the EMIRATES group

Report and Accounts

1994 1995

Emirates Awards 1995

Best Airline to the Middle East.

Best Long Haul Airline.

Best First Class.

Best Economy Class.

Best Inflight Entertainment.

and

Runner-up-Best Business Class.

Runner-up-Best Inflight Food and Wine.

Executive Travel & Carlson Wagonlit Travel, U.K.

Best Airline to the Middle East.

Travel Weekly, U.K.

Best Airline to the Middle East.

TTG Europa.

Best Airline to the Middle East.

TTG International / Tour & Travel News, U.S.A.

Cargo Airline of the Year.

Best Carrier to the Middle East.

Air Cargo News, U.K.

Best Airline in Arab Countries.

Best Airline in the Gulf.

Best Airline to the Far East.

Al-Iktissad Wal-Aamal.

Best Carrier serving the Middle East.

Travel & Tourism News, Gulf.

Dnata Awards

Best Travel Agency in the Middle East 1994.

Travel & Tourism News.

Dnata World Travel -

Outstanding Performance 94.

Lufthansa.

Dnata World Travel -

Top Agents Award 1994/95.

Singapore Airline.

Dnata World Travel -

Top Agents Award 1994/95.

Cathay Pacific.

Award for Excellence in Pax Sales 1993.

Gulf Air.

Dnata World Travel -

Outstanding Services for 1993.

Qantas.

For Outstanding contribution towards our success '94.

Emirates Holidays.

The **EMIRATES** *Group*

contents

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

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

H.H. Sheikh Ahmed bin Saeed Al Maktoum - Chairman of the Emirates Group

"Paradoxically, whilst Emirates has concentrated all its efforts on the core activities of carrying passengers and cargo, Dnata has been diversifying, both with equal success"

This has been another satisfactory year for the Emirates Group with a record profit of Dh 146 million (1993-94 Dh 118 million). I consider this a particularly robust performance in view of the revenue loss for Emirates of Dh 31 million from the temporary cessation of all flights to India because of the plague, and the accelerated depreciation charges of Dh 34.2 million in respect of the B727 fleet, which we have sold since the end of the financial year.

Once again Emirates was at odds with global trends, remaining comfortably in the black, while Dnata improved its profitability.

Although airlines in general have fared better than last year, the commercial aviation industry is still a long way from regaining the USD 16 billion it lost in the previous five-year period. It has at the same time been confronted with the task of renewing the ageing fleets.

Emirates is well placed to continue its progress and has one of the youngest aircraft fleets in the world, with an average age per aircraft set to fall to about four years, following the sale of the Boeing 727s.

Competing with mega carriers with their massive marketing ability, Emirates has striven for leadership on the passenger and cargo fronts by providing a high quality service to our customers.

Emirates has experienced the effect of recession-hit companies down-grading their senior executives to Business Class but we have not succumbed to the short-term solution of creating a two-class configured fleet. We believe in our market there will always be a demand for First Class. Dnata, too, has continued to provide a comprehensive travel service for the business traveller and in order to expand, in its 36th year, has moved into the international market, opening a travel agency branch in the UK to add to its current airport ground service activities in Pakistan.

At the time of publishing the last Financial Report, Emirates had won 55 awards. To date the airline has acquired 77. Although we are not actively pursuing titles, we seem to receive more than our fair share of awards from readers of consumer and travel media who enjoy our style of service.

In fact, we seem to find it easier winning awards than winning traffic rights. Despite the Dubai Government's Open Skies policy, with which we wholly agree, many of the carriers who benefit from 5th freedom rights to and from the emirate still lean on their governments to delay our entry into their markets. We are disappointed at this lack of reciprocity. Emirates has proved time and again that whenever we start to serve a new destination, we increase the overall number of passengers, resulting in more tourists and boosting commercial links to and from Dubai.

The third week of March 1996 marks a new milestone with the delivery of the first of our order of seven Boeing 777s, heralding the airline's move into another big-jet era. Emirates doubles in size approximately every 3.5 years and by adding seven Boeing 777s in the next two years we will be keeping well ahead of our objective to be a medium-sized, successful international airline by the year 2000.

I am gratified by the support we have received from the Export Credit Agencies in respect of the financing of our new Boeing aircraft, powered by Rolls Royce engines, which represents a vote of confidence in the future of the airline.

During the year we began construction of a new Training Centre for the Emirates Group, the first of its kind in the Middle East, and this is expected to be completed by November 1995. These state-of-the-art training facilities are vital for the future development of our staff from all departments of the group. The new building will house the Airbus and B777 simulators as well as an Emergency Evacuation Trainer - and will enable us to save money from this substantial investment.

I think it is timely for me to stress that success does not come easily. The feel-good factor which is generated by the Emirates Group emanates from a rare combination - an exuberant, enthusiastic staff and a management of specialists who continually find the happy medium between cost restraint and adventurous innovations.

The future beckons brightly. We approach it with confidence.

Ahmed bin Saeed Al Maktoum

Maurice Flanagan - the Group Managing Director

As our chairman has said, this has been another satisfactory year for the Group, one of relative consolidation in the airline division balanced by some further diversification in Dnata, and with Group profit after taxation increasing by 23.9% from USD 32 million to USD 40 million.

Emirates' passenger numbers increased by 12.3% in 1994-95 to 2.25 million, and cargo by 24.7% to 353 million tonne kilometres. This has to be seen against an average overall growth of just over 30% a year, compound, since the end of the airline's first year in 1986, and represents a pause for breath before the next spurt of growth starting with the introduction into commercial service of the first of our seven Boeing 777s in April 1996.

We took delivery of two new aircraft during the financial year, an Airbus A310-300ER in July and an A300-600R in March 1995, bringing our fleet to nine A310-300ERs, six A300-600Rs, plus two Boeing 727-200s which are soon to be phased out.

In a further increase in capacity we launched in August a cargo joint venture with KLM, using a Boeing 747 freighter leased from Atlas Air, and operating weekly Amsterdam/Dubai/Hong Kong. The success of this operation led us to plan a similar one terminating in Singapore, starting in April 1995. In addition we have operated a number of Moscow/Dubai charters using IL76-TD aircraft.

The three Boeing 777s arriving in 1996 will be the modern version of medium range, meaning that they will fly with full loads on all our existing routes. The four 777s due for delivery in 1997 will be long range aircraft, capable of operating non-stop from Dubai to New York, should we judge that route to be economically viable when the time comes, and should the aeropolitical situation allow it. The first two of these 1997 deliveries will be used by the manufacturers to certify the Rolls Royce Trent engine at 90,000 lbs thrust, unprecedented in commercial operation and a notable industry first for Emirates.

Our network continues to grow. In June we recommenced operations to London Gatwick, increasing our London frequency to three daily, and also extended our Rome route to Nice. And, in November 1994 we commenced operations to Larnaca, as an extension of our Beirut route. We plan to start flights to the Comoros Islands and Johannesburg in June 1995, to Nairobi in October, and to Ho Chi Minh City in November. We regard all these destinations as offering a promising mix of opportunities for both business and leisure traffic, and for cargo.

THIS IS TO CERTIFY THAT

Emirates

HAS BEEN VOTED

Best long haul carrier

BY BRITAIN'S MOST FREQUENT TRAVELLERS

1995

CARLSON WAGONLIT TRAVEL • EXECUTIVE TRAVEL

Carlson Wagonlit Travel

ET

AIRLINE OF THE YEAR

EXECUTIVE TRAVEL

CARLSON WAGONLIT

12th January 1995

Meanwhile, our off-line activities have flourished, notably in the USA where, in response to sales growing at over 50% a year, we are now having to expand our regional head office at 405 Park Avenue, New York, and will shortly open an office in Houston. Full-time representatives are based in Los Angeles and Chicago, and one is to be appointed in San Francisco.

During the year, Dnata Airport Ground Services handled a record 6.5 million (+11.3%) passengers and 264,055 (+18.6%) tonnes of cargo at Dubai Airport and made airwaybill sales of USD 56 million. The passenger ticket turnover of Dnata's Travel Agency and General Sales Agency businesses amounted to USD174 million.

Dnata's international dimension continues to grow. Membership of the Business Travel International consortium of leading world travel agencies already gives our travel agency sector global reach through networking and sharing of services. In addition, we have now opened a branch in the prime retailing area in London where Cromwell Road crosses Gloucester Road, and are evaluating other locations in the UK and elsewhere. The same strategy of international expansion, in order to exploit more effectively the strength of our Dubai base, applies to Dnata's Airport Ground Services Division, now firmly established in Karachi with the Gerry's-Dnata joint venture, and steadily increasing the number of carriers we handle there.

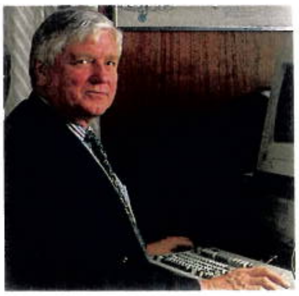
Group Services, working largely through Dnata, have made significant advances on the Information Technology front during the year. Some of this development has been for internal use, but much consists of third-party applications marketed through Algebra Link, the umbrella name we use for a varied complex of computerised distribution facilities for passengers and cargo. One example is Equation, which we believe to be the most user-friendly Cargo Community Service anywhere.

The purpose of such systems is to supply customs, cargo agents, shippers and consignees with real-time knowledge of the location and routings of shipments within all relevant airline systems, and to carry out paperless transactions among the different parties. Equation is, in effect, a service for Dubai rather than simply for our Group. Another example is Algebra Link's role as regional distributor for the Galileo Global Distribution System, connecting the system to over 1000 PCs in 360 travel agency locations, enabling them to confirm bookings on over 400 airlines and make world-wide hotel and car-hire reservations.

In fact, in a year of relative consolidation, quite a lot of good things have been happening - and for that I must once again pay tribute to the dedication of our staff and the high quality of their work, which is never taken for granted.

Maurice Flanagan

Maurice Flanagan



Income & Activity

When budgeting for a specific profit in the airline industry, it must always be remembered that commercial aviation is subject to the shifting economic woes of inflation and recession, as well as natural disasters such as earthquakes, typhoons, flooding etc. But none of us could have predicted the total shutdown of airline services between India and the UAE as a result of an outbreak of the bubonic plague. As India is one of our major markets, the one-month closure had a very negative impact on revenue of Dh 31 million. However, it is to the credit of all staff in Commercial that the airline's net revenue still achieved very satisfactory levels reaching a record figure of Dh 2,279 million.

This last financial year was the first time we had operated with the PROS (the Passenger Revenue Optimisation System) for 12 complete months. The system significantly improved the critical seat factors and helped to maintain the yield. But the necessity of the yield improvement programme was highlighted by some astonishing "no show" figures during the year. On one particular flight a total of 130 booked passengers - who had reconfirmed their flights - failed to show up at check-in. There were other equally disturbing figures. To compensate for the no-shows we sometimes have to overbook a flight according to the historic profile and have also

introduced our so-called Options scheme which offers passengers an incentive of a free ticket if he/she volunteers to fly on the next available flight.

Passenger seat factor during the year was 68.1%. The number of passengers carried rose by 12.3% from 2,006,428 to 2,252,473 in 1994-95.

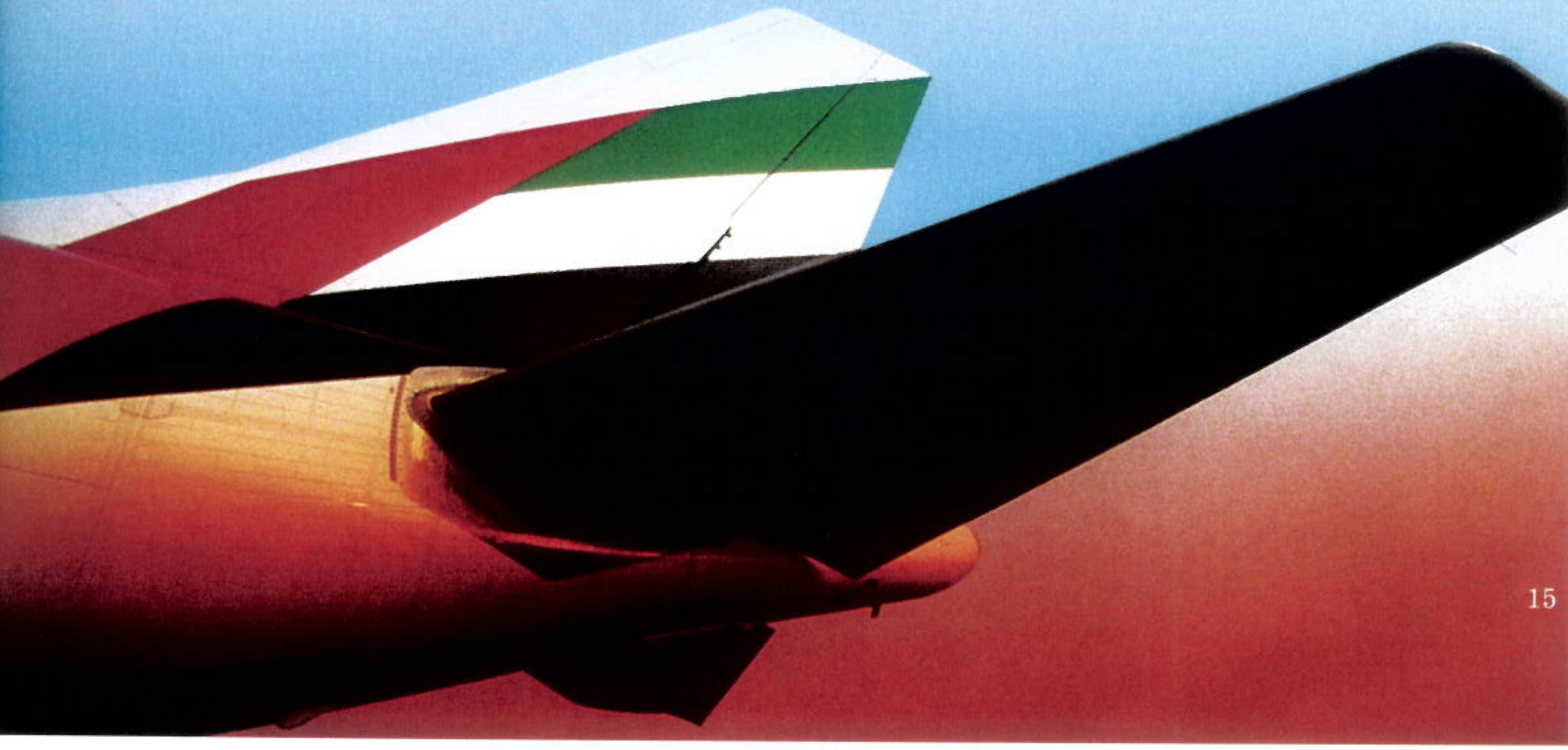
During the year an agreement was signed with Avis to provide limousines with liveried chauffeurs for our home/airport/home service in Dubai for First and Business class passengers.

Cargo

Sky Cargo continued to go from strength to strength carrying 107,897 tonnes (including courier and mail) which was an increase of 23.1% over the previous year.

For the sixth year in a row, Emirates won the "Best Cargo Airline to the Middle East" title from Air Cargo News.

During the year Emirates launched a weekly all-cargo service between Amsterdam and Dubai in co-operation with KLM. Sky Cargo also started a freighter service to/from Hong Kong with a B-747 leased from the US-based Atlas Air. The first charter flight to Moscow commenced on 12th November using IL76 aircraft and by the end of the year some 13 charters had been operated.



Destination & Leisure Management

It was another exciting year for the Destination and Leisure Management Department with Emirates Holidays and Arabian Adventures reporting a boom in clients and in revenue production.

Emirates Holidays showed an 88% increase in the number of passengers using their services from 7,757 to 14,239 passengers. The UAE had a market share of 61% and the remaining 39% was generated by other Gulf and Middle East Markets, who had only a 19% share in the previous year. Most popular destinations have been Dubai, UK, Maldives, India, Thailand, Egypt, France, Turkey and Sri Lanka.

Arabian Adventures, the inbound destination management unit, reported a 51% increase from 18,040 to 27,183 passengers. Of this total, 82% were tourists, 10% incentive travellers and stopovers made up 8%. The incentive business showed a remarkable increase.

Schedules & Production

During the year new stations, Nice and Larnaca were opened. Larnaca had been served on a code-share agreement with Cyprus Airways until Emirates launched its own dedicated service from November 2nd. Earlier on 16th June we had restarted our services to Gatwick Airport - after a short absence of seven months - with daily flights from Dubai. As a result, with these three new destinations, production in terms of available seat kilometres increased by 13.6% during the year. The network total stood at 34 destinations at the end of the financial year.

Fleet Development

To meet demand, two new aircraft were added to the fleet. In July 1994 we took delivery of a two-class A310-300 on an operating lease from GATX and in March 1995, an A300-600R (leased from ILFC) joined the fleet in a 3-class configuration.

Boeing 777

Engineering

Emirates Engineering demonstrated another year of excellence with both Airbus Industrie and General Electric recognising the quality performance with awards for despatch reliability and a high usage rate.

Plans were announced to build new facilities, starting in September 1995 with a completion date of May 1997.

Emirates already provides comprehensive in-house facilities including 'C' checks as well as the retrofitting of the Airbus fleet with SATCOM telephone and fax which required a major structural modification of each aircraft.

Emirates Engineering's quality service is recognised by the 25 airlines which are handled by the department at the workshops in Dubai with a list of renowned airlines including British Airways, Malaysian Airlines, Singapore Airlines now joined this year by South African Airways, Gulf Air, Vietnam Airlines and Egypt Air.

Another feather in the hat - will be the issue of JAR 145 Maintenance Approval (European Community Joint Aviation Authority) by July 1995.

To underline the all-the-way capabilities of Engineering, Emirates will carry out all major checks - such as C and D checks - in-house on the new Boeing 777s which will start joining the fleet in March 1996. Emirates will also have an in-house module change facility for the Rolls Royce Trent 800 engines. At present this facility is available for the General Electric CF680C2 engines which power the Airbuses.

A team of engineers has been selected for "hands on" training on the Boeing 777 at the Boeing Factory in Seattle, USA.

Flight Operations

Recruitment for pilots is an on-going process and during the year 46 were recruited and trained on both the Airbus and the B727.

Our first group of Dubai nationals joined the airline as cadet pilots in October 1994 after their training at the British Aerospace Flying College in Prestwick, Scotland and are expected to become First Officers in June 1995.

Today, Emirates has 254 flight deck crew representing 40 nationalities.

August 1995 will be a significant date for the Operations Department when the Airbus A310 Flight Simulator will be ready for training in the new Training Centre. At the present time our pilots have to travel to Frankfurt for simulator training and the acquisition of our own equipment based in Dubai will produce significant savings.

There will also be a reduction in costs and crew savings with the retirement from the fleet of the remaining two Boeing 727s.

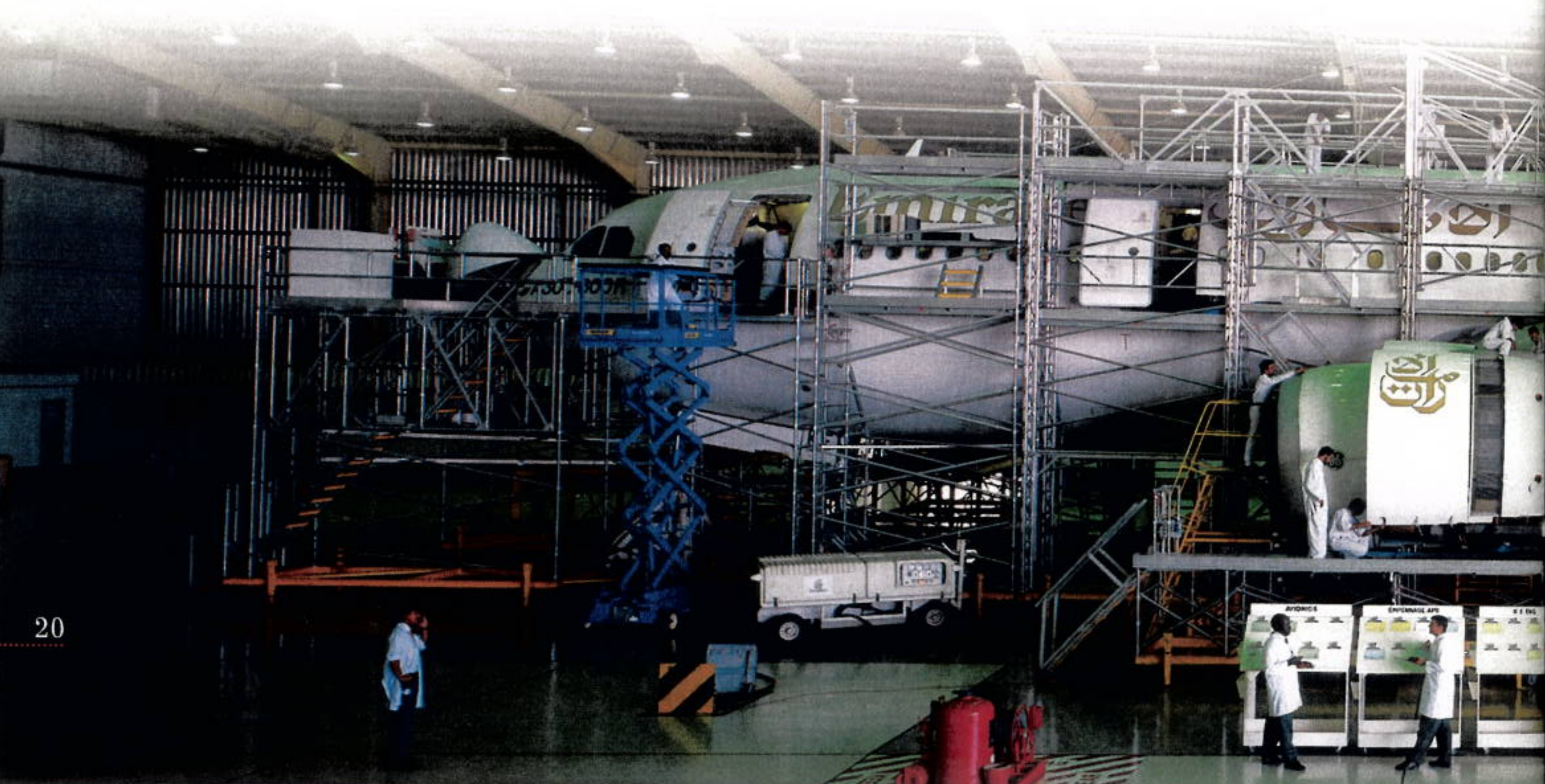
CAT IIIA Certification is continuing. All aircraft in the fleet are certificated to operate down to weather limits of CAT IIIB and 90% of the pilots are now certificated to CAT IIIA (15 feet above runway, 200 metres horizontal visibility).

Operations Control

There has been an amalgamation of Operations Control, Flight Despatch, Navigation Services, Crew Planning and Crisis Management. At the same time, cost effective and highly productive techniques are being developed to be supplemented by "state-of-the-art" systems which will provide further economies and more effective control of operations.

The development of the Crisis Management Centre continues with a series of courses to maintain the skill levels of the 400 volunteers. An in-house exercise was carried out with the assistance of Cranfield University to help prepare for contingencies when dealing with unpredictable situations.

Operations Control is now offering Third Party flight despatch services with FAA qualified Flight Despatchers and offers the Passenger Information Centre facilities for other airlines flying to or through Dubai.



Projects

Emirates has implemented an "Entry Into Service" programme for the Boeing 777 which will be delivered in March 1996. To date eight members of the cockpit crew have completed the Boeing 777 Transition Course and form a Survey Team.

The Boeing 777 Simulator will be installed in the new Training Centre eight months in advance of the delivery of our first Boeing 777.

Work commenced on the new Training Centre on 4th October 1994 with the Simulator Section having been completed at the end of May 1995. The Evacuation Trainer Section will be finished by 7 August 1995 and the total building will be ready for fitting out on 7 November 1995. The Ready for Training day is 1 January 1996.

Negotiations have been completed with Boeing for Emirates to be the launch customer for the Boeing 777B+ model with Trent 890 engines. This aircraft will be the biggest, longest range and most powerful twin-engined aircraft in commercial operation and will be delivered to Emirates in February 1997.

Inflight Services

Our cabin crew continues to grow to meet the ever expanding operations and by October 1995 the total strength will stand at 1,057. New cabin crew will be recruited from October 1995 to a total of approximately 1,600 by 31 March 1997 to meet the needs of the enlarged fleet.

In connection with the introduction of the Boeing 777s, Emirates is planning to introduce a new uniform for all flying and ground based customer service staff in early 1996.

The Boeing 777 will feature the latest and best in interior design colour schemes and facilities including decor, seat, space available and cabin avionics. Emirates will have up to 20 video and 40 audio channels of entertainment with a very wide range of programmes.

Emirates will be opening a new catering unit in Bombay to meet the needs of the many new airlines in India in conjunction with GASCO and the Indian Hotels Company (The Taj Hotels Group.)

DNATA | ***airport services***

It was a banner year for Dnata Airport Services with emphasis placed on quality and productivity improvements as both passengers (11.3%) and cargo (18.6%) continued to grow substantially.

Quality Action Teams were established for Passenger Services who were responsible for moving 6.5 million passengers through the Dubai International Airport. At the same time, the Marhaba Meet-and-Greet service expanded its product distribution.

Despatchers (Red Caps) are now available to oversee all Emirates' flights. Quality Action teams were also introduced for ground operations and a new Operations Control Centre is now nearing completion. This Centre will provide positive ramp control with expertise from all service areas represented.

A new baggage reconciliation system is under development and will be operational in October 1995.

Dnata Engineering has had another successful year meeting demands arising from the extraordinary growth of airport activity. During the year two new aircraft washing machines were introduced and three 160-ton airconditioning units were added recently, to handle the largest of aircraft.

All departure gates were automated to more quickly identify passengers arriving late at the gate and 13 new automated check-in counters were installed in the Emirates Departure Hall.

In its quest for new markets, Dnata Agencies continued to attract more associates. The Axis system expanded in terms of distribution partners and products while, together with Jetset Hong Kong, Dnata formed Jetset Middle East to market tailor-made vacations in Dubai, the UAE, Oman and Bahrain. Using Jetset's Worldmasters System, the new company is able to offer independent travel opportunities designed for the individual vacationer and the concept has proved popular from the start.

"Incentives by Axis" is a new venture launched by Dnata Agencies and is already showing encouraging signs of success.

A major move, reflecting Dnata's continued commitment, was the setting up of a regional office for BTI (Business Travel International) in Dubai for the Middle East and West Asian regions. Dnata also opened its own office in the City Tower, Dubai for "Holidays by Dnata" - a spacious environment to serve all leisure travellers' needs, which even includes a viewing theatre for destination videos.

New business included signing an agreement with the Central Military Command to provide an implant office to serve its travel needs.

Dnata now represents Air Malta and the State Transport Company of Russia as General Sales Agent, in addition to the following airlines:

Aer Lingus, Air India, Air Lanka, Ansett New Zealand, Ansett Australia, Bangladesh Biman, British Airways, Emirates, Gulf Air, Iran Air, Jet Airways, KLM, Kuwait Airways, Libyan Arab Airlines, Lufthansa, Middle East Airlines, Pakistan International Airways, Philippine Airlines, Qantas, Royal Brunei Airlines, Royal Jordanian, Sabena, Singapore Airlines, Swissair, Thai Airways (Sharjah), United Airlines.

A Customer Awareness Campaign "Meeting the Challenge" was carried out during the year for all Dnata Agencies' staff and task forces were set up to renew all procedures, with a brand new manual produced by the staff for the staff.

In the annual Arab Travel Awards, Dnata was proud to be voted by readers of "Travel & Tourism News," for the fourth time - "Best Travel Agency in the Middle East".

Another special accolade was the Global Award for Dnata "for its contribution to the travel industry in the Middle East" which was presented to the Chairman, H.H. Sheikh Ahmed bin Saeed Al Maktoum, at the World Travel Market, London.

The Dnata-operated Cargo Terminal at the Civil Aviation's Cargo Village registered an increase of 18.6% in the amount of freight handled with some 264,000 tonnes passing through the centre compared with 222,671 the previous year.

Productivity rose 14%, from an average of 137 kgs to 157 kgs per man hour, while service levels measured against a pick of the world's top cargo terminals improved 5% from 82% compliance to 87%.

During the year, the Cargo Terminal brought together all management systems which had been implemented previously - such as service levels, customer surveys, quality assurance, empowerment - under the ISO 9002 umbrella with certification planned for July 1995.

A total review was accomplished and will ensure that the Cargo Terminal will remain the top quality provider and trendsetter among the airport terminals in the region.

Highlights on the Cargo Agencies side included working jointly with a number of airlines on various studies to improve market share. During the year four new GSA contracts were secured, namely Jet Airways, Air Malta, Philippine Airlines and SGM State Transport Company of Russia.

On the freight forwarding side of the business, Dnata World Cargo expanded its cargo agency network, secured additional customers for its Airport Parts Bank and Distribution Centre, finalised the recruitment and training of specialised staff and automated the customer service functions.

Dnata's co-operation with Emery was enhanced with the transfer of the regional office from Abu Dhabi to Dubai with Emery-Dnata's office now functioning as the Head Office with the Emery Route Development Manager, Middle East, based there.

During the year Dnata introduced the region's first Cargo Community System (9th in the world) called Equation and has already acquired three airlines (Emirates, Singapore Airlines and British Airways) and 25 agents as subscribers. Agreements are expected to be finalised shortly with KLM, Air France, Lufthansa and Cargolux.

An innovation for Dnata is the launch of the comprehensive security transport services division called Transguard which will offer airport/door/airport and door-to-door services within the UAE for vulnerable and valuable items.

During the financial year a programme of re-engineering processes and procedures within Finance was initiated, with a view to improving productivity and efficiency ahead of the anticipated rapid growth in transaction volumes. This programme is ongoing but already substantial progress has been achieved against established milestones and timetables.

An integral part of this re-engineering effort involved the reorganisation of Finance into a Group service department, with a clear delineation between transaction processing activities and the provision of management accounting support to the business managers. A high-calibre team of individuals is now working alongside line managers actively providing valuable input into the business decision-making of the Group.

These re-engineering activities and the reorganisation involved considerable effort and placed great demands on all the staff within Finance. To their credit they responded magnificently to the challenges and through their commitment and hard work helped to ensure the success of the change process.

In addition, a new revenue accounting system called RAPID, developed exclusively in-house, went live in November 1994. This system, using the latest client/server technology running on Windows and Oracle Forms 4, will enable the Group to process significantly higher transaction volumes, at the same time improving the quality and timeliness of management information without increasing the existing complement of staff.

Recent emphasis on expanding Airbus fleet capacity using operating leases, in order to conserve cash, continued with the delivery of an Airbus A310-300 in July 1994 from GATX and a A300-600R in March 1995 from ILFC (with a further A310-300 delivered from ILFC after year-end in May 1995). Against this background, group cash balances at year-end were retained at a very healthy Dh 319 million (1994 Dh 377 million) despite substantial cash outflows during the period in respect of progress payments for the new generation Boeing 777 aircraft of Dh 129 million (1993-94 Dh 9 million).

Commitments of financing support for the Boeing aircraft have now been received from The Export Import Bank of the United States (EXIM) and The Export Credit Guarantee Department of the United Kingdom (ECGD) in the combined amount of USD 850 million (which represents 85% of the total cost of airframe, engines and spares). Alternative commercial funding sources are also being evaluated and we expect to make a final selection of financing mechanisms well in advance of aircraft delivery dates.

Personnel

On 31 March 1995 the Group had a total of 8,225 employees, a net increase of 499 over the previous year. Of this total, DNATA had 4,160 staff and Emirates 4,065.

The preparation for the Boeing 777 era has led to a situation where nearly all activity in the Personnel Department has been driven by recruitment needs.

In order to cope with the numbers required in the limited time scale demanded by cost efficiency, we had undertaken our own process re-engineering project in the recruitment office, and considerable improvements have been achieved without any lessening of standards. In this area in particular, there has been a greater utilisation of computerisation and we have also developed a computerised version of our Job Evaluation System.

Training

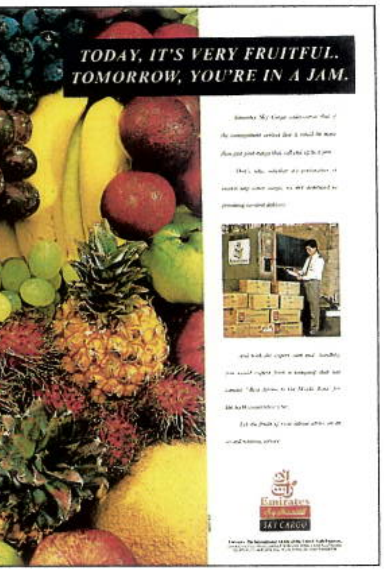
Highlight of the new year was the gaining of the award of 'Centre of Training Excellence' by the largest supervisory and management training organisation in the United Kingdom-NEBSM (National Examining Board for Supervisory Management.) The Director General of Civil Aviation of the UAE also recognised the quality and the range of our National Technical Training Programme for the Aircraft Maintenance Engineering (AME) Basic Licence and granted written examination exemption for those who graduate from the three-year programme.

The Training Centre is continuing to provide valuable regional support to help ensure professional standards are being maintained. Links with IATA have been strengthened. We are now an IATA-approved centre for Distance Learning programmes. Our Cargo Training specialists provide a consultancy service to the IATA Dangerous Goods Board, IATA Dangerous Goods Training Task Force and the Cargo Agency Training Board. This expertise is recognised by the UAE Dangerous Goods Panel and Inter Agency Dangerous Goods Committee of Dubai.

The training and development of UAE nationals gained considerable momentum during the year. In particular, the first batch of three women Management Trainees was inducted and a three-year Dnata Engineering apprentice scheme was launched with seven trainees. A new run-up programme for National Cabin Crew trainees was also initiated to enable nationals to enter the ab-initio training programme. These were in addition to the on-going programmes for Pilot Trainees, Emirates Engineering and the School Leaver Scheme. During the last financial year, more than 100 nationals were enrolled on various schemes.

A series of service enhancement programmes were completed during the period for Cabin Crew, Dnata Passenger Services, Dnata Agencies and Emirates Holidays - attended by approximately 2,000 delegates.

Training activity during this period increased by 30% over the previous 12 months, with almost 24,000 students attending the 2,200 courses offered. We continue to provide Third Party training for organisations in the region, particularly in the areas of customer service, cargo operations and technical workshop skills.



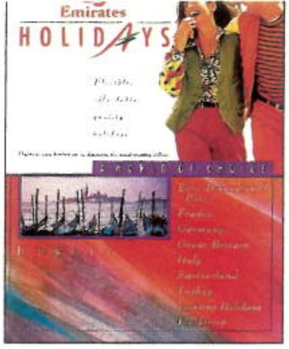
External Relations role is to support the multi-faceted marketing operations of Emirates and Dnata.

Dnata was re-launched with a new corporate drive, with a hands symbol, featuring "The Unbeatable Advantage", preceded by an intensive internal awareness campaign.

Emirates highlighted its "Airline of the Year 1994" award with a systemwide campaign for both tactical and pan-continent advertising. For the first time, External Relations ran parallel above and below-the-line response advertising throughout the network featuring the Dubai Stopover Package. Arabian Adventures and Emirates Holidays were provided with top quality collateral material, including a new Incentive Planner which won the best brochure award at an international travel show in Hong Kong.

The various departments of External Relations - Advertising, Promotions, Media Relations - were involved in the launches for new routes to Larnaca, Nice and Gatwick.

Two awards were won for Sky Cargo corporate advertisements with the 'fruit and vegetables' on-time advertisements creating a powerful campaign.



"Best stands" trophies were won at exhibitions in Bangkok and Kyalami, South Africa - but the big investment for External Relations' Promotions was the double-decker, state-of-the-art, exhibition stands at WTM (World Travel Market), London and ITB Berlin.

Emirates gained accolades for the innovative stand designs at more than a dozen major trade fairs throughout the year.

For the first time, Emirates sponsored the Singapore Derby which was attended by H.H. the Chairman and was an unqualified success for the airline. Emirates was one of the major supporters of the PGA Desert Classic,the International Jockeys Challenge and Dubai Rugby Sevens and the main sponsors for the Longchamp Horse Race and the World Championship Offshore Boat Races in Dubai.

More than 200 journalists were entertained by the Media Relations' Unit and there was record coverage throughout the year of Emirates' Group events and activities.

The Souvenir Centre in its third year showed a small but steady profit and continued to serve the Emirates Group staff and widen the product distribution.

Around-the-clock a dedicated team of professionals operate computers and networks at the heart of the Emirates Group, providing a reservations confirmation in 2 seconds, whether the booking agent is in Munich, Madras or Muscat. As some agents are leaving work in one time zone, others on the other side of the world, are opening for business and they demand an error-free service at all times from staff and systems.

In Dubai itself, computer users are no less demanding of a reliable, 24-hour service. The Dubai International Airport and its Cargo Centre are fully dependent on their systems and networks for keeping passengers and freight moving, speedily and efficiently.

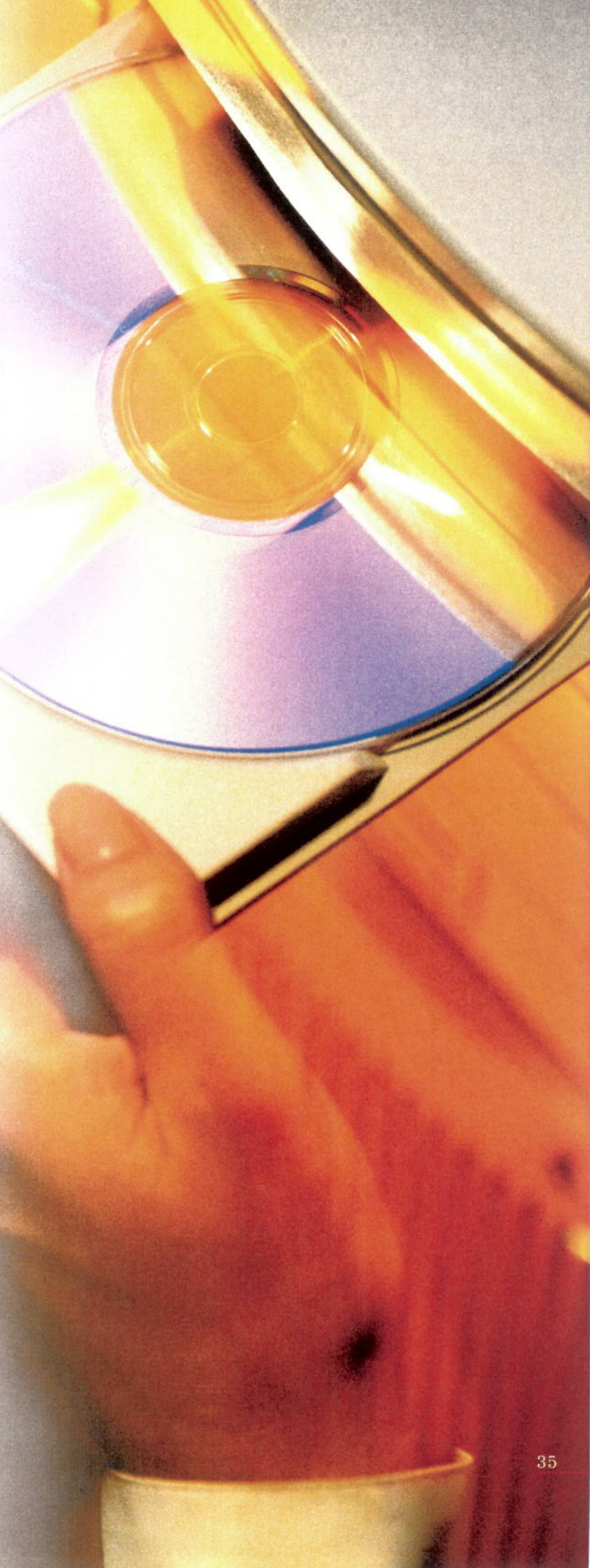
Whilst the IT Department can be justly proud of its quality service record and of the development programme that has facilitated the company's growth, a quiet revolution has been going on to upgrade many of its technology platforms. Key objectives are to reduce the operational costs whilst at the same time increasing the speed of change within systems which bring vital productivity opportunities to all computer users.

During the last year, many of the Group's critical business systems have been moved to the latest Unix technology - the so-called 'open' architecture - to provide increased price/performance and operational flexibility.

At the same time, an office automation programme has been introduced that has greatly improved the capabilities and productivity of the whole end-user community. By the end of 1995, all head office staff will have been trained in the 'Windows' based software and will be able to access corporate systems through a single connection. Linking everyone together has immediate benefit in speeding up the distribution and revision of documentation. Telephone calls and formal memos are now being replaced by electronic messaging, bringing the paperless office one step nearer. Taking an aggressive approach to exploiting these technology upgrades, targets for improving productivity by 15% have been set which will help to contain the growth of staff in the future.

Of equal importance to the organisation during this growth period is to ensure managers have up-to-date information on key performance measures. An executive information system has been introduced recently which allows the managers to tailor their own reporting systems. This advance in 'end-user computing' will be further developed to ensure that decision making is based on the most accurate and up-to-date information available.

The IT Department is now preparing to implement this new technology in the major outstations around the world.



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 Service	Don Foster
Engineering	Iftikhar Mir
Planning & Revenue Optimisation	George Rickabaugh
Cargo	Ram Menen
Ground Services	Mohammed Mattar
Head of Destination & Leisure Management	Hans Haensel
Head of International & Industry Affairs	Tony Tayeh

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

The **EMIRATES** *Group*

operating statistics

	1994-95	1993-94	1992-93	1991-92	1990-91
Emirates					
Total revenue (Dh'000)	2,506,933	2,203,595	1,826,954	1,459,672	1,028,699
Total expenditure (Dh'000)	2,411,877	2,114,028	1,816,326	1,392,209	1,005,333
Operating income (Dh'000)	186,576	181,430	121,669	167,610	91,203
Net income (Dh'000)	95,056	89,567	10,628	67,463	23,366
Yield (Fils per RTKM)	244	247	268	294	288
Unit cost (Fils per ATKM)	155	157	159	170	184
Breakeven load factor(%)	63.8	63.5	59.6	57.9	64.0
Fleet					
No. of aircraft	17	15	15	11	8
Average age (months)	63	52	52	56	64
Production					
Destination cities	34	32	31	26	22
Overall capacity (ATKM million)	1,478	1,281	1,066	754	504
Available seat kilometres (ASKM'000)	9,583,407	8,438,075	6,927,524	5,045,691	3,488,253
Traffic					
Passengers carried (number)	2,252,473	2,006,428	1,628,268	1,288,217	923,953
Passenger seat kilometres (RPKM'000)	6,527,764	5,894,844	4,637,545	3,445,201	2,397,019
Passenger seat factor (%)	68.1	69.9	66.9	68.3	68.7
Cargo carried (Kg'000)	98,499	81,545	61,857	42,682	32,507
Overall load carried (RTKM million)	996	867	665	480	341
Overall load factor (%)	67.4	67.6	62.4	63.7	67.7
Staff					
Average staff strength (number)	3,915	3,435	2,917	2,133	1,683
Capacity per employee (ATKM)	377,464	373,008	365,354	353,376	299,663
Load carried per employee (RTKM)	254,446	252,265	227,956	225,037	202,737
Revenue per employee (Dh)	640,340	641,512	626,313	684,328	611,229
Value added per employee (Dh)	244,768	238,831	237,466	264,988	213,825

	1994-95	1993-94	1992-93	1991-92	1990-91
Dnata					
Total revenue (Dh '000)	318,993	272,136	257,673	235,454	175,828
Total expenditure (Dh '000)	268,428	244,157	231,621	200,029	154,684
Operating income (Dh '000)	42,551	21,343	20,958	45,348	32,840
Net income (Dh '000)	50,565	27,979	26,052	35,425	21,144
Aircraft handled (number)	37,658	32,337	31,785	28,571	23,981
Passengers handled (number)	6,457,208	5,803,911	5,518,780	5,054,258	4,405,019
Cargo handled (Kg '000)	264,055	222,671	192,506	163,713	129,000
Staff					
Average staff strength (number)	4,083	4,063	3,824	3,222	2,792
Revenue per employee (Dh)	78,127	66,979	67,383	73,077	62,976
Value added per employee (Dh)	64,740	56,052	56,159	58,842	53,791

The **EMIRATES** *Group*

financial statistics

		1994-95	1993-94	% Change
Group				
Total revenue*	Dh (million)	2,722.6	2,384.4	14.2
Total costs*	Dh (million)	2,577.0	2,266.8	13.7
Operating income	Dh (million)	229.1	202.7	13.0
Net income	Dh (million)	145.6	117.6	23.9
Liquid funds	Dh (million)	318.7	376.8	(15.4)
Shareholders' funds	Dh (million)	946.2	800.6	18.2
Return on shareholders' funds	%	16.7	15.8	0.9 pts
Value added	Dh (million)	1,221.2	1,048.0	16.5
Emirates				
Total revenue	Dh (million)	2,506.9	2,203.6	13.8
Total costs	Dh (million)	2,411.9	2,114.0	14.1
Operating income	Dh (million)	186.6	181.4	2.8
Net income	Dh (million)	95.0	89.6	6.1
Value added	Dh (million)	958.3	820.4	16.8
Dnata				
Total revenue	Dh (million)	319.0	272.1	17.2
Total costs	Dh (million)	268.4	244.1	9.9
Operating income	Dh (million)	42.5	21.3	98.9
Net income	Dh (million)	50.6	28.0	80.7
Value added	Dh (million)	264.3	227.7	16.1

* After eliminating inter company trading of Dh 103.3 million in 1994-95 and Dh 91.3 million in 1993-94.

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 fixed at 3.67.

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

Income

Group operating income for 1994-95 was Dh 229 million, an increase of Dh 26 million (13.0%) over 1993-94.

Income before tax rose by a slightly higher amount of Dh 29 million (22.9%) to Dh 155 million.

After provision for taxation payable to overseas governments, net income registered a 23.9% increase to Dh 146 million from Dh 118 million last year.

Return on shareholders' funds rose 0.9 percentage points to 16.7%.

At the company level, Emirates operating income rose by Dh 5 million (2.8%) to Dh 187 million.

Dnata's operating income increased two-fold to Dh 43 million.

Emirates' income before tax increased by Dh 6 million (6.4%) to Dh 104 million and net income increased by Dh 5 million (6.1%) to Dh 95 million. Dnata's income before and after tax increased 80.7% to Dh 51 million.

Revenue

Total Group revenue in 1994-95 was Dh 2,723 million, an increase of Dh 338 million (14.2%) over the previous year. Group revenue consisted of operating revenue of Dh 2,692 million and other income of Dh 31 million (1993-94 Dh 2,365 million and Dh 20 million).

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

Emirates operating revenue rose by Dh 291 million (13.3%) to Dh 2,482 million. Other income for the year was Dh 25 million, up from Dh 13 million in 1993-94.

Passenger revenue at Dh 2,029 million was 13.0% higher than last year, while cargo revenue grew by 19.4% to Dh 314 million. Passenger and cargo revenue constituted 94.4% of Emirates' total operating revenue.

Dnata's operating revenue increased by 17.1% over last year to Dh 311 million. Other income for the year increased to Dh 8 million from Dh 7 million in 1993-94. Dnata handled 37,658 aircraft, 6.5 million passengers and 264 million kg of cargo, representing increases of 16.4%, 11.3% and 18.6% respectively.

Expenditure

Group operating costs at Dh 2,462 million were Dh 300 million (13.9%) up over last year.

Total expenditure including financing costs and taxation was Dh 2,577 million, a rise of Dh 310 million (13.7%) over last year.

The increase in costs came mainly from higher staff expenditure (Dh 83 million or 14.2%), aircraft operating leases (Dh 37 million or 62.9%), depreciation (Dh 52 million or 21.7% - including accelerated depreciation in respect of the B727 fleet of Dh 34.2 million) and other airline direct operating and fleet costs.

Capital expenditure

Group capital expenditure for 1994-95 was Dh 239 million, a decrease of Dh 79 million (24.8%) from the previous year. Aircraft, spares and spare engines comprised 69% of the total capital spend. This included disbursement for aircraft delivery during the year and progress payments for future deliveries.

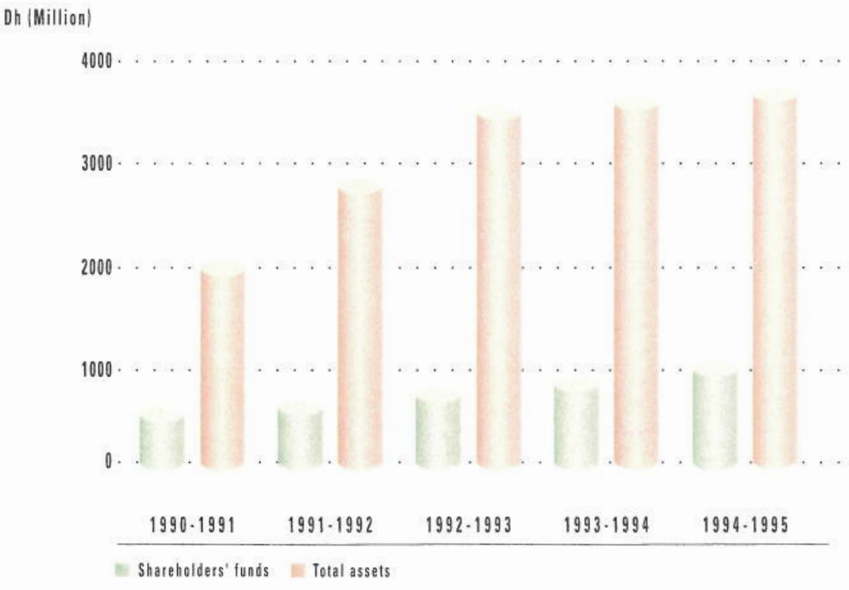
Financial position

The financial position of the Group remained healthy. Group liquid funds at 31 March 1995, were strong at Dh 319 million (1993-94 Dh 377 million) despite substantial cash outflows during the year in respect of advance payments for new aircraft of Dh 129 million (1993-94 Dh 9 million). Shareholders' funds at 31 March 1995 were Dh 946 million, up by Dh 146 million (18.2%) from 31 March 1994.

The Group had a loan liability of Dh 854 million (1994 Dh 1,000 million) and lease commitments, net of term deposits, of Dh 698 million (1994 Dh 759 million) mainly relating to aircraft purchases.

At 31 March 1995, the total assets of the Group were Dh 3,617 million, up by Dh 82 million (2.3%) on the previous year. Return on total assets was 4.1% against 3.4% in 1993-94.

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.

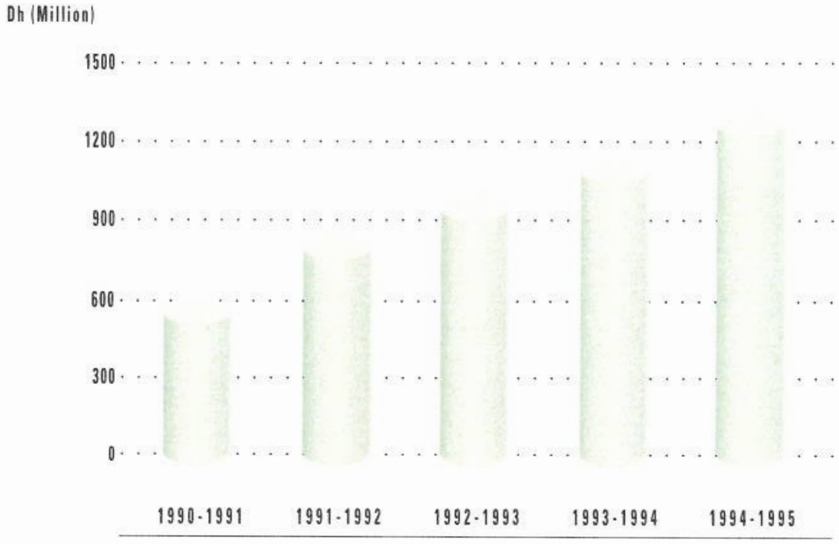
	1994-95 Dh '000	1993-94 Dh '000	1992-93 Dh '000	1991-92 Dh '000	1990-91 Dh '000
Total operating revenue	2,691,562	2,365,198	1,991,702	1,608,742	1,139,716
Less: Purchase of goods and services	1,499,612	1,336,428	1,095,005	872,318	648,475
Loss on sale of fixed assets	1,403	602	1,060	968	12
	1,190,547	**1,028,168**	**895,637**	**735,456**	**491,229**
Add: Investment income	20,521	9,498	2,675	7,606	11,298
Non-operating income	9,181	8,141	6,261	9,060	4,861
Share of profits of associated companies	901	2,173	1,596	1,503	932
Total value added by the Group	**1,221,150**	**1,047,980**	**906,169**	**753,625**	**508,320**
Distribution of value added:					
To employees - salaries and other staff costs	671,766	588,401	534,609	404,341	284,107
To overseas governments -					
Corporation and other taxes	9,123	8,373	8,950	9,976	1,804
To suppliers of capital -					
Dividends	25,000	25,000	25,000	45,000	100,000
Interest	105,454	96,064	106,469	97,449	71,416
Retained for re-investment and future growth					
Depreciation	289,186	237,596	219,461	138,971	106,483
Retained profits	120,621	92,546	11,680	57,888	(55,490)
Total value added	**1,221,150**	**1,047,980**	**906,169**	**753,625**	**508,320**

In 1994-95, the total 'value added' of the Group increased by Dh 173 million (16.5%) to Dh 1,221 million (1993-94 Dh 1,048 million). The increase came mainly from increased revenue (Dh 326 million), while the cost of purchases of goods and services increased by only Dh 162 million.

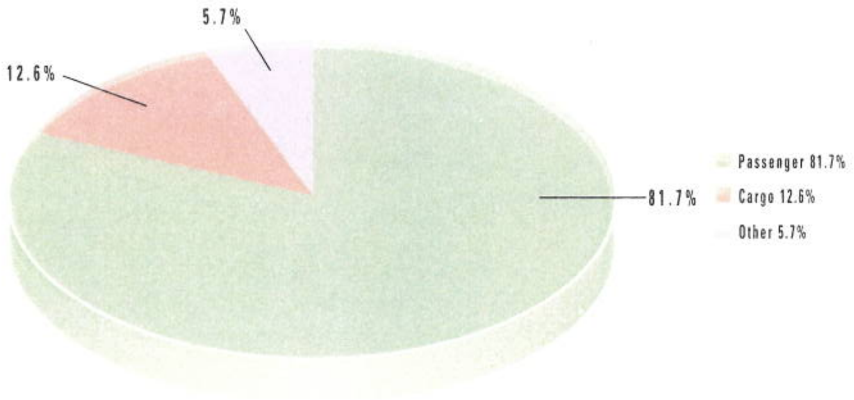
Staff received Dh 672 million (55.0% of the total value added) in the form of salaries and other related costs whilst distributions as taxation, interest and dividends were Dh 139 million (11.4%).

The amount retained in the business for future growth was Dh 410 million (33.6%).

VALUE ADDED



	1994-95 Dh (million)	%	1993-94 Dh (million)	%
Passenger	2,028	81.7	1,794	81.9
Cargo	313	12.6	263	12.0
Excess baggage	41	1.6	45	2.0
Courier	32	1.3	28	1.3
Mail	12	0.5	11	0.5
Revenue on scheduled services	**2,426**	**97.7**	**2,141**	**97.7**
Non-scheduled services	2	0.1	2	0.1
Transport revenue	**2,428**	**97.8**	**2,143**	**97.8**
Inflight catering	30	1.2	28	1.3
Emirates Holidays	14	0.6	10	0.4
Other	10	0.4	10	0.5
Total operating revenue	**2,482**	**100.0**	**2,191**	**100.0**

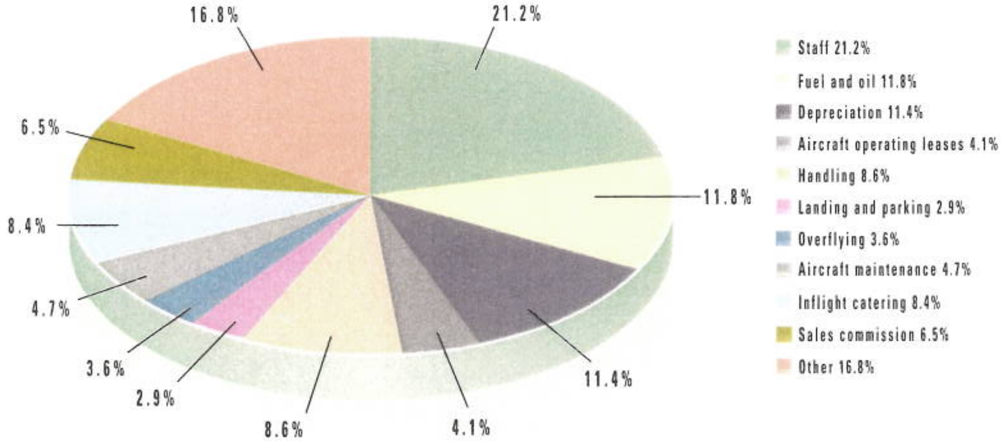


EMIRATES ***expenditure***

	1994-95 Dh (million)	%	1993-94 Dh (million)	%
Staff (1)	486	21.2	414	20.6
Fuel and oil	271	11.8	254	12.6
Depreciation	261	11.4	212	10.5
Aircraft operating leases	95	4.1	58	2.9
Handling	198	8.6	164	8.2
Landing and parking	67	2.9	52	2.6
Overflying	82	3.6	78	3.9
Aircraft maintenance	108	4.7	152	7.6
Inflight catering	193	8.4	177	8.8
Sales commission	150	6.5	140	7.0
Other	385	16.8	308	15.3
Total operating costs (2)	**2,296**	**100.0**	**2,009**	**100.0**

(1) includes in-house engineering staff

(2) excludes interest and financing charges



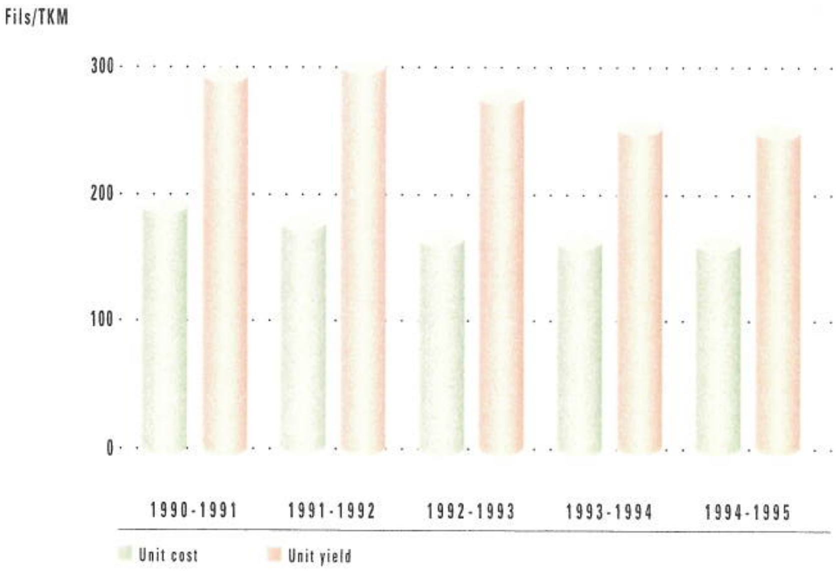
yield, unit cost and breakeven load factor

Overall yield reduced by 1.4% to 244 fils per tonne-kilometre, with passenger yield rising by 2.1% and cargo yield dropping by 3.8%. Whilst passenger yield recovered from the globally suppressed levels of the previous year, the expansion of cargo activity on long-haul sectors caused the drop in average cargo yield.

Unit cost improved by 1.5 fils to 155 fils per capacity tonne-kilometre as capacity growth continued to outpace the increase in operating expenditure.

Consequently, the breakeven load factor deteriorated slightly to 63.8% from 63.5% last year. The load factor gap - the difference between the overall and breakeven load factors - narrowed from 4.1 percentage points last year to 3.6 percentage points.

YIELD & UNIT COST



capacity,traffic and load factor

Capacity in 1994-95 grew 15.3% to 1,478 million tonne-kilometres. This came principally from:

- increased frequencies to Europe and the Middle East
- the introduction of two new destinations during the year - Nice and Larnaca in July 1994 and November 1994 respectively
- the full year's effect of services introduced during the previous financial year

Traffic increased 15.0% to 996 million tonne- kilometres.

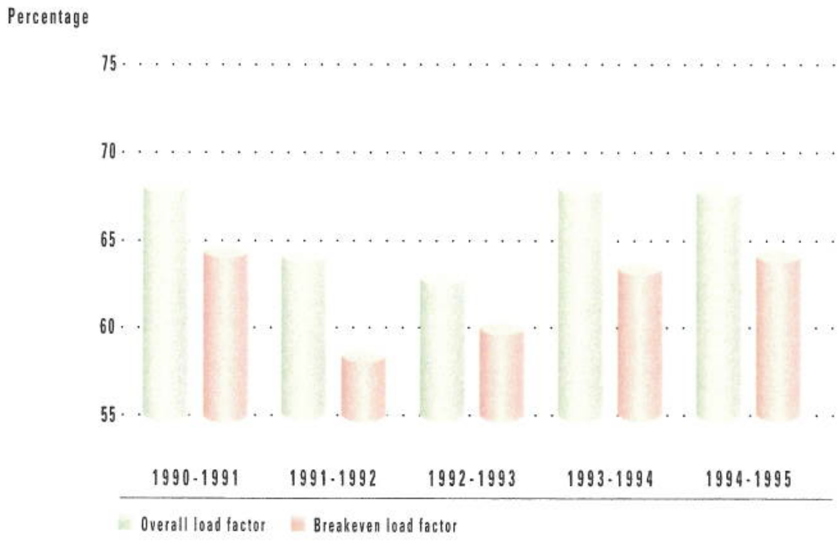
Consequently, the overall load factor dropped 0.2 percentage points to 67.4%.

Passengers uplifted in 1994-95 were 2.25 million, representing an increase of 12.3% over last year.

The passenger seat factor decreased by 1.8 percentage points to 68.1%.

Cargo carried in 1994-95 was 98,499 tonnes, representing an increase of 20.8% over last year.

OVERALL & BREAKEVEN LOAD FACTOR



staff strength and productivity

In the year under review, the company's average workforce rose by 480 (14.0%) to 3915.

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

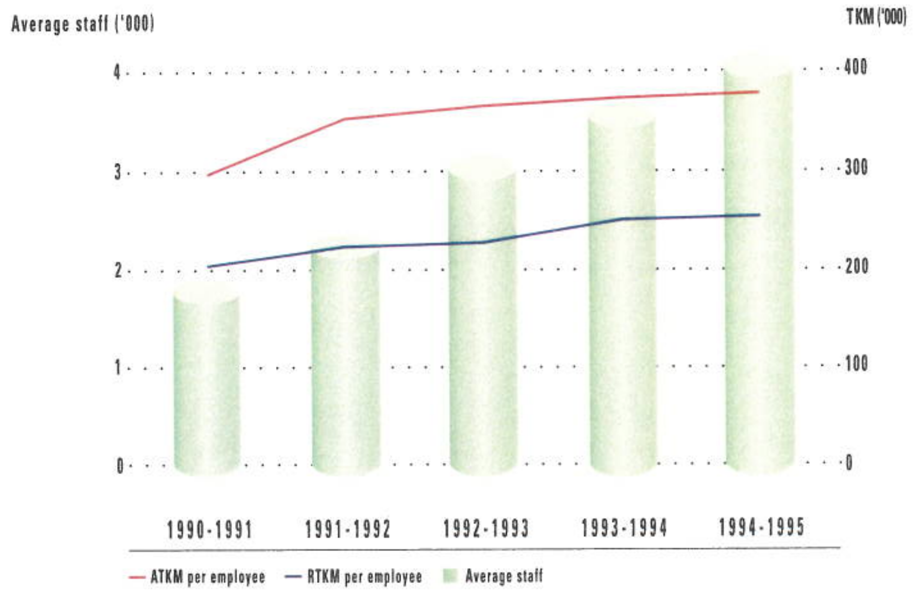
	1994-95	1993-94
Cabin crew	966	829
Flight crew	241	220
Engineering	448	432
Other (includes all administrative & support staff for operating departments)	2,260	1,954
Average staff strength	**3,915**	**3,435**

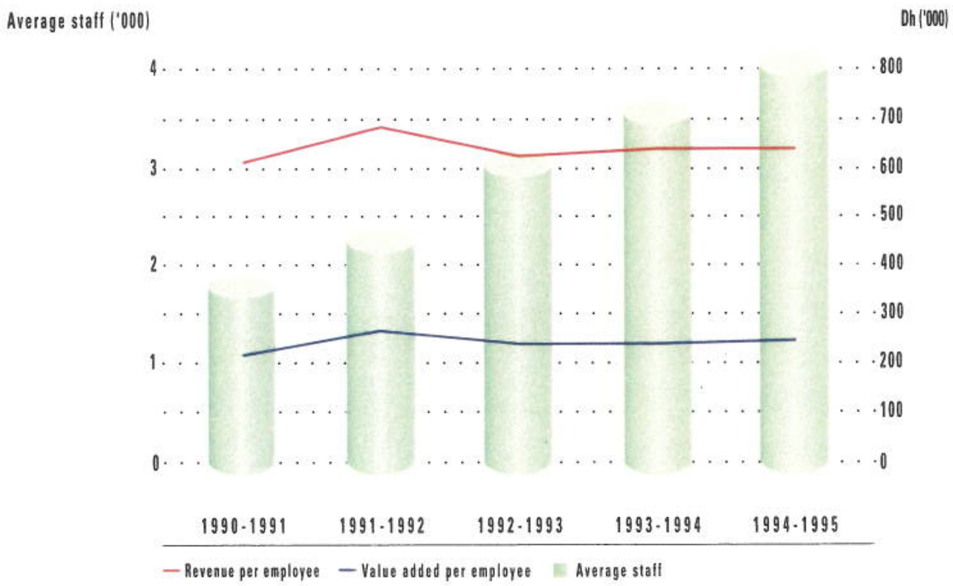
Employee productivity, measured in terms of revenue per employee, dipped by 0.2% to Dh 640,340 from Dh 641,512 in 1993-94. Productivity was adversely impacted by the temporary cessation of flights to India (due to the outbreak of plague) resulting in a revenue loss of Dh 31 million.

In terms of capacity per employee there was a 1.2% increase in ATKM's, from 373,008 in 1993-94 to 377,464 in 1994-95. In terms of load carried per employee the increase was 0.9% with RTKM's per employee increasing from 252,265 in 1993-94 to 254,446 in 1994-95.

Value added, which is a measure of wealth created by Emirates during the year, was Dh 958 million (1993-94 Dh 820 million). This is equivalent to Dh 244,768 per employee, up from Dh 238,831 the previous year.

STAFF STRENGTH & PRODUCTIVITY





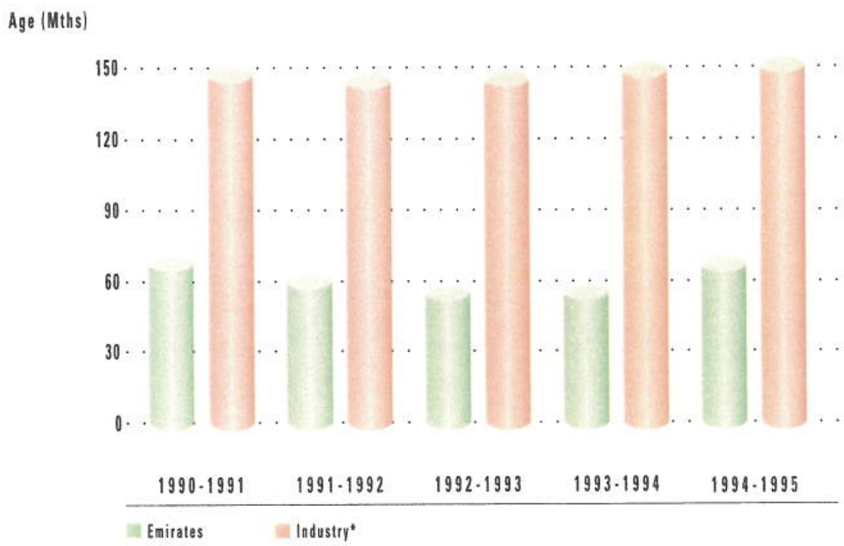
Emirates

EMIRATES

fleet information

Aircraft	In operation	On firm order	On option
B727	2	-	-
B777	-	7	7
A310-300	9	1	-
A300-600R	6	-	-
	17	**8**	**7**

AVERAGE FLEET AGE : EMIRATES & INDUSTRY



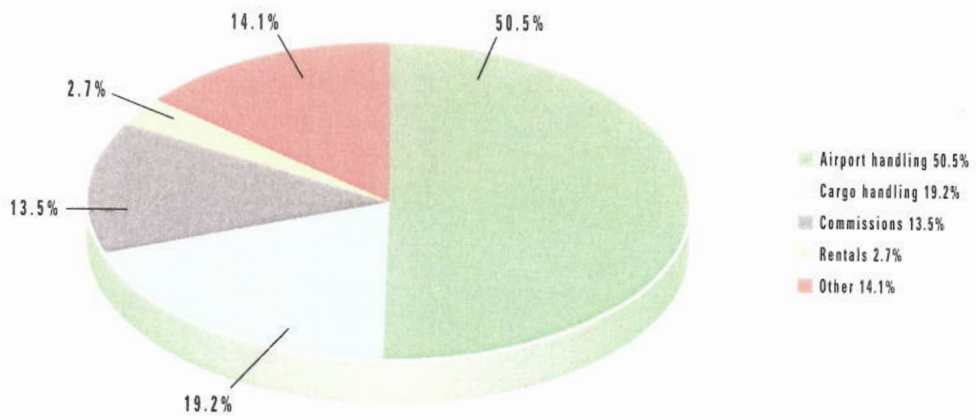
(*) Source: Aviation Research and Support, England
Average age of Emirates fleet: 5 years and 3 months (at 31 March 1995)

Emirates

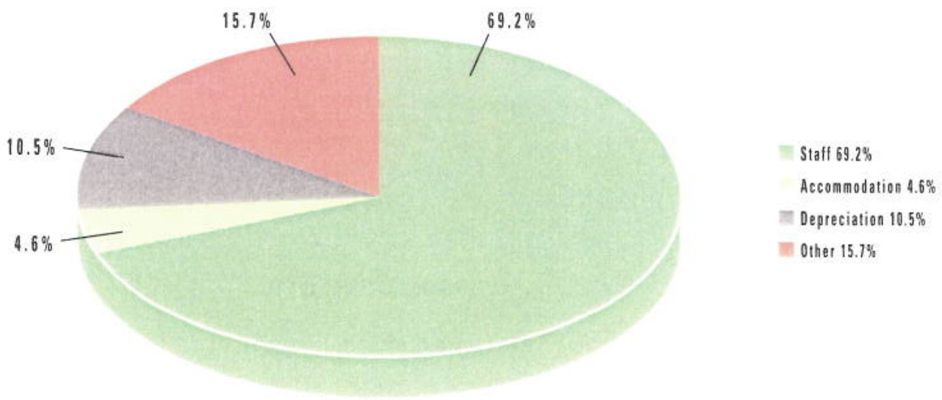
DNATA

revenue

	1994-95 Dh (million)	%	1993-94 Dh (million)	%
Airport handling	157	50.5	135	50.9
Cargo handling	60	19.2	52	19.7
Commissions	42	13.5	40	15.0
Rentals	8	2.7	6	2.5
Other	44	14.1	32	11.9
Total operating revenue	**311**	**100.0**	**265**	**100.0**



	1994-95 Dh (million)	%	1993-94 Dh (million)	%
Staff	186	69.2	174	71.3
Accommodation	12	4.6	11	4.3
Depreciation	28	10.5	26	10.6
Other	42	15.7	33	13.8
Total operating costs	**268**	**100.0**	**244**	**100.0**

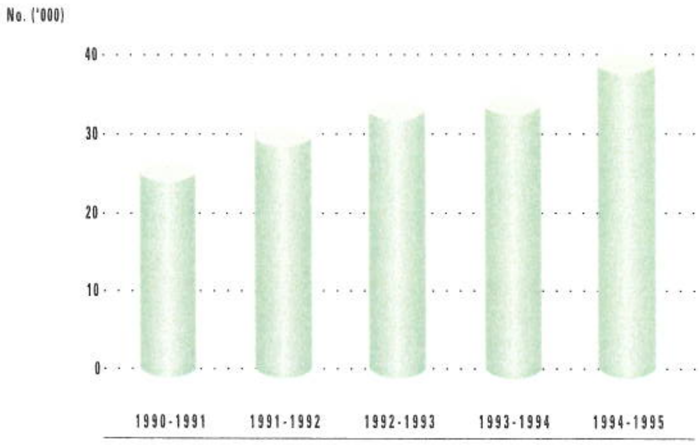


aircraft, passengers and cargo handled

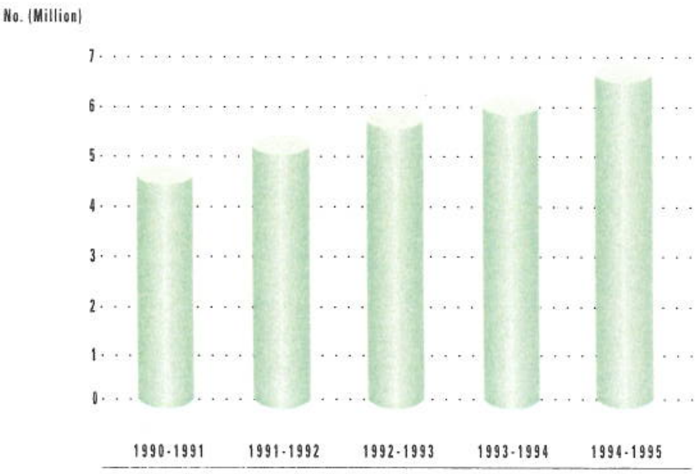
Activity at Dubai International Airport continued its substantial growth with record levels of operation in 1994-95. Specifically:

- The number of aircraft handled during the year rose to 37,658 compared with 32,337 during 1993-94, representing an increase of 16.4%.
- The number of passengers handled during the year rose to 6.5 million compared with 5.8 million during 1993-94, an increase of 11.3% over the previous year.
- The volume of cargo handled during the year increased by 41,384 tonnes to 264,055 tonnes, an increase of 18.6% over 1993-94.

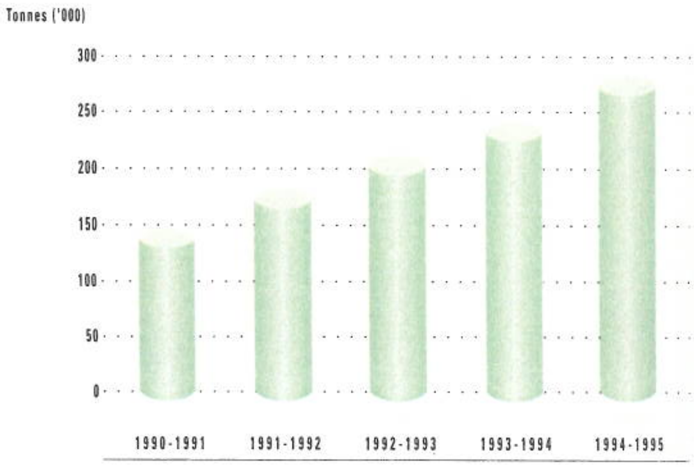
AIRCRAFT HANDLED



PASSENGERS HANDLED



CARGO HANDLED



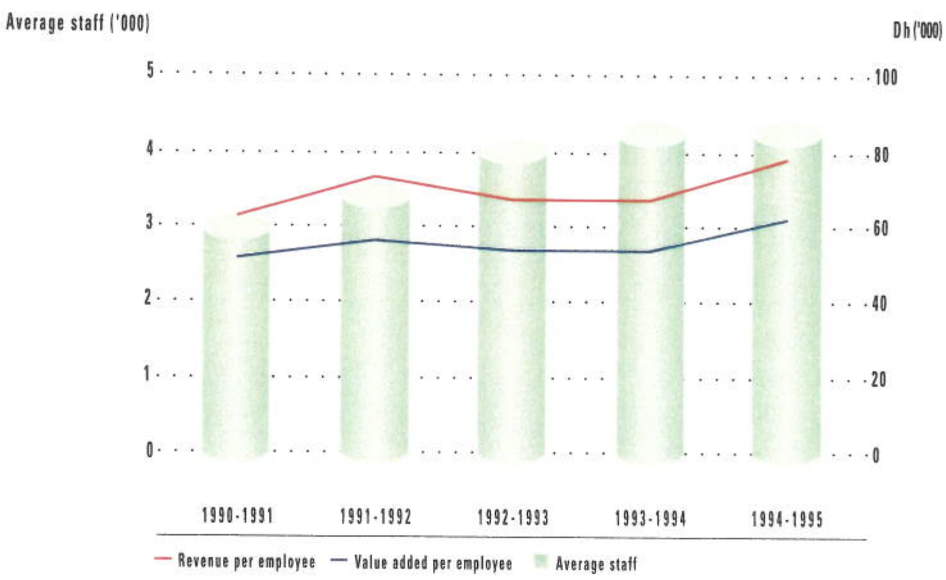
staff strength and productivity

During the year under review the company's average workforce rose by 20 (0.5%) to 4,083.
A breakdown of the number of staff by category is shown below:

	1994-95	1993-94
Airport handling	2,307	2,291
Cargo handling	906	890
Dnata agencies	318	327
Other	552	555
Average staff strength	**4,083**	**4,063**

Overall employee productivity, measured in terms of revenue per employee, increased by 16.6% to Dh 78,127 from Dh 66,979 in 1993-94. Productivity was adversely impacted by the temporary cessation of flights to India (due to the outbreak of plague) resulting in a revenue loss of Dh 2 million.
Aircraft handled per employee increased by 15.7% from 14 in 1993-94 to 16 in 1994-95.
Passengers handled per employee increased by 10.5% from 2,533 in 1993-94 to 2,799 in 1994-95.
Cargo handled per employee increased by 16.5% from 250,192 kg in 1993-94 to 291,451 kg in 1994-95.
Value added which is a measure of wealth created by Dnata during the year, was Dh 264 million (1993-94 Dh 228 million). This is equivalent to Dh 64,740 per employee compared with Dh 56,052 the previous year.

STAFF STRENGTH & PRODUCTIVITY



independent auditor's report to the Government of Dubai

We have audited the accompanying balance sheet of Emirates at 31 March 1995 and the related statements of income and cash flows for the year then ended as set out on pages 57 to 72.

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 1995 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 18th day of June 1995
Dubai

income statement for the year ended 31 March

	Note	1995 Dh'000	1994 Dh'000
Operating revenue	3	2,482,426	2,190,876
Operating costs	4	(2,295,850)	(2,009,446)
Operating income		**186,576**	**181,430**
Net interest charges	5	(89,661)	(88,444)
Other income		7,264	4,954
Income before taxation		**104,179**	**97,940**
Taxation	6	(9,123)	(8,373)
Income for the year		**95,056**	**89,567**

STATEMENT OF RETAINED INCOME

	1995 Dh'000	1994 Dh'000
Balance brought forward	217,671	128,104
Income for the year	95,056	89,567
Balance carried forward	**312,727**	**217,671**

balance sheet at 31 March

	Note	1995 Dh'000	1994 Dh'000
Fixed assets	7	**2,526,884**	**2,573,272**
Unlisted investments	8	**27,818**	-
Deferred expenditure	9	**20,886**	**6,357**
Current assets			
Inventories	10	87,261	84,950
Debtors	11	419,518	318,378
Other liquid funds	12	96,869	-
Bank and cash		249,003	329,054
		852,651	**732,382**
Creditors : amounts falling due within one year	13	(1,117,518)	(965,731)
Net current liabilities		**(264,867)**	**(233,349)**
Total assets less current liabilities		**2,310,721**	**2,346,280**
Creditors : amounts falling due after more than one year	16	(1,470,780)	(1,626,395)
		839,941	**719,885**
Capital and reserves			
Capital	17	527,214	502,214
Retained income		312,727	217,671
		839,941	**719,885**

The financial statements on pages 57 to 72 were approved on the 18th day of June 1995 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

	1995 Dh'000	1994 Dh'000
Cash flows from operating activities		
Income for the year before taxation	104,179	97,940
Adjustments for:		
Depreciation and amortisation	261,187	211,837
Net interest charges	89,661	88,444
Loss on sale of fixed assets	1,666	1,315
Deferred credits recognised	(4,112)	(3,189)
Net transfer to terminal benefit provision	7,248	8,204
(Increase)decrease in working capital:		
Inventories	(2,311)	(9,636)
Debtors	(101,140)	(42,185)
Creditors: amounts falling due within one year	101,545	167,090
Net cash provided from operating activities	**457,923**	**519,820**
Cash flows from investing activities		
Proceeds from sale of fixed assets	2,057	322,657
Purchase of fixed assets net of transfers to Dnata	(213,468)	(300,775)
Deferred expenditure incurred	(19,583)	(3,350)
Investments made during the year	(27,818)	-
Investment in other liquid funds	(96,869)	-
Interest income	17,243	7,765
Net cash (used in) provided from investing activities	**(338,438)**	**26,297**
Taxation paid	**(6,128)**	**(5,892)**
Cash flows from financing activities		
Loan repayments	(146,368)	(143,823)
Aircraft financing charges	(105,438)	(95,954)
Other finance charges	(1,466)	(255)
Lease commitments	(61,742)	(65,408)
Dnata account	65,975	(41,778)
Capital introduced	25,000	25,000
Net cash used in financing activities	**(224,039)**	**(322,218)**
Net (decrease) increase in cash and cash equivalents	**(110,682)**	**218,007**
Cash and cash equivalents at beginning of year	311,943	93,936
Cash and cash equivalents at end of year (Note 22)	**201,261**	**311,943**

Emirates

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 consists of their purchase cost, together with borrowing costs and any other 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. Cost includes borrowing 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 fixed asset 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 over the period of the lease.

Unlisted investments

Unlisted investments are stated at cost less provision for any permanent diminution in value. Income from the investments is recognised when received.

Deferred expenditure

Deferred expenditure includes expenditure associated with the development of new routes, introduction of new aircraft under operating leases and pre-operating crew costs.

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 the 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 average weighted cost basis.

Other liquid funds

Other liquid funds are stated at market value. Changes in market value are recognised in the income statement as interest income.

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. Differences between actual costs incurred and the provision held are dealt with in the income statement.

1. Principal accounting policies (continued)

Provident fund

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

On termination, the company guarantees that 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 benefit for employees who joined the company prior to 1 July 1991 is based on cumulative service and gross 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 benefit 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.

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 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 inflight catering and related services to airlines using Dubai International Airport.

3. Operating revenue

	1994-95 Dh '000	1993-94 Dh '000
Passenger	2,029,348	1,796,435
Cargo	313,904	262,968
Excess baggage	40,787	44,795
Inflight catering	29,520	27,875
Courier	32,284	27,552
Mail	12,109	11,514
Emirates Holidays	13,552	9,742
Licensed engineering income	8,686	8,211
Duty free sales earnings	2,236	1,784
	2,482,426	**2,190,876**

4.Operating costs

Staff	485,998	414,399
Fuel and oil	271,075	253,768
Depreciation and amortisation (see below)	261,187	211,837
Handling	198,199	163,949
Inflight catering	192,602	177,477
Sales commission	149,847	140,429
Aircraft maintenance (see below)	107,654	151,891
Aircraft operating leases (see below)	95,100	58,376
Overflying	81,895	78,006
Landing and parking	67,526	51,694
Other	384,767	307,620
	2,295,850	**2,009,446**

4. Operating costs (continued)

Subsequent to the year end two Boeing 727 aircraft and spares were sold. The sale resulted in a loss of Dh 34.2 million which has been provided for in these financial statements as accelerated depreciation.

During the year the basis of providing for maintenance of aircraft was reviewed, and the hourly rate used in determining the provision amended to one which more closely accords with actual costs incurred. As a result of this change in estimate, maintenance costs have been credited with Dh 32.5 million which relates to prior period provisions.

Aircraft operating lease charges include Dh 89.8 million (1993-94 Dh 58.4 million) in respect of four aircraft (1993-94 three) leased from Ghir Limited, GATX/CL Air Leasing Co-operative Association and International Lease Finance Corporation. Aircraft operating lease charges also include Dh 5.3 million (1993-94 nil) of payments to Atlas Air Inc. in respect of a wet lease of a freighter aircraft.

5. Net interest charges

	1994-95 Dh'000	1993-94 Dh'000
Aircraft financing charges	(105,438)	(95,954)
Interest charges	(1,466)	(255)
Interest income	17,243	7,765
	(89,661)	**(88,444)**

6. 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 1995 was Dh 5.2 million (1994 Dh 4.4 million).

7. Fixed assets

	Aircraft Dh'000	Aircraft rotable spares Dh'000	Buildings Dh'000	Other property & equipment Dh'000	Capital projects Dh'000	Total Dh'000
Cost or valuation						
1 April 1994	2,602,320	356,844	82,818	162,930	130,932	3,335,844
Additions	1,649	10,697	439	29,103	171,908	213,796
Transfers	7,318	-	4,024	74,453	(85,795)	-
Reclassifications	10,152	(10,152)	-	-	-	-
Net transfers to Dnata	-	-	-	(944)	-	(944)
Disposals	-	(4,908)	-	(1,883)	-	(6,791)
31 March 1995	**2,621,439**	**352,481**	**87,281**	**263,659**	**217,045**	**3,541,905**
Being:						
Cost	2,537,029	338,082	87,281	263,659	217,045	3,443,096
Valuation	84,410	14,399	-	-	-	98,809
	2,621,439	**352,481**	**87,281**	**263,659**	**217,045**	**3,541,905**
Depreciation						
1 April 1994	528,013	94,116	38,530	101,913	-	762,572
Charge for the year	190,833	26,170	10,413	28,717	-	256,133
Reclassifications	3,485	(3,485)	-	-	-	-
Net transfers to Dnata	-	-	-	(616)	-	(616)
Disposals	-	(1,516)	-	(1,552)	-	(3,068)
31 March 1995	**722,331**	**115,285**	**48,943**	**128,462**	**-**	**1,015,021**
Net book value						
31 March 1995	**1,899,108**	**237,196**	**38,338**	**135,197**	**217,045**	**2,526,884**
31 March 1994	2,074,307	262,728	44,288	61,017	130,932	2,573,272

7. Fixed assets (continued)

Opening cost and depreciation figures have been revised to reflect the gross cost and accumulated depreciation of assets transferred from Dnata, prior to 31 March 1994. Previously these transfers were presented in the financial statements at net book value.

The net book value of aircraft and aircraft rotable spares includes Dh 1,097.8 million (1994 Dh1,191.8 million) in respect of assets held under finance leases (Note 18) and Dh 747.5 million (1994 Dh 805.1 million) in respect of assets acquired under term loans (Note 15).

Aircraft fleet

At 31 March 1995 the aircraft fleet comprised:

9 Airbus A310-300 (2 under operating lease)

6 Airbus A300-600R (2 under operating lease)

2 Boeing 727-200 (Note 4)

Capital projects

Capital projects include pre-delivery payments of Dh 185 million (1994 Dh 59.1 million) in respect of seven aircraft due for delivery between 1996 and 1998 and non-refundable option deposits of Dh 18 million (1994 Dh 18 million) held on seven aircraft for delivery between 1998 and 2000 (Note 20).

8. Unlisted investments

Unlisted investments comprise the company's 5.81% holding in equity and zero coupon notes, in Chieftain Corporation N.V., a company incorporated in Netherlands Antilles. The principal activities of the company are investment holding, and hotel ownership and operations.

9. Deferred expenditure

	1995 Dh'000	1994 Dh'000
Balance brought forward	6,357	10,825
Expenses incurred	19,583	3,350
Transferred from fixed assets	-	200
Amortisation for the year	(5,054)	(8,018)
Balance carried forward	**20,886**	**6,357**

10. Inventories

Expendable engineering	55,808	59,907
Inflight consumables	22,696	17,615
Other	8,757	7,428
	87,261	**84,950**

11. Debtors

Trade debtors:		
Airlines	67,577	37,776
Sales agents	186,169	152,981
Dnata (Note 14)	1,959	2,297
Other	57,454	40,700
	313,159	**233,754**
Other debtors and prepayments:		
Prepayments and deposits	62,087	51,925
Aircraft operating lease deposits	12,727	8,264
Other	31,545	24,435
	106,359	**84,624**
	419,518	**318,378**

12. Other liquid funds

Other liquid funds comprise funds 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.

13. Creditors : amounts falling due within one year

	1995 Dh'000	1994 Dh'000
Creditors and accruals	371,563	309,911
Passenger and cargo sales in advance	265,453	249,446
Aircraft maintenance provision	190,026	166,140
Lease commitments (Note 18)	73,739	59,886
Provision for taxation (Note 6)	15,750	12,755
Bank overdrafts (Note 22)	47,742	17,111
Term loans - current portion (Note 15)	149,133	146,368
Deferred credits (Note 19)	4,112	4,114
	1,117,518	**965,731**

14. Dnata accounts

Emirates and Dnata share senior management and central corporate functions. The amount payable to Dnata shown in Note 16 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 does not materially affect income for the year.

15. Term loans

	1995 Dh'000	1994 Dh'000
Balance brought forward	1,000,474	1,144,297
Repayments during the year	(146,368)	(143,823)
Balance carried forward	**854,106**	**1,000,474**
Loans are repayable as follows:		
Within one year (Note 13)	**149,133**	**146,368**
2-5 years	507,307	550,233
After 5 years	197,666	303,873
Total over one year (Note 16)	**704,973**	**854,106**

The loans are secured on the aircraft and bear interest at rates of 3.56% to 9.25% (1993-94 3.25% to 9.25%) per annum.

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

	1995 Dh'000	1994 Dh'000
Term loans (Note 15)	704,973	854,106
Lease commitments (Note 18)	623,916	699,511
Dnata account (Note 14)	71,742	5,767
Terminal benefit provision (see below)	40,420	33,172
Deferred credits (Note 19)	29,729	33,839
	1,470,780	**1,626,395**

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 contract of employment. At 31 March 1995, the benefits secured by Emirates contributions to the provident scheme exceeded the amounts payable under employees' contractual terminal benefit entitlements.

17. Capital

	1995 Dh'000	1994 Dh'000
Balance brought forward	502,214	477,214
Introduced during the year	25,000	25,000
Balance carried forward	**527,214**	**502,214**

18. Lease commitments (net)

Deposit funded finance leases

Gross liabilities under lease commitments (secured)

Principal and interest	498,016	582,924
Future interest	(106,722)	(147,844)
	391,294	**435,080**
Term deposits	(391,294)	(435,080)
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.

	1995 Dh'000	1994 Dh'000
Other finance leases		
Gross liabilities under lease commitments (secured)		
Principal and interest	972,930	1,085,134
Future interest	(225,898)	(279,250)
Term deposits	(49,377)	(46,487)
	697,655	**759,397**
Interest and principal are repayable as follows:		
Within one year (Note 13)	**73,739**	**59,886**
2-5 years	370,774	353,263
After 5 years	253,142	346,248
Total over one year (Note 16)	**623,916**	**699,511**

The lease payments are secured on the 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 1995, the penalties would have been Dh 698.9 million (1994 Dh 752.9 million)

Operating leases

Emirates holds purchase options for three of five aircraft leased for a period of 5 to 10 years. Four of these aircraft are in commercial operation. The fifth was delivered and commenced commercial operations in May 1995. Future minimum lease payments are as follows:

	1995 Dh'000	1994 Dh'000
Less than 1 year	126,068	89,766
2-5 years	553,630	481,342
After 5 years	340,148	452,175
	1,019,846	**1,023,283**

In the event of these operating leases being terminated prior to their expiry, penalties are payable. Had the leases been cancelled at 31 March 1995, the penalties would have been Dh 752.7 million (1994 - Dh 745.1 million)

19. Deferred credits

	1995 Dh '000	1994 Dh '000
Balance brought forward	37,953	19,015
Additions during the year	-	22,127
Recognised during the year	(4,112)	(3,189)
Balance carried forward	**33,841**	**37,953**
Deferred credits will be recognised as follows:		
Within one year (Note 13)	**4,112**	**4,114**
2-5 years	16,457	16,457
After 5 years	13,272	17,382
Total over one year (Note 16)	**29,729**	**33,839**

20. Commitments

	1995 Dh'000	1994 Dh'000
Capital Commitments		
Authorised and contracted	3,280,946	3,480,523
Authorised but not contracted	442,518	216,606
	3,723,464	**3,697,129**

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

Financial year	Boeing 777
1995-96	1
1996-97	3
1997-98	3

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

	1995 Dh'000	1994 Dh'000
Operational Commitments		
Letters of credit	7,960	1,139

21. Contingent liabilities

Guarantees and bills discounted	15,868	15,386
Foreign exchange forward contracts	-	13,706
	15,868	**29,092**

The above guarantees were issued in the normal course of business.

22. Cash and cash equivalents

	1995 Dh'000	1994 Dh'000
Bank and cash	249,003	329,054
Bank overdrafts	(47,742)	(17,111)
	201,261	**311,943**

23. Comparative figures

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

We have audited the accompanying balance sheet of Dnata at 31 March 1995 and the related statements of income and cash flows for the year then ended as set out on pages 74 to 83.

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 statements 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 Dnata at 31 March 1995 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 18th day of June 1995
Dubai

DNATA

income statement for the year ended 31 March

	Note	1995 Dh'000	1994 Dh'000
Operating revenue	3	310,979	265,500
Operating costs	4	(268,428)	(244,157)
Operating income		**42,551**	**21,343**
Net interest		4,728	1,878
Other income		2,385	2,585
Associated companies - share of profit	6	901	2,173
Income for the year		**50,565**	**27,979**

STATEMENT OF RETAINED INCOME

Balance brought forward	18,120	15,141
Income for the year	50,565	27,979
Dividend paid	(25,000)	(25,000)
Balance carried forward	**43,685**	**18,120**

DNATA

balance sheet at 31 March

	Note	1995	1994
		Dh'000	Dh'000
Fixed assets	5	**67,420**	**70,012**
Associated companies	6	**5,194**	**4,793**
Long term assets	7	**79,098**	**13,604**
Current assets			
Inventories		6,104	5,211
Debtors	8	69,823	72,295
Bank and cash		34,372	65,011
		110,299	**142,517**
Creditors: amounts falling due within one year	9	(103,450)	(103,152)
Net current assets		**6,849**	**39,365**
Total assets less current liabilities		**158,561**	**127,774**
Creditors: amounts falling due after more than one year	11	(52,261)	(47,039)
		106,300	**80,735**
Capital and reserves			
Capital	12	62,615	62,615
Retained income		43,685	18,120
		106,300	**80,735**

The financial statements on pages 74 to 83 were approved on the 18th day of June 1995 and were signed by

Sheikh Ahmed bin Saeed Al Maktoum - Chairman

Maurice Flanagan - Group Managing Director

statement of cash flows for the year ended 31 March

	1995 Dh'000	1994 Dh'000
Cash flows from operating activities		
Income for the year	50,565	27,979
Adjustments for:		
Depreciation	27,999	25,759
Profit on sale of fixed assets	(263)	(713)
Share of associated company profit	(901)	(2,173)
Net interest	(4,728)	(1,878)
Net transfer to (from) terminal benefit provision	5,222	(1,570)
(Increase) decrease in working capital:		
Inventories	(893)	(997)
Debtors and prepayments	2,472	13,608
Creditors: amounts falling due within one year	(13,408)	(6,188)
Net cash provided from operating activities	**66,065**	**53,827**
Cash flows from investing activities		
Emirates account	(65,975)	41,778
Proceeds from sale of fixed assets	286	2,061
Purchase of fixed assets and transfers from Emirates	(25,430)	(16,922)
Interest income	4,728	1,878
Dividend received from associated company	500	1,750
Gerry's-Dnata (Pvt.) Ltd. loan	481	(1,837)
Gerry's-Dnata (Pvt.) Ltd. share capital	-	(918)
Net cash (used in) provided from investing activities	**(85,410)**	**27,790**
Cash flows from financing activities		
Dividend paid	(25,000)	(25,000)
Net (decrease) increase in cash and cash equivalents	**(44,345)**	**56,617**
Cash and cash equivalents at beginning of year	64,889	8,272
Cash and cash equivalents at end of year (Note 15)	**20,544**	**64,889**

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 consists of 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 in accordance with 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.

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

1. Principal accounting policies (continued)

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 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. 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 issued by H. H. Sheikh Maktoum bin Rashid Al Maktoum 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.

3. Operating revenue

	1994-95 Dh'000	1993-94 Dh'000
Handling	93,132	80,486
Commission on ticket sales	41,810	39,908
Engineering	64,190	54,717
Cargo	59,662	52,195
Data processing	18,892	15,669
Reservations system	20,863	12,662
Rentals	8,272	6,565
Miscellaneous	4,158	3,298
	310,979	**265,500**

4. Operating costs

Staff	185,768	174,002
Accommodation	12,439	10,659
Depreciation	27,999	25,759
Other	42,222	33,737
	268,428	**244,157**

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 1994	26,425	83,802	140,739	4,611	6,616	262,193
Additions	-	2,933	10,446	1,722	10,001	25,102
Transfer from capital projects	888	-	13,329	-	(14,217)	-
Net transfers from Emirates	-	-	253	691	-	944
Disposals	-	(611)	(4,344)	(616)	-	(5,571)
31 March 1995	**27,313**	**86,124**	**160,423**	**6,408**	**2,400**	**282,668**
Depreciation						
1 April 1994	20,135	62,135	106,927	2,984	-	192,181
Charge for the year	1,429	9,586	16,124	860	-	27,999
Net transfers from Emirates	-	-	71	545	-	616
Disposals	-	(595)	(4,337)	(616)	-	(5,548)
31 March 1995	**21,564**	**71,126**	**118,785**	**3,773**	**-**	**215,248**
Net book value						
31 March 1995	**5,749**	**14,998**	**41,638**	**2,635**	**2,400**	**67,420**
31 March 1994	6,290	21,667	33,812	1,627	6,616	70,012

Opening cost and depreciation figures have been revised to reflect the gross cost and accumulated depreciation of assets transferred from Emirates prior to 31 March 1994. Previously these transfers were presented in the financial statements at net book value.

	1995 Dh'000	1994 Dh'000
Capital projects comprise:		
Advance payments for computer equipment, software and communications equipment	2,023	6,144
Refurbishment of data processing back-up site and fire protection system	68	431
Other	309	41
	2,400	**6,616**

6. Associated companies

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

	1995	1994
	Dh'000	Dh'000
Opening share of retained income	2,325	1,902
Share of profit for the year	901	2,173
Dividend received	(500)	(1,750)
Closing share of retained income	**2,726**	**2,325**
Share capital	2,468	2,468
	5,194	**4,793**

7. Long term assets

Due from Emirates (Note 10)	71,742	5,767
Due from Bank of Credit and Commerce International S. A. Dubai	6,000	6,000
Gerry's-Dnata (Pvt.) Ltd. loan	1,356	1,837
	79,098	**13,604**

The amount due from Bank of Credit & Commerce International S. A., Dubai branch represents a deposit of Dh 15 million less provision of Dh 9 million, based on management estimates that 40% of the deposits 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

	1995	1994
	Dh'000	Dh'000
Trade debtors:		
Travel agents	4,734	11,084
Commercial	32,221	33,923
Airlines	13,180	12,130
	50,135	**57,137**
Other debtors and prepayments:		
Prepayments and deposits	10,569	6,832
Other debtors	9,119	8,326
	19,688	**15,158**
	69,823	**72,295**

9. Creditors: amounts falling due within one year

	1995 Dh'000	1994 Dh'000
Airlines:		
Emirates (Note 10)	1,959	2,297
Other	30,170	45,287
Staff leave pay	11,368	10,608
Other creditors and accruals	46,125	44,838
Bank overdrafts (Note 15)	13,828	122
	103,450	**103,152**

10. Emirates accounts

Dnata and Emirates 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 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 shown in Note 9 arises from ticket and cargo sales less engineering and handling charges.

Common Dnata/Emirates 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

	1995 Dh'000	1994 Dh'000
Terminal benefit provision	52,261	47,039

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 1995, 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

	1995 Dh'000	1994 Dh'000
Authorised and contracted	5,079	4,243
Authorised but not contracted	68,795	4,105
	73,874	**8,348**

15. Cash and cash equivalents

Bank and cash	34,372	65,011
Bank overdrafts	(13,828)	(122)
	20,544	**64,889**

16. Comparative figures

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

DNATA

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 holdings, hotel ownership and operations	Netherlands Antilles

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