130	7.6
Other	308	15.3	272	16.0
Total operating costs (2)	**2,009**	**100.0**	**1,700**	**100.0**

(1) includes in-house engineering staff.

(2) excludes interest and financing charges.



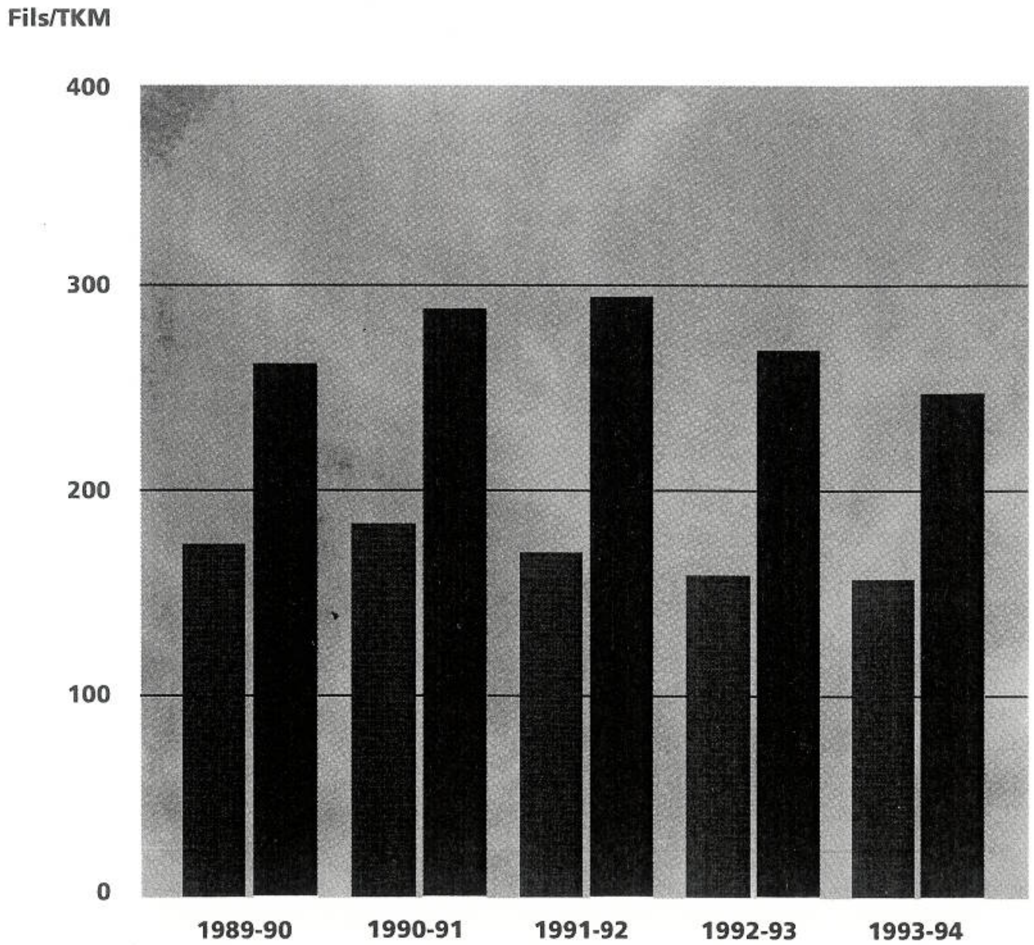
EMIRATES YIELD, UNIT COST AND BREAKEVEN LOAD FACTOR

Overall yield decreased 7.6% to 247 fils per tonne-kilometre, with passenger and cargo yields falling 5.6% and 4.5% respectively. Whilst the pressure of the competitive operating environment continued to suppress yields, the expansion of long-haul sectors compounded the percentage fall that was experienced.

Unit cost fell 1.7% to 157 fils per capacity tonne-kilometre as capacity growth outpaced the increase in operating expenditure.

Breakeven load factor deteriorated 3.9 percentage points to 63.5%. The load factor gap - the difference between the overall and breakeven load factors - widened from 2.8 percentage points last year to 4.1 percentage points.

YIELD & UNIT COST



Emirates

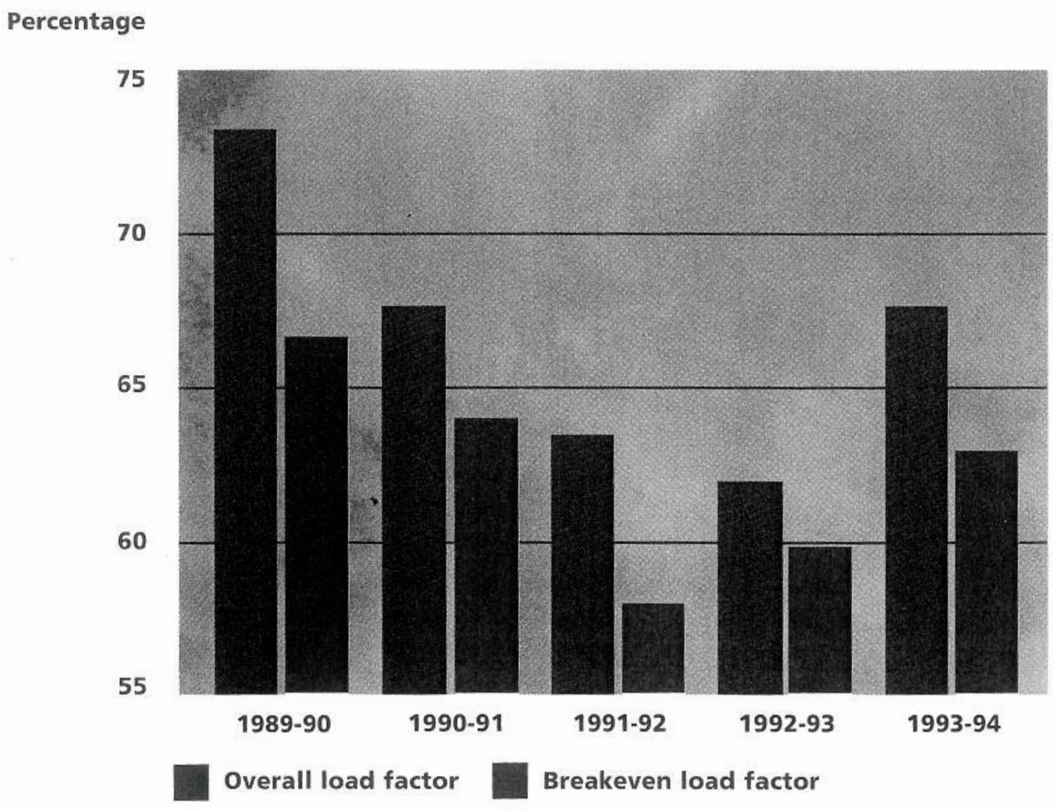
EMIRATES CAPACITY, TRAFFIC AND LOAD FACTOR

Capacity in 1993-94 grew 20.2% to 1,281 million tonne-kilometres. This came principally from:
- increased frequencies to Asia, Europe and the Far East.
- the introduction of three new destinations during the year - Dhahran, Muscat and Doha in April 1993, July 1993 and January 1994 respectively.
- the full year's effect of services introduced during the previous financial year.

Traffic increased 30.3% to 867 million tonne-kilometres.

Consequently, the overall load factor edged up 5.2 percentage points to 67.6%. The passenger seat factor increased by 3.0 percentage points to 69.9% with two million passengers uplifted in 1993-94, representing an increase of 23.2% over last year.

OVERALL & BREAKEVEN LOAD FACTORS



Emirates

EMIRATES
STAFF STRENGTH
AND PRODUCTIVITY

In the year under review, the Company's average workforce rose by 518 (17.8%) to 3,435. A breakdown of the number of staff by category is shown below:

	1993-94	1992-93
Cabin crew	829	782
Flight deck crew	220	222
Engineering	368	305
Other (includes all administrative & support staff for operating departments)	2,018	1,608
Average staff strength	**3,435**	**2,917**

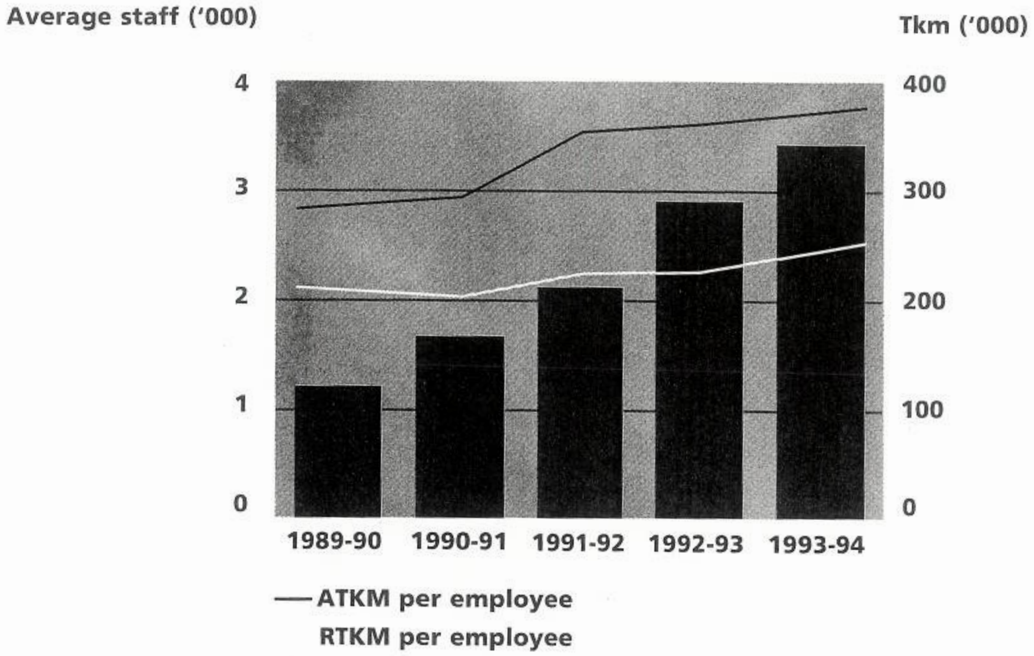
Employee productivity, measured in terms of revenue per employee, rose by 2.4% to Dh 641,512 from Dh 626,313 in 1992-93.

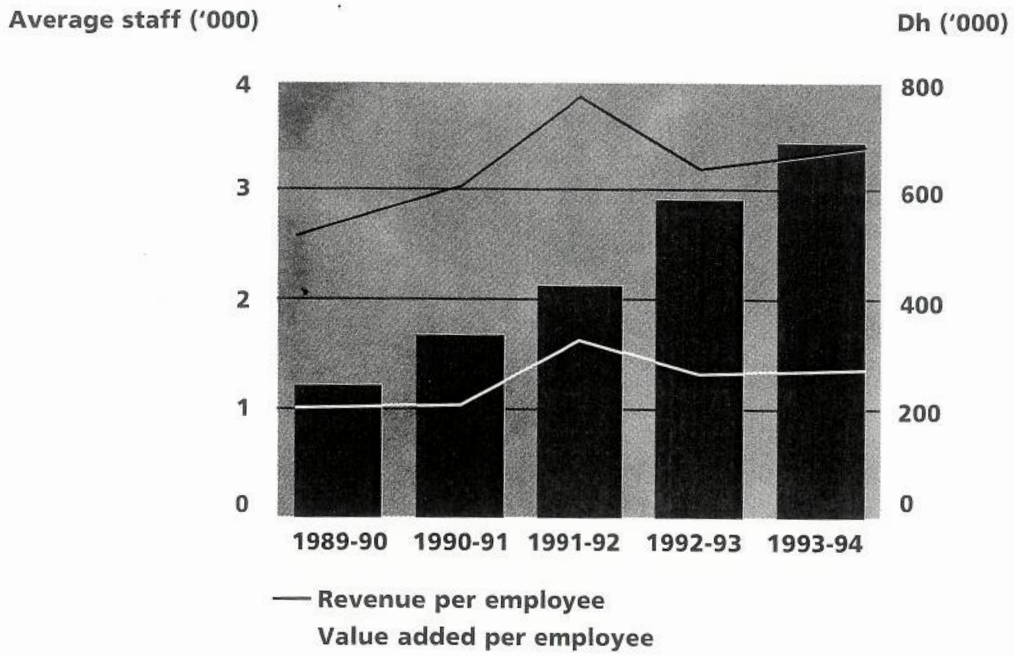
In terms of capacity per employee there was a 2.1% increase in ATKM's, from 365,354 in 1992-93 to 373,008 in 1993-94. In terms of load carried per employee the increase was 10.7% with RTKM's per employee rising from 227,956 in 1992-93 to 252,265 in 1993-94.

Value added, which is a measure of wealth created by Emirates during the year, was Dh 820 million. This is equivalent to Dh 238,831 per employee, up from Dh 237,466 the previous year.

EMIRATES STAFF STRENGTH AND PRODUCTIVITY

STAFF STRENGTH & PRODUCTIVITY



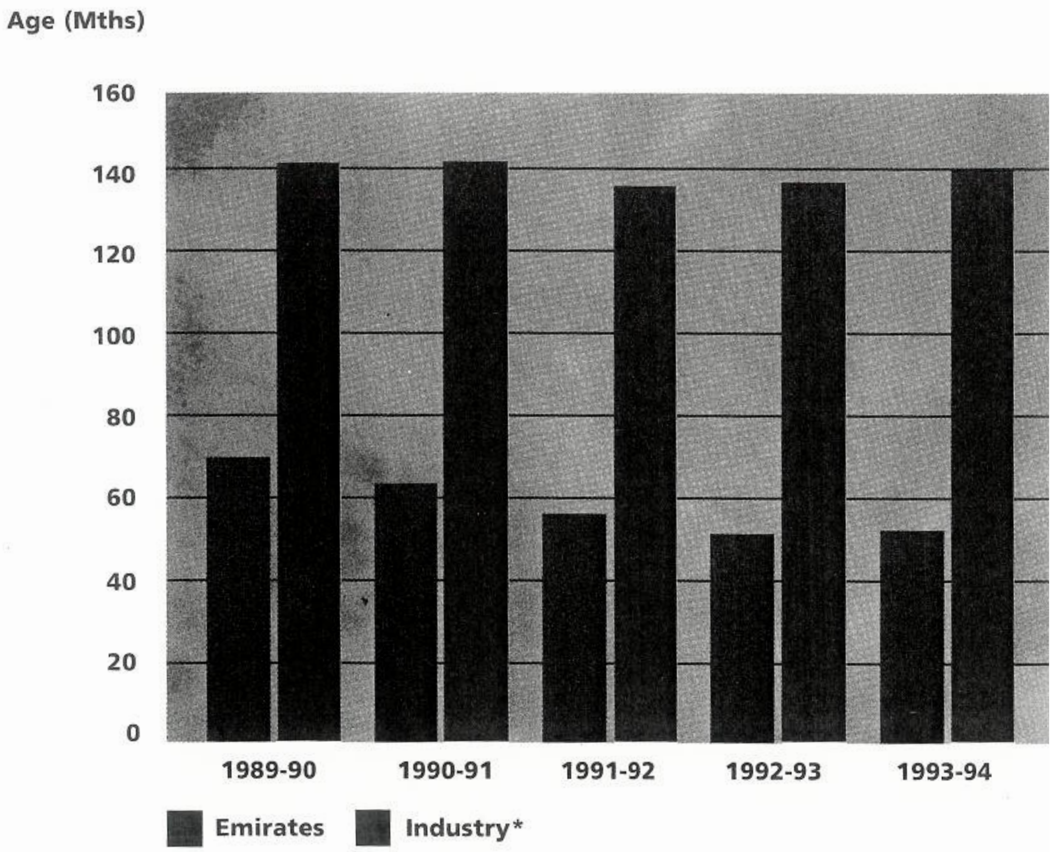


Emirates

EMIRATES FLEET INFORMATION

Aircraft	In operation	On firm order	On option
B727	2	-	-
B777	-	7	7
A310-300	8	1	-
A300-600R	5	1	-
	15	**9**	**7**

AVERAGE FLEET AGE : EMIRATES & INDUSTRY



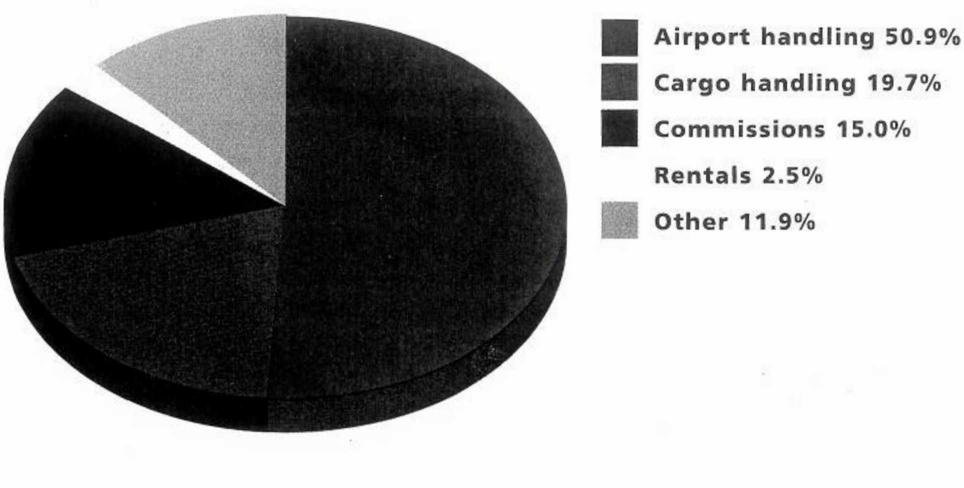
(*) Source: Boeing's Current Market Outlook Publication

Average age of Emirates fleet: 4 years and 4 months (at 31 March 1994)

DNATA

REVENUE

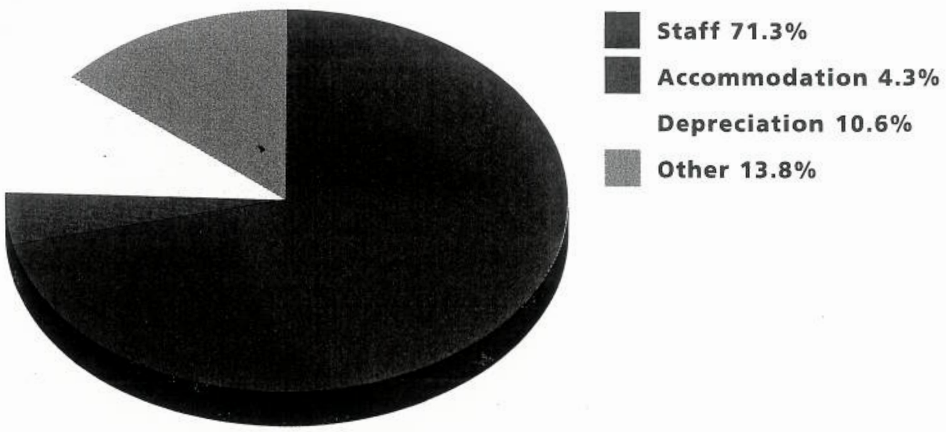
	1993-94 Dh (million)	%	1992-93 Dh (million)	%
Airport handling	135	50.9	128	50.6
Cargo handling	52	19.7	46	18.3
Commissions	40	15.0	49	19.3
Rentals	6	2.5	6	2.4
Other	32	11.9	24	9.4
Total operating revenue	**265**	**100.0**	**253**	**100.0**



DNATA

EXPENDITURE

	1993-94 Dh (million)	%	1992-93 Dh (million)	%
Staff	174	71.3	165	71.4
Accommodation	11	4.3	10	4.5
Depreciation	26	10.6	24	10.1
Other	33	13.8	33	14.0
Total operating costs	**244**	**100.0**	**232**	**100.0**



DNATA

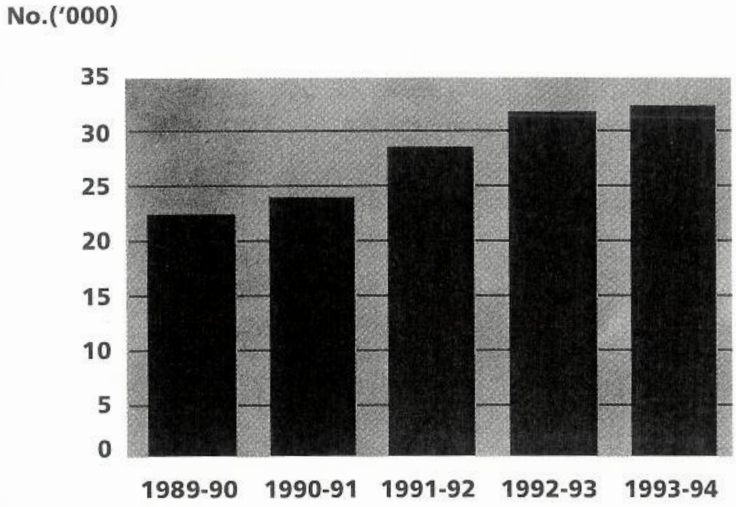
DNATA

AIRCRAFT AND CARGO HANDLED

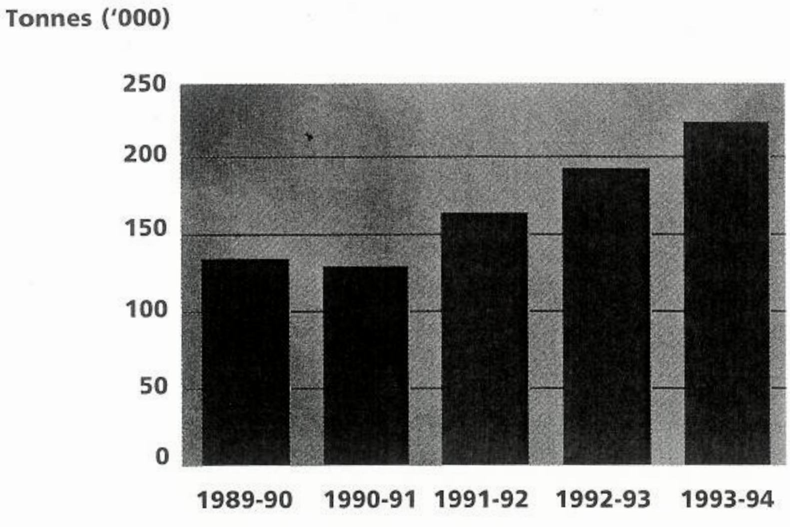
Cargo activity at Dubai International Airport witnessed substantial growth in 1993-94 with over 200,000 tonnes handled through the cargo terminal for the first time. A record number of aircraft were handled, exceeding 32,000. Specifically:

- The number of aircraft handled at Dubai International Airport during the year rose to 32,337 compared with 31,785 during 1992-93, representing an increase of 1.7%.
- The volume of cargo handled during the year increased by 30,165 tonnes to 222,671 tonnes, an increase of 15.7% over 1992-93.

AIRCRAFT HANDLED



CARGO HANDLED



DNATA

DNATA

STAFF STRENGTH

AND PRODUCTIVITY

During the year under review the Company's average workforce rose by 239 (6.2%) to 4,063.

A breakdown of the number of staff by category is shown below:

	1993-94	1992-93
Airport handling	2,291	2,071
Cargo handling	890	825
Dnata agencies	327	333
Other	555	595
Average staff strength	**4,063**	**3,824**

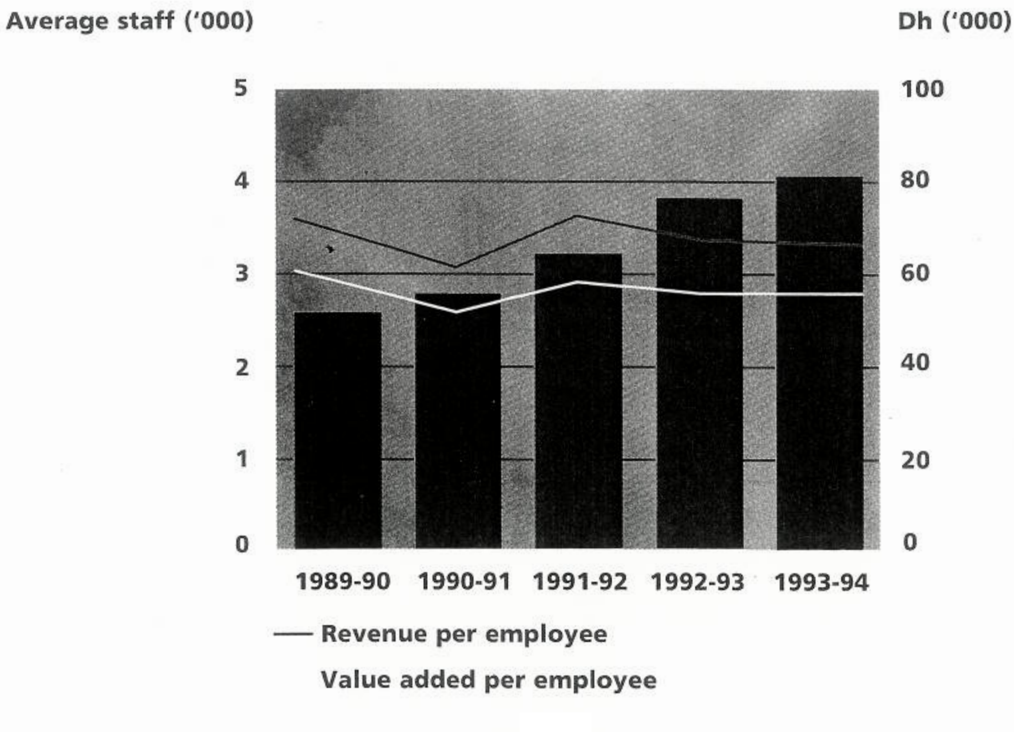
Overall employee productivity, measured in terms of revenue per employee, decreased marginally by 0.6% to Dh 66,979 from Dh 67,383 in 1992-93.

Aircraft handled per employee decreased by 8% from 15 in 1992-93 to 14 in 1993-94.

Cargo handled per employee increased by 7.2% from 233,340 kg in 1992-93 to 250,192 kg in 1993-94.

Value added, which is a measure of wealth created by Dnata during the financial year, was Dh 228 million. This is equivalent to Dh 56,052 per employee compared with Dh 56,159 the previous year.

STAFF STRENGTH & PRODUCTIVITY



INDEPENDENT AUDITOR'S REPORT TO THE GOVERNMENT OF DUBAI

We have audited the accompanying balance sheet of Emirates as of 31 March 1994 and the related statements of income and cash flows for the year then ended as set out on pages 52 to 63. 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 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Emirates as of 31 March 1994 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards.

COOPERS & LYBRAND
Chartered Accountants

Dated this 29th day of July 1994
Dubai

EMIRATES

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 1994

	Note	1993-94 Dh '000	1992-93 Dh '000
Operating revenue	3	2,190,876	1,821,304
Operating costs	4	(2,009,446)	(1,699,635)
Operating income		**181,430**	**121,669**
Net interest	5	(88,444)	(105,453)
Other income		4,954	3,362
Income before taxation		**97,940**	**19,578**
Provision for taxation	6	(8,373)	(8,950)
Income for the year		**89,567**	**10,628**

STATEMENT OF RETAINED INCOME

	1993-94 Dh '000	1992-93 Dh '000
Balance brought forward	128,104	117,476
Income for the year	89,567	10,628
Balance carried forward	**217,671**	**128,104**

EMIRATES

BALANCE SHEET

AT 31 MARCH 1994

	Note	1994 Dh '000	1993 Dh '000
Fixed assets	7	**2,573,272**	**2,778,361**
Preliminary and development expenses	8	**6,357**	**10,825**
Current assets			
Inventories	9	84,950	75,314
Debtors	10	318,378	276,193
Bank and cash		329,054	112,304
		732,382	**463,811**
Creditors: amounts falling due within one year	11	(965,731)	(798,632)
Net current liabilities		**(233,349)**	**(334,821)**
Total assets less current liabilities		**2,346,280**	**2,454,365**
Creditors: amounts falling due after more than one year	14	(1,626,395)	(1,849,047)
		719,885	**605,318**
Capital and reserves			
Capital	15	502,214	477,214
Retained income		217,671	128,104
		719,885	**605,318**

EMIRATES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 1994

	1993-94 Dh '000	1992-93 Dh '000
Cash flows from operating activities		
Income for the year before taxation	97,940	19,578
Adjustments for:		
Depreciation and amortisation	211,837	196,055
Finance charges (net)	88,444	105,453
Loss on sale of fixed assets	1,315	1,245
Deferred credits recognised	(3,189)	-
Net transfer to terminal benefit provision	8,204	6,570
(Increase) decrease in working capital:		
Inventories	(9,636)	(9,100)
Debtors	(42,185)	(72,641)
Creditors: amounts falling due within one year	167,090	183,526
Net cash provided from operating activities	**519,820**	**430,686**
Cash flows from investing activities		
Proceeds from sale of fixed assets	322,657	273,004
Purchase of fixed assets	(300,775)	(1,083,353)
Preliminary and development expenses incurred	(3,350)	(10,661)
Interest income	7,765	2,288
Net cash provided from (used in) investing activities	**26,297**	**(818,722)**
Taxation paid	**(5,892)**	**(5,941)**
Cash flows from financing activities		
Loan repayments	(143,823)	(141,822)
Aircraft financing charges	(95,954)	(106,799)
Other finance charges	(255)	(942)
Lease commitments	(65,408)	589,980
Dnata account	(41,778)	38,050
Capital introduced	25,000	25,000
Net cash (used in) provided from financing activities	**(322,218)**	**403,467**
Net increase in cash and cash equivalents	**218,007**	**9,490**
Cash and cash equivalents at beginning of year	93,936	84,446
Cash and cash equivalents at end of year	**311,943**	**93,936**

Emirates

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1994

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 modified by the revaluation of certain fixed assets and inventories.

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.

Fixed assets

The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost or valuation of fixed assets, 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 rotable spares	5 - 15 years (residual value 0-10%)
Buildings	5 - 20 years
Other property and equipment	3 - 5 years

Major modifications and improvements to fixed assets are capitalised and depreciated over the remaining useful life of the asset.

Capital projects

Capital projects are stated at cost. The cost of capital projects includes borrowing costs. When commissioned, capital projects are transferred to the appropriate fixed asset category and depreciated in accordance with company policies.

Preliminary and development expenses

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.

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, the interest portion of which is charged to the income statement together with depreciation on the asset at the relevant rate.

Lease rental charges in respect of operating leases are charged to the income statement 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.

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. Actual costs of such maintenance are charged against the provision, any costs in excess of the provision held are charged to the income statement.

Provident fund

Senior employees are entitled to participate in a defined contribution provident fund.

Emirates guarantees, on termination, senior employees will receive as a minimum, benefits equal to their terminal benefit entitlements in accordance with their contract of employment.

Deferred credits

Profits arising from sale and leaseback transactions are deferred and recognised over the period of the lease.

Terminal benefit provision

Provision for terminal benefits for employees who joined the company prior to 1 July 1991 is based on cumulative service and gross rates of remuneration at the balance sheet date 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 benefits for employees who joined the company after 30 June 1991 is made in accordance with local labour legislation and is based on current remuneration and cumulative service at the balance sheet date.

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 and Company (Private) Limited in providing inflight catering and related services to airlines using Dubai International Airport.

	1993-94 Dh '000	1992-93 Dh '000

3. Operating revenue

Passenger	1,796,435	1,498,492
Cargo	262,968	205,907
Excess baggage	44,795	45,793
Inflight catering	27,875	25,603
Courier	27,552	23,133
Mail	11,514	9,044
Emirates Holidays	9,742	4,592
Licensed engineering income	8,211	7,343
Duty free sales earnings	1,784	1,397
	2,190,876	**1,821,304**

4. Operating costs

Staff	414,399	369,314
Fuel and oil	253,768	215,163
Depreciation	211,837	196,055
Aircraft operating leases	58,376	9,221
Handling	163,949	134,959
Landing and parking	51,694	44,917
Overflying	78,006	50,102
Aircraft maintenance	151,891	129,279
Inflight catering	177,477	149,042
Sales commission	140,429	129,846
Other	307,620	271,737
	2,009,446	**1,699,635**

Aircraft operating lease charges of Dh 58.4 million (1992-93 Dh 9.2 million) are in respect of three aircraft (1992-93 two), leased from Shannon Air and Ghir Limited.

	1993-94 Dh '000	1992-93 Dh '000
5. Net interest		
Aircraft financing charges	(95,954)	(106,799)
Interest charges	(255)	(942)
Interest income	7,765	2,288
	(88,444)	**(105,453)**

6. Provision for 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 the payment of taxation where management are of the firm opinion that exemption from such taxation will ultimately be granted by the countries concerned.

In the event of exemption not being granted, the maximum unprovided taxation liability at 31 March 1994 was Dh 4.4 million (1993 - Dh 9.8 million).

7. Fixed assets

	Aircraft Dh '000	Aircraft rotable spares Dh '000	Buildings Dh '000	Other property and equipment Dh '000	Capital projects Dh '000	Total Dh '000
Cost or valuation						
1 April 1993	2,628,856	347,464	66,696	112,341	149,258	3,304,615
Additions at cost	292,679	14,002	29	22,817	(28,752)	300,775
Transfers	(12,820)	(2,268)	(2,449)	6,666	10,871	-
Disposals	(306,395)	(2,354)	(45)	(2,097)	(245)	(311,136)
Transfer to preliminary and development expenses	-	-	-	-	(200)	(200)
31 March 1994	**2,602,320**	**356,844**	**64,231**	**139,727**	**130,932**	**3,294,054**
Being:						
Cost	2,517,910	342,445	64,231	139,727	130,932	3,195,245
Valuation	84,410	14,399	-	-	-	98,809
	2,602,320	**356,844**	**64,231**	**139,727**	**130,932**	**3,294,054**
Depreciation						
1 April 1993	382,585	68,322	15,087	60,260	-	526,254
Charge for the year	152,196	26,270	4,901	20,452	-	203,819
Disposals	(6,768)	(476)	(45)	(2,002)	-	(9,291)
31 March 1994	**528,013**	**94,116**	**19,943**	**78,710**	**-**	**720,782**
Net book value						
31 March 1994	**2,074,307**	**262,728**	**44,288**	**61,017**	**130,932**	**2,573,272**
31 March 1993	2,246,271	279,142	51,609	52,081	149,258	2,778,361

The net book value of aircraft and aircraft rotable spares includes amounts of Dh 1,191.8 million (1993 Dh 1,285.2 million) in respect of assets held under finance leases (Note 16) and Dh 805.1 million (1993 Dh 862.8 million) in respect of assets acquired under term loans (Note 13).

Borrowing costs charged to capital projects during the year were nil (1992-93 Dh 5.4 million)

Aircraft fleet

At 31 March 1994 the aircraft fleet comprised:

- 8 Airbus A310-300 (1 under operating lease)
- 5 Airbus A300-600R (1 under operating lease)
- 2 Boeing 727-200

Capital projects

Capital projects include pre-delivery payments of Dh 59.1 million (1993 - Dh 110.6 million) in respect of 7 aircraft due for delivery between 1996 and 1998 and non-refundable option deposits of Dh 18 million held on 7 aircraft (1993 - Dh 18 million) for delivery between 1998 and 2000 (Note 18).

	1994 Dh '000	1993 Dh '000
8. Preliminary and development expenses		
Balance brought forward	10,825	9,796
Expenses incurred	3,350	10,661
Transferred from fixed assets	200	802
Amortisation for the year	(8,018)	(10,434)
Balance carried forward	**6,357**	**10,825**
9. Inventories		
Expendable engineering	59,907	46,454
Inflight consumable	17,615	21,745
Other	7,428	7,115
	84,950	**75,314**
10. Debtors		
Trade debtors:		
Airlines	36,156	33,838
Sales agents	152,981	128,055
Dnata (Note 12)	2,297	640
Other	43,321	32,538
	234,755	**195,071**
Other debtors and prepayments:		
Prepayments and deposits	51,925	56,995
Aircraft operating lease deposit	8,264	1,835
Other	23,434	22,292
	83,623	**81,122**
	318,378	**276,193**
11. Creditors: amounts falling due within one year		
Creditors and accruals	309,911	256,156
Passenger and cargo sales in advance	249,446	191,587
Aircraft maintenance provision	166,140	110,664
Lease commitments (Note 16)	59,886	65,858
Provision for taxation (Note 6)	12,755	10,274
Bank overdrafts	17,111	18,368
Term loans - current portion (Note 13)	146,368	143,823
Deferred credits (Note 17)	4,114	1,902
	965,731	**798,632**

12. Dnata account

Emirates and Dnata share senior management and central corporate functions. Dnata is Emirates' major sales agent in Dubai. This activity gave rise to the debtor shown in Note 10. 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.

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.

	1994 Dh '000	1993 Dh '000
13. Term Loans		
Balance brought forward	1,144,297	1,286,119
Repayments during the year	(143,823)	(141,822)
Balance carried forward	**1,000,474**	**1,144,297**
Loans are repayable as follows:		
Within one year (Note 11)	**146,368**	**143,823**
2-5 years	550,233	581,244
After 5 years	303,873	419,230
Total over one year (Note 14)	**854,106**	**1,000,474**

The loans are secured on the aircraft and bear interest at rates of 3.25% to 9.25% (1992-93 4.0% to 9.25%) per annum.

	1994 Dh '000	1993 Dh '000
14. Creditors: amounts falling due after more than one year		
Term loans (Note 13)	854,106	1,000,474
Lease commitments (Note 16)	699,511	758,947
Dnata account (Note 12)	5,767	47,545
Terminal benefit provision (see below)	33,172	24,968
Deferred credits (Note 17)	33,839	17,113
	1,626,395	**1,849,047**

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, 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 1994, the benefits secured by Emirates contributions to the provident scheme exceeded the amounts payable under employees' contractual terminal benefit entitlements.

	1994 Dh '000	1993 Dh '000
15. Capital		
Brought forward	477,214	452,214
Introduced during the year	25,000	25,000
Carried forward	**502,214**	**477,214**

16. Lease commitments (net)		
Deposit funded finance leases		
Gross liabilities under lease commitments (secured)		
Principal and interest	582,924	669,579
Future interest	(147,844)	(190,898)
	435,080	**478,681**
Term deposits	(435,080)	(478,681)
Net lease commitments	-	-

The term deposits are equivalent in value to the future liabilities under lease commitments. The finance charges accruing under these lease commitments are matched by interest earned on the term deposits. The lease payments are secured on the term deposits and the aircraft.

	1994 Dh '000	1993 Dh '000
Other finance leases		
Gross liabilities under lease commitments (secured)		
Principal and interest	1,085,134	1,187,108
Future interest	(279,250)	(318,535)
Term deposits	(46,487)	(43,768)
	759,397	**824,805**
Interest and principal are repayable as follows:		
Within one year (Note 11)	**59,886**	**65,858**
2-5 years	353,263	326,474
After 5 years	346,248	432,473
Total over one year (Note 14)	**699,511**	**758,947**

The lease payments are secured on the aircraft.

16. Lease commitments (net) (continued)

In the event of these finance leases being terminated prior to their expiry, penalties are payable.

Had the leases been cancelled at 31 March 1994, the penalties would have been Dh 752.9 million (1993 - Dh 819.0 million).

Operating leases

Emirates holds purchase options for three of four aircraft leased for a period of 7 to 10 years. Two of these aircraft are in commercial operation and the other two are scheduled for delivery in July 1994 and February 1995. Future minimum lease payments are as follows:

	1994 Dh '000	1993 Dh '000
Less than 1 year	89,766	35,610
2-5 years	481,342	147,895
After 5 years	452,175	186,948
	1,023,283	**370,453**

In the event of these leases being terminated prior to their expiry, penalties are payable.

Had the leases been cancelled at 31 March 1994, the penalties would have been Dh 574.3 million (1993 - Dh 281.5 million).

17. Deferred credits

	1994 Dh '000	1993 Dh '000
Brought forward	19,015	-
Additions during the year	22,127	19,015
Recognised during the year	(3,189)	-
Carried forward	**37,953**	**19,015**
Within one year (Note 11)	**4,114**	**1,902**
2-5 years	16,457	7,606
After 5 years	17,382	9,507
Total over one year (Note 14)	**33,839**	**17,113**

	1994 Dh '000	1993 Dh '000

18. Commitments

Capital commitments

Authorised and contracted	3,480,523	3,729,483
Authorised but not contracted	216,606	180,800
	3,697,129	**3,910,283**

Commitments have been entered into for the purchase of aircraft for delivery as follows:

Financial Year	Boeing 777
1995/96	1
1996/97	2
1997/98	4

In addition, options are held on 7 Boeing 777s for delivery between 1998 and 2000 (Note 7).

	1994 Dh '000	1993 Dh '000
Operational commitments		
Letters of credit	1,139	-

19. Contingent liabilities

Guarantees and bills discounted	15,386	18,793
Foreign exchange forward contracts	13,706	32,515
	29,092	**51,308**

The above were issued in the normal course of business.

20. Comparative figures

Certain comparative figures have been re-classified to conform with current year presentation.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNMENT OF DUBAI

We have audited the accompanying balance sheet of Dnata as of 31 March 1994 and the related statements of income and cash flows for the year then ended as set out on pages 65 to 73. 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 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dnata as of 31 March 1994 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards.

COOPERS & LYBRAND
Chartered Accountants

Dated this 11th day of July 1994
Dubai

DNATA
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 1994

	Note	1993-94 Dh '000	1992-93 Dh '000
Operating revenue	3	265,500	252,579
Operating costs	4	(244,157)	(231,621)
Operating income		**21,343**	**20,958**
Net interest		1,878	1,659
Other income		2,585	1,839
Associated companies - share of profit	6	2,173	1,596
Income for the year		**27,979**	**26,052**

STATEMENT OF RETAINED INCOME

	1993-94 Dh '000	1992-93 Dh '000
Balance brought forward	15,141	14,089
Income for the year	27,979	26,052
Dividend paid	(25,000)	(25,000)
Balance carried forward	**18,120**	**15,141**

DNATA

BALANCE SHEET

AT 31 MARCH 1994

	Note	1994 Dh '000	1993 Dh'000
Fixed assets	5	**70,012**	**80,197**
Associated companies	6	**4,793**	**3,452**
Long term assets	7	**13,604**	**53,545**
Current assets			
Inventories		5,211	4,214
Debtors	8	72,295	85,903
Bank and cash		65,011	8,695
		142,517	**98,812**
Creditors: amounts falling due within one year	9	(103,152)	(109,641)
Net current assets (liabilities)		**39,365**	**(10,829)**
Total assets less current liabilities		**127,774**	**126,365**
Creditors: amounts falling due after more than one year	11	(47,039)	(48,609)
		80,735	**77,756**
Capital and reserves			
Capital	12	62,615	62,615
Retained income		18,120	15,141
		80,735	**77,756**

DNATA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 1994

	1993-94 Dh '000	1992-93 Dh '000
Cash flows from operating activities		
Income for the year	27,979	26,052
Adjustments for:		
Depreciation	25,759	23,406
Profit on sale of fixed assets	(713)	(185)
Share of associated company profit	(2,173)	(1,596)
Interest (net)	(1,878)	(1,659)
Net transfer (from) to terminal benefit provision	(1,570)	8,563
(Increase) decrease in working capital:		
Inventories	(997)	(2,016)
Debtors	13,608	59
Creditors: amounts falling due within one year	(6,188)	4
Net cash provided from operating activities	**53,827**	**52,628**
Cash flows from investing activities		
Emirates account	41,778	(38,050)
Proceeds from sale of fixed assets	2,061	11,928
Purchase of fixed assets	(16,922)	(24,614)
Interest income	1,878	1,659
Dividend received from associated company	1,750	1,250
Gerry's-Dnata (Pvt.) Ltd. loan	(1,837)	-
Gerry's-Dnata (Pvt.) Ltd. share capital	(918)	-
Net cash provided from (used in) investing activities	**27,790**	**(47,827)**
Cash flows from financing activities		
Dividend paid	**(25,000)**	**(25,000)**
Net increase (decrease) in cash and cash equivalents	**56,617**	**(20,199)**
Cash and cash equivalents at beginning of year	8,272	28,471
Cash and cash equivalents at end of year	**64,889**	**8,272**

DNATA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1994

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
Operating revenue is recognised in the year in which it is earned.

Fixed assets
The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The estimated useful lives are:

Buildings	15 - 20 years
Airport plant and equipment	3 - 5 years
Office equipment, furniture and fittings	3 - 5 years
Motor vehicles	5 years

Depreciation is not provided on capital projects.

Capital projects
Capital projects are stated at cost. When commissioned, capital projects are transferred to the appropriate fixed asset category and depreciated in accordance with company policies.

Associated companies
Investments in associated companies are accounted for by the equity method.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first in first out basis and comprises invoice cost.

Provident fund
Senior employees are entitled to participate in a defined contribution provident fund.
Dnata guarantees, on termination, senior employees will receive as a minimum, benefits equal to their terminal benefit entitlements in accordance with their contract of employment.

Terminal benefit provision
Provision for terminal benefits for employees who joined Dnata prior to 1 July 1991 is based on cumulative service and gross rates of remuneration at the balance sheet date 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 benefits for employees who joined Dnata after 30 June 1991 is made in accordance with local labour legislation and is based on current remuneration and cumulative service at the balance sheet date.

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. Differences on exchange are dealt with in the income statement.

Cash and cash equivalents
For the purpose of reporting cashflows, 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

Dnata was incorporated with limited liability by Emiri Decree on 4 April 1987. On that date Dnata took over, for nil consideration, the total assets and liabilities of Dubai National Air Travel Agency with effect from 1 April 1987. The main activities of Dnata comprise:

- the provision of aircraft handling services at Dubai International Airport
- the provision of engineering services to airlines using Dubai International Airport
- the sale of air tickets on behalf of airlines, either as agent or General Sales Agent
- the provision of handling services for cargo exported and imported through Dubai International Airport
- the management of Dubai Airline Centre
- provision of support services to Emirates
- provision of freight clearing and forwarding services through its associated company Dubai Express (Note 6), a Dubai registered partnership
- provision of handling and engineering services at Quaid-e-Azam International Airport, Karachi through its associated company Gerry's - Dnata (Pvt.) Ltd. (Note 6), a company incorporated in Pakistan

	1993-94 Dh '000	1992-93 Dh '000
3. Operating revenue		
Handling	80,486	78,368
Commission on ticket sales	39,908	48,657
Engineering	54,717	49,461
Cargo	52,195	46,329
Data processing	15,669	12,567
Reservations system	12,662	9,282
Rentals	6,565	5,902
Miscellaneous	3,298	2,013
	265,500	**252,579**

4. Operating costs

Staff	174,002	165,295
Accommodation	10,659	10,414
Depreciation	25,840	23,415
Other	33,656	32,497
	244,157	**231,621**

5. Fixed assets

	Buildings Dh '000	Airport plant & equipment Dh '000	Office equipment furniture & fittings Dh '000	Motor vehicles Dh '000	Capital projects Dh '000	Total Dh '000
Cost						
1 April 1993	28,195	82,950	139,740	4,122	2,231	257,238
Additions	-	2,947	5,370	562	8,043	16,922
Transfer from capital projects	-	444	3,214	-	(3,658)	-
Disposals	(1,770)	(2,569)	(7,852)	(358)	-	(12,549)
31 March 1994	**26,425**	**83,772**	**140,472**	**4,326**	**6,616**	**261,611**
Depreciation						
1 April 1993	20,506	53,514	100,520	2,501	-	177,041
Charge for the year	1,397	10,361	13,446	555	-	25,759
Disposals	(1,770)	(1,768)	(7,305)	(358)	-	(11,201)
31 March 1994	**20,133**	**62,107**	**106,661**	**2,698**	-	**191,599**
Net book value						
31 March 1994	**6,292**	**21,665**	**33,811**	**1,628**	**6,616**	**70,012**
31 March 1993	7,689	29,436	39,220	1,621	2,231	80,197

	1994 Dh '000	1993 Dh '000
Capital projects comprise:		
Advance payment for ground support equipment	36	1,263
Advance payment for computer equipment, software and communications equipment	6,144	778
Refurbishment of data processing back-up site and fire protection	431	185
Other	5	5
	6,616	**2,231**

DNATA

6. Associated companies

The investment in the associated companies comprises a 50% shareholding in Dubai Express and Gerry's-Dnata (Pvt.) Ltd., Pakistan which is represented by:

	1994 Dh '000	1993 Dh '000
Opening share of retained income	1,902	1,556
Share of profit for the year	2,173	1,596
Dividend received	(1,750)	(1,250)
Closing share of retained income	**2,325**	**1,902**
Share capital	2,468	1,550
	4,793	**3,452**

7. Long term assets

Due from Emirates (Note 10)	5,767	47,545
Due from Bank of Credit and Commerce International S.A. Dubai	6,000	6,000
Gerry's-Dnata (Pvt.) Ltd. loan	1,837	-
	13,604	**53,545**

At 31 March 1992 a deposit of Dh 15 million held by Bank of Credit & Commerce International S.A., Dubai branch was transferred from current to long term assets and a provision of Dh 9 million raised based on management estimates that 40% of the deposit will ultimately be recovered.

The loan to Gerry's-Dnata (Pvt.) Ltd. was drawn down on 26 August 1993 and interest is charged at 1% above LIBOR. The loan is repayable on demand but not scheduled for repayment within a year of the balance sheet date.

8. Debtors

	1994 Dh '000	1993 Dh '000
Trade debtors:		
Travel agents	11,084	19,135
Commercial	33,923	32,232
Airlines	12,130	19,346
	57,137	**70,713**
Other debtors and prepayments:		
Prepayments and deposits	6,832	8,497
Other debtors	8,326	6,693
	15,158	**15,190**
	72,295	**85,903**

	1994 Dh '000	1993 Dh '000
9. Creditors: amounts falling due within one year		
Airlines:		
Emirates (Note 10)	2,297	640
Other	45,287	59,678
Other creditors and accruals	55,446	48,900
Bank overdrafts	122	423
	103,152	**109,641**

10. Emirates account

Emirates and Dnata share senior management and central corporate functions. The amount receivable from Emirates shown in Note 7 arises from the recharge of expenses wholly attributable to Emirates, charges raised in respect of services provided and the transfer of funds. This receivable account has been classified as long term on the basis that there are no fixed repayment terms and repayment is not expected within one year. Interest is charged to Emirates in line with Dirham bank deposit rates.

The amount payable to Emirates 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 does not materially affect income for the year.

11. Creditors: amounts falling due after more than one year

	1994 Dh '000	1993 Dh '000
Terminal benefit provision	47,039	48,609

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 Dnata guarantees, on termination, employees will receive as a minimum, benefits equal to their terminal gratuity entitlements in accordance with their contract of employment. At 31 March 1994, the benefits secured by Dnata contributions to the provident scheme exceeded the amounts payable under employees' contractual terminal benefit entitlements.

12. Capital

Capital comprises the value of the net assets taken over from Dubai National Air Travel Agency for nil consideration with effect from 1 April 1987 (Note 2).

13. Contingent liabilities

Dnata has entered into 'Put-Option' agreements with the lessor of two aircraft leased to Emirates. Under the terms of the agreements, if Emirates exercises its right to return the aircraft on the put dates (30 March and 30 August 1998), the lessor has the option to require Dnata to purchase the aircraft for a total fixed purchase price of USD 31.8 million (Dh 116.8 million).

Dnata has undertaken to extend the put dates for a further 5 years if Emirates extends the aircraft leases for a second five year period.

14. Commitments

	1994 Dh '000	1993 Dh '000
Authorised and contracted	4,243	2,811
Authorised but not contracted	4,105	683
	8,348	**3,494**

ASSOCIATED COMPANIES

Associated companies	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Dubai Express	50.0	Freight clearing & forwarding	U.A.E.
Gerry's - Dnata (Pvt) Ltd.	50.0	Airport handling services	Pakistan
GCC Aviation Services Company Ltd.	25.0	Investment holding	Channel Islands
Taj Oasis Hotels Private Ltd.	23.3	Hotel development, ownership and operations	India
Taj GCC Air Caterers Private Ltd.	17.5	Airline catering services	India
Chieftain Corporation N.V. (beneficial interest in St. James Court Hotel, London.)	5.8	Investment holding, hotel ownership and operations	Netherlands Antilles