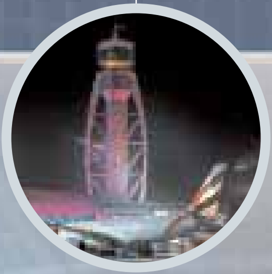
Emirates

Dnata دناتا

THE EMIRATES GROUP REPORT & ACCOUNTS 2001-2002



The Control Tower at Dubai's futuristic International Airport

Chairman's Review

H.H. SHEIKH AHMED BIN SAEED AL-MAKTOUM
CHAIRMAN OF THE EMIRATES GROUP

With the world in an official recession this was always going to be a difficult year, but the tragic events of September 11 plunged the airline industry into its worst-ever year, with a number of revered names threatened with collapse and erstwhile profitable companies making record losses.

This notoriously cyclical industry of ours was already at the bottom of the cycle at the beginning of September 2001. The horrors of September 11 plunged it into chaos. We were not immune. Our seat factors collapsed and profitability disappeared into a black hole. It would have been forgivable to batten down the hatches, slash costs by announcing large numbers of redundancies as several other carriers did, and forget about our prognosis for another profitable year.

"Also outstanding was the enthusiastic response to our first bond issue... the bond closed for Dhs 1,500 million (US$ 408 million) being over subscribed more than two and a half times."

But we did not. Although I announced a recruitment freeze (excluding flight deck and cabin crew) we did not make a single employee redundant, and paid salary increments in full. We only briefly and marginally reduced our schedules, redoubled our efforts in our markets, severely restrained costs and kept to our plans.

Sheikh Ahmed and Airbus chief Noel Forgeard at Airbus A380 signing.

This meant lending our full support to the Government of Dubai's massive infrastructure plans to develop commerce and tourism and attract 15 million annual visitors by the year 2010, a strategy in which we have the utmost confidence. Consequently, at the Dubai Air Show in November, we announced orders for US$15 billion worth of new aircraft, covering 22 A380 Super Jumbos (with 10 options), 25 Boeing 777s, and eight A340-600s, in addition to the six A340-500 very long range Airbuses (with 10 options) already on order.

We continued to cement this confidence in the aviation industry, Emirates and Dubai with subsequent orders for US$1.5 billion worth of Alliance engines, to power the A380s, announced at the Singapore Air Show.

In the meantime, Dnata too, has faced enormous challenges. The travel agency side of the business was hit hard by the post September 11 downturn but had managed to recover by the end of the year and our ground handling agency business felt the effects of a 10% downturn in the last quarter of 2001 at Dubai International Airport.

Dnata Airport Services has been involved in the comprehensive discussions taking place at the planning stage for the dramatic expansion of Dubai Airport, again bucking the trend, we announced plans for a second concourse and a third terminal, dedicated to Emirates, to be opened in 2006. This multi-million dollar project will include an underground terminal and intra-concourse monorail connections.

The Alliance Engine signing (left to right) Lloyd Thompson, Sheikh Ahmed and Tim Clark.

Among numerous others awards, Emirates was again voted "Airline of the Year 2002" by 4,000,000 internet users in the second annual Skytrax Research Study and Best Cargo Airline to the Middle East for the 14th time by Air Cargo News.

Dnata Agencies received commendations from a number of airlines while Dnata Cargo achieved the distinction of being awarded ISO9001/2000 certification for its standard of service at Dubai International Airport. This is in addition to the ISO 9001/1995 certificate already held.

The Finance Department won no less than four awards for its Islamic and Export Credit Agency financing arranged by HSBC for an A330 aircraft, including the prestigious "Global Airline Treasury Team of the Year".

Also outstanding was the enthusiastic response to our first bond issue in July 2001. Initially launched for Dhs 750 Million (US$204 million), the bond closed for Dhs 1,500 million (US$ 408 million) being over subscribed more than two and a half times.

In a normal year our profitable results would have been a superb achievement, in 2001-2002 it is exceptional, and probably unique among international scheduled airlines.

On revenues of Dhs 7.8 billion, the group's net income was Dhs 603 million with Emirates contributing Dhs 468.2 million and Dnata making Dhs 134.8 million.

Emirates is pleased once again to be able to make a provision for a dividend of Dhs 100 million to be paid to our shareholder, the Dubai Government, and I am happy to announce a bonus payment of three weeks' salary to all our staff.

I thank our dedicated and accomplished staff and management for their achievement which, in the context of 2001-02, can only be described as amazing.

AHMED BIN SAEED AL-MAKTOUM

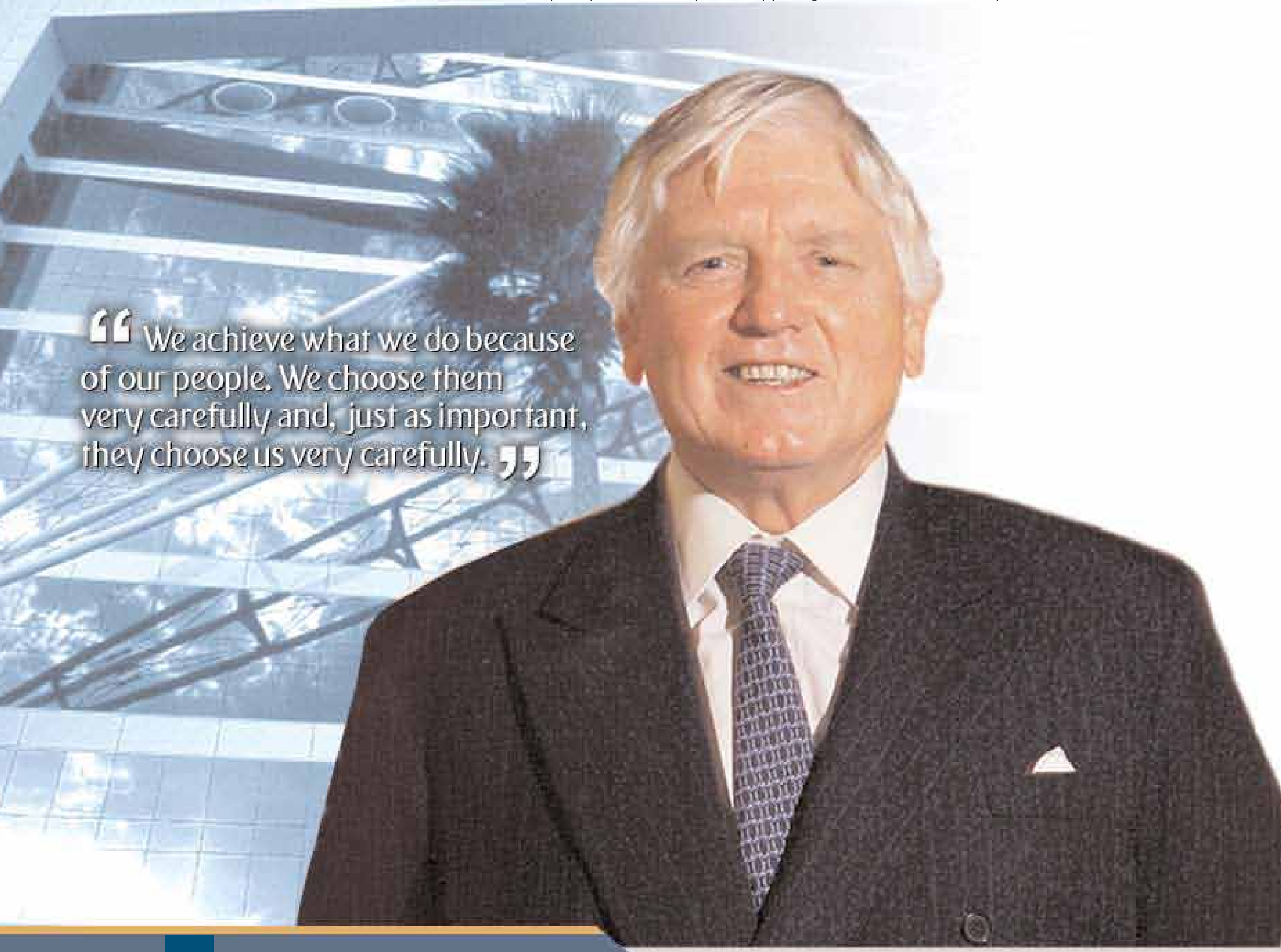
Dubai's Burj Al Arab seven-star hotel is a symbol of the emirate's exciting future.

Group Managing Director's Review

MAURICE FLANAGAN
GROUP MANAGING DIRECTOR

September 11 was above all a many-faceted human tragedy against which our day-to-day commercial concerns seem insignificant. However, at this lower level, one of the consequences of that awful event has been to make this a very tough year indeed for international civil aviation. Global passenger traffic declined by 4% and cargo by 9% in the aftermath of September 11. In sum, the world's airlines lost some US$12 billion during this period and, together with the manufacturers and the wider travel and tourism industry, hundreds of thousands of employees became redundant. According to research by the World Travel and Tourism Council, global travel and tourism demand declined by 4.4% in real terms in 2001 and is expected to fall by another 3% in 2002.

As His Highness has said, the Emirates Group was hard hit immediately after September 11. Our business suffered particularly badly from the perception that, despite the appalling evidence to the contrary, the nearer one



"We achieve what we do because of our people. We choose them very carefully and, just as important, they choose us very carefully."

is to Afghanistan, the greater the risk, and Dubai was falsely perceived as being very close. Traffic on most of our routes, especially our crucial European routes, fell drastically.

It is, therefore, satisfying to be able to report, less than seven months later, that the Group more than recovered its equilibrium. We reached the 2001-02 profit target that we set a year ago, declaring an overall net profit of Dhs 603 million (US$164.2 million). His Highness has described the actions we took, and some we deliberately did not take, to achieve this result.

This leads me to something that is beginning to concern us. We have become wearily accustomed to one or two self-proclaimed experts in our industry declaring publicly that, of course, Emirates could not possibly achieve consistently profitable results without some form of hidden subsidy, despite our publication of transparent audited annual accounts. More

serious now, however, is the possible effect on governments of such ill-informed allegations, implying as they do that Emirates has an unfair advantage over other national carriers and that this should be borne in mind when those governments decide what traffic rights we might be offered or, in the protection of their own carriers, denied. This hits us on a vulnerable spot because we ourselves have no such protection at all. The Government of Dubai, in the promotion of Dubai's economy, sensibly maintains an Open Skies policy. We are therefore subject to unlimited foreign competition in our home market. In these circumstances, we have to be smart to survive, and I am happy to say that we do much more than survive. It follows, therefore, that we must be quite smart at running an airline, a factor which does not seem to occur to the above one or two.

We achieve what we do because of our people. We choose them very carefully and, just as important, they choose us very carefully. Because of them we have won over 200 major international awards in the 16 years of the airline's existence, two of the latest being the top position of all airlines in the Skytrax Internet survey with over four million respondents, and "Best Airline" in UK's Daily Telegraph's travel awards poll.

Let me tell you some more things about our people, a rich and stimulating mix of over 103 different nationalities:

- Our Chairman's Annual Award went to two of our Security Staff who selflessly put their own lives at risk in an emergency affecting another airline.
- Less dramatically, the 70 managers across the Group who have developed their individual skills by attending our new in-house Bradford University MBA Programme - in their own time.
- Our Larnaca airport staff who for seven years managed to keep operations running safely and efficiently from our sales agent's city office, before the airport authority allocated us an airport office. You needed to be there. You have to be in the industry to understand what a triumph over adversity that was.
- Our catering staff who, with ultimate success, searched the Dubai beaches, mile after mile to deliver a cake for two passengers who had at the last minute taken an earlier flight than booked, thus missing the honeymoon cake on board ordered by the groom.
- Two of our cabin staff who saved a passenger's life on one of our our Nairobi flights. This was the second time our defibrillators had been used successfully and reflects not only the care, attention, and training of our staff but the forward thinking of our medical department in ensuring that such equipment is on board all our aircraft.

We plan for a dynamic future. As I said last year, we are very fortunate to have a far-sighted government, our owners. A few months later His Highness General Sheikh Mohammed bin Rashid Al-Maktoum, Crown Prince of Dubai, announced plans to attract 15 million annual visitors to the emirate by 2010. In parallel with other major infrastructure developments, including the two exciting Palm Island projects, Emirates reflected its intrinsic links with the future of Dubai by announcing our US$15 billion aircraft order at the Dubai Airshow in November, 2001.

Incidentally, the Dubai Airshow, under the confident and determined management of our Chairman, was a huge success, despite the post-September 11 misgivings and misconceptions which I mentioned earlier. Although the A380, Boeing 777, and A340-600 orders made the headlines at the Airshow, our Group also announced plans for a massively expanded Emirates Aviation College, incorporating the existing college and the Dubai Aviation College, plus a substantial joint venture with the Canadian CAE company, the world's top flight simulator manufacturer. Construction starts this year, with completion in 2003.

So, in the circumstances an exceptional year for the Group, with the airline profit up 11% from Dhs 421.8 million to Dhs 468.2 million and Dnata returning a net income of Dhs 134.8 million, compared with Dhs109.5 million the previous year.

Airline passenger numbers grew by 18.3% to 6.8 million, with seat factor down slightly from 75.1% to 74.3% and available seat kilometres up by 19.7%, with costs up by only 13.6%, reflecting our improved productivity.

Cargo tonnage rose 19.5% to 400,569 tonnes. Nevertheless, our Cargo people complain that we carry too many passengers, with the result that their baggage leaves no room in the holds for cargo. That situation has been eased by the operation of our own Boeing 747-400 freighter, on wet lease from Atlas Air, and additionally by scheduled charter operations. And we have ordered two huge A380 freighters.

I salute our Group's team of world class players, those on the front line in operations, sales and marketing, and the backroom men and women supporting them, whose efforts are detailed in this report of a "Year in the Life" of the Emirates Group.

MAURICE FLANAGAN

Dubai surges forward

Dnata Agencies staff

Dnata Airport staff

The dynamic Emirates Towers reflect the modernity of Dubai

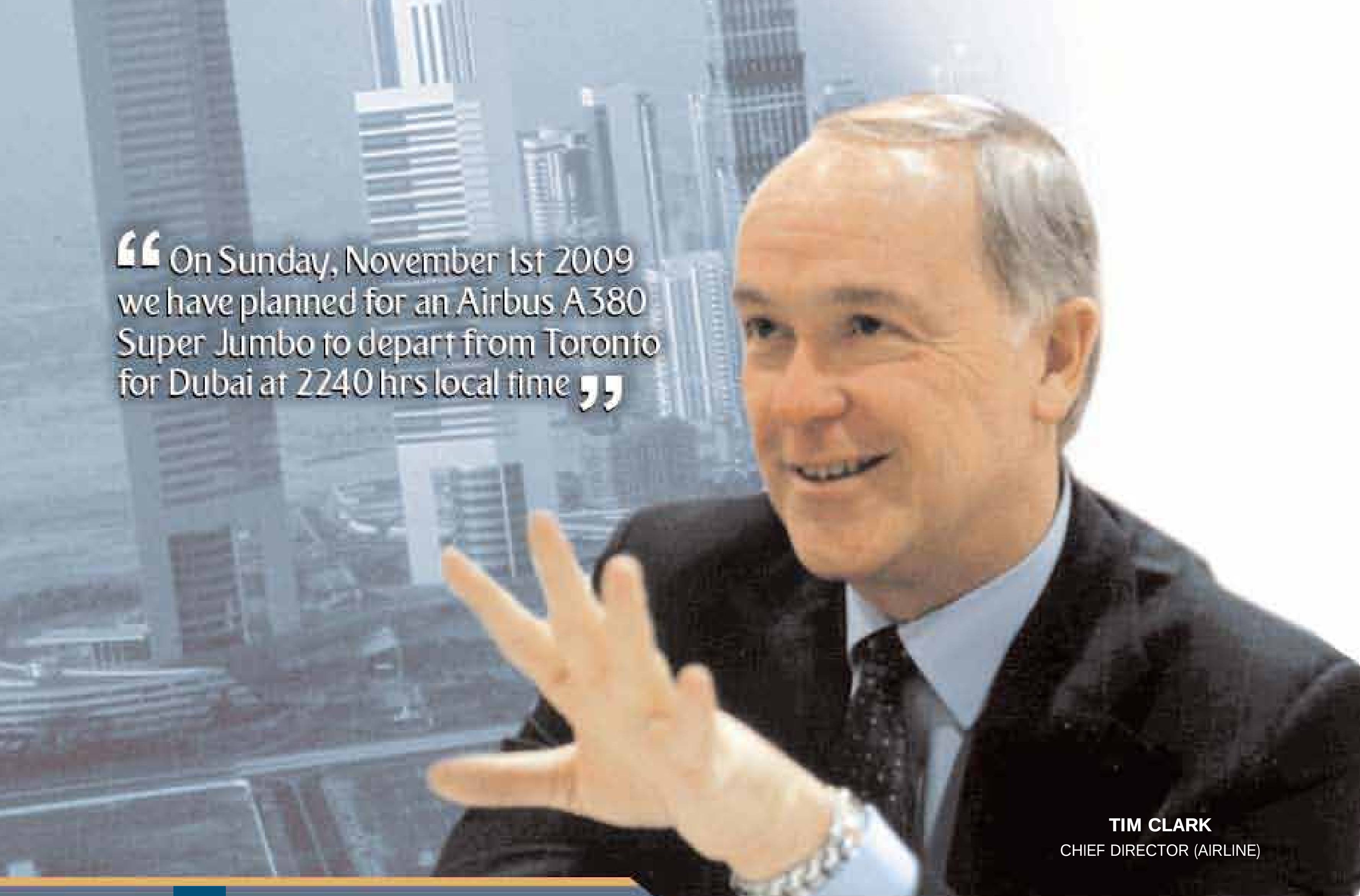
The Airline

Commercial

This was going to be a year of consolidation with one new route -Dubai-Hyderabad planned - but it turned out to be the toughest year in the history of the airline. Initially sales were affected by a recession and later tragically influenced by the bombing of Colombo Airport and later the horrendous attacks in New York.

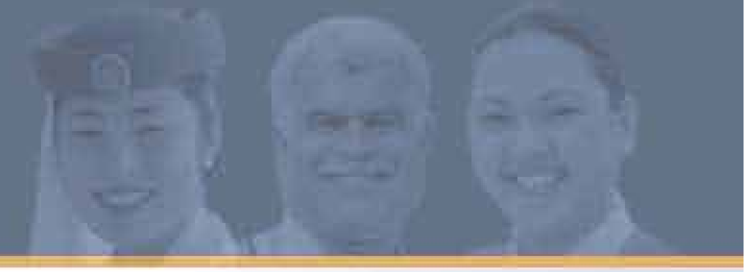
Not only did this cause thousands of travellers to cancel or defer their travel but we were faced with finding funds for a multi-billion dollar insurance cover as rates were rocketed by the world's insurance companies.

In what was supposed to be a year of gradually strengthening the network with one new route plus extra services to Hong Kong, Tehran and Johannesburg, Emirates suddenly found itself in the centre of a dilemma...to tread water and try to keep our heads above the surface or carry on and maintain our efforts to reach the forecasted revenue. We decided to take the bold approach and our people at the sharp end, the worldwide sales team, were encouraged to maintain an even higher profile, motivated by this "business as usual" strategy. They showed their brilliant best in securing extra business, particularly from those competitors who



"On Sunday, November 1st 2009 we have planned for an Airbus A380 Super Jumbo to depart from Toronto for Dubai at 2240 hrs local time"

TIM CLARK
CHIEF DIRECTOR (AIRLINE)



had cancelled or suspended flights to Dubai. At the same time, Commercial brought some 460 front line travel agents to Dubai in November 2001, followed by 1,400 agents from Europe, the sub-continent, Asia and Australia during January 2002. We focussed our efforts on reassuring our customers that Dubai International Airport has always maintained the highest possible security standards for passengers and cargo and that Dubai continued to be a safe and exciting destination for their clients.

We amended our 10-year plan to reflect the additional orders (detailed by the Chairman and Group Managing Director) for new aircraft and new destinations. This is an hour-by-hour detailed design for the airline up to the year 2010. For example on Sunday, November 1st 2009 we have planned for an Airbus A380 Super Jumbo to depart Toronto for Dubai at 2240 hours local time; and on Monday 2nd April 2007, our daily A330, EK133 will depart Moscow at 1845 hours for the nonstop flight to Dubai.

Emirates Airbus A330-200

As we did not want to enter into a deep discounting campaign, we developed a number of value-added packages to encourage passengers to visit or stopover in Dubai, including "Dubai Winter Breaks" aimed at GCC visitors and "Le Meridien For Free", plus "Jumeirah International First & Business Class Offer" to attract premium class passengers.

Our internet booking site was also used to offer new products to consumers and we saw a satisfactory increase in direct sales while online offers including bonus miles schemes were introduced for members of Skywards Frequent Flyer Programme.

In Europe our Call Centre at Wilmslow , Cheshire, started to handle calls from France, Germany and Italy. In the CIS we appointed new Passenger Sales Agents in Almaty, Kazakstan and Moscow, Russia. In Saudia Arabia we introduced a third service to Dammam and to Sanaa in Yemen, we upgraded the Airbus A310 to a larger Airbus A330.

Our web-based marketing, planning and reporting system, FOCUS, continued to be developed and enhanced with a new sales force automation system planned for introduction in late 2003.

SkyCargo

For air cargo, the recession in the Asian and European markets and the slowdown of the US and Japan economies had severe effects on freight loads from January to October 2001, with an improvement in the last quarter of the year. Paradoxically, the upsurge in passenger traffic reduced available freight space in our passenger aircraft and coupled with major price-cutting exercises by some of our competitors, contributed to a tough year. Yield erosion (down 7.5%) continues to be a major concern but a 1.5% improvement is forecast for the financial year 2002-03.

Compared to airlines with a similar fleet mix, SkyCargo made a positive contribution of 17.4% to the airline's operating revenue, with 11% reckoned as average for a mainly passenger airline.

All in all it was not all gloom and doom, for SkyCargo was able to report a 8.7% improvement in revenue compared with last year and 19.5% increase in tonnage carried.

Global economic indicators are positive for the next financial year and SkyCargo is forecasting a significant growth of 26% in revenue and 22% in volume.

SkyCargo's monster sign at Dubai International Airport

During the year, Emirates continued to lead the air cargo industry in e-business with major internet developments for the Skychain systems such as SKYCHAIN Online and SKYCLAIMS.

Looking to the future, we will continue to operate the leased 747F-400 Freighter on the Dubai-Hong Kong route and Dubai-Amsterdam while the number of online destinations will be increased to 62 with new services to Casablanca, Khartoum, Perth, Mauritius and Osaka. There will be major opportunities to expand markets and volumes particularly as SkyCargo also plans to serve Shanghai during the year.

New infrastructure planned at the Dubai International Airport in the coming year includes start-up work commissioned by the Dubai Civil Aviation and Dubai Cargo Village on the 1,000,000-tonne Cargo Mega Terminal (to be completed by 2006) and on the Dubai Floriculture Distribution Centre which will be opened in 2004.

Finally, Emirates SkyCargo continues to win awards among its peers being voted "Best Airline to the Middle East" by readers of Air Cargo News for the 14th successive year and "Best Airline to the Indian Subcontinent" (six years running), while for the seventh year in a row Cargo News Asia made us "Best Air Cargo Carrier to the Middle East".

Destination and Leisure Management

Another successful year for Emirates Holidays, Arabian Adventures and Al Maha with results ahead of expectations. Passenger numbers totalled 170,000 and contributions amounted to Dhs 412 million.

Emirates Holidays maintained its position as the leading tour operator in the Middle East as well as the single largest contributor of leisure traffic to Dubai.

Top source markets in the Middle East were the UAE, Saudi Arabia, Kuwait and Qatar. The largest growth was recorded from Iran with 88%, Saudi Arabia (57%) and Lebanon and Bahrain (23%).

The most popular destinations were Dubai, the United Kingdom, Malaysia, India, Egypt, Maldives, Thailand, Lebanon, Singapore, France, Turkey, Jordan, South Africa and Germany. There was a rise of 33% in the traffic heading for Africa, while Australia saw an increase of 32%.

Emirates Holidays received two awards "Best Tour Operator in the Middle East" from Travel Intelligence Middle East and "Best Foreign Tour Operator from the Middle East and Africa" from Tourism Malaysia.

Looking ahead, Emirates Holidays will feature the new destinations of Morocco, Mauritius and Perth, while cruise options will include Scandinavia for the first time. An Arabic language brochure with a range of specific destinations will be launched next year.

New computer software will come into force to enhance the traditional and internet booking process, eventually including online the full functionality of tailor-made holiday reservations.

For Arabian Adventures, the strong growth of inbound business in the first five months - an increase of 23% - cushioned the softer passenger arrivals after September 11. Although the leisure traffic recovered by December, the MICE business continued to be subdued as a number of major events were postponed by corporations. But, undaunted, Arabian Adventures consolidated the marketing activities for MICE business by appointing a representative in the USA in addition to the already established offices in United Kingdom, Germany, France, Japan and Australia. There are also plans to set up a dedicated office in the new Le Meridien Al Aqqa Beach Resort, Fujairah, to operate tours and safaris on the East Coast of the UAE.

Al Maha, too, was affected by the global slump but ended the year in the black. Al Maha has taken the lead in advancing awareness of conservation issues in Dubai. During 2002, plans for the complete protection of a desert reserve will be instituted in conjunction with the Dubai Government. The emirate is now well set for sustainable tourism development while guaranteeing that its impressive desert habitat and wildlife will continue to be a major attraction to international visitors and UAE residents alike.

Some 40% of Al Maha's guests were repeat customers with the resort hosting many prestigious events and famous personalities.

During the year, visits were arranged for 200 journalists and the resort was featured in four major international TV programmes.

Skywards

Skywards has made great strides forward in its first full year since the launch. Membership is currently 340,000 - above our target for the year. These members are contributing 40% of our First and Business Class revenue, so they are very much the premium, frequent travellers an airline loyalty programme should target. Skywards continues to promote innovative marketing activities and product developments to serve our members and the commercial objectives of Emirates and SriLankan. We have relaunched our website called the "next generation of websites" by a member of the press. A new online advertising campaign to generate members and drive traffic to the site saw unprecedented click-through rates of over 30% in many of our key markets and our apply-and-fly campaign for the co-branded Emirates-Citibank Credit Card doubled our card base through one campaign.

Our new Skysurfers programme focuses on our younger passengers (up to 16 year-olds) and communicates relevantly with them aided by their own interactive website where they can post details of their recent travels.

We have also sold the system developed to support Skywards to Philippine Airlines as a further revenue-generation channel. New service centres have been opened in Karachi and over 330,000 calls from members were handled at our service centres. We have added new partners including Hertz and Sixt car rentals and retail partners including Rivoli and Magrudy's.

Service Delivery

One of the secrets of Emirates success is our cabin crews' attention to personal service but the department's basic statistics also make interesting reading. We have approximately 2,800 cabin crew from 83 different countries from America to Australia, from Sweden to South Africa, from Austria to Zimbabwe with sizeable contingents from Egypt, France, Australia, India, Ireland, Kenya, Lebanon, New Zealand, Pakistan, the Philippines and the UK.

By the year 2010, we expect to have about 9,000 cabin crew and are actively recruiting 22-year-olds looking for a career in aviation.

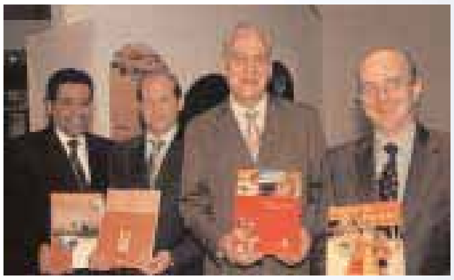
We served 10 million meals in 12 months, including 1,286,000 bottles of wine in Economy Class and 183,000 in First and Business Class.

On each aircraft we carry 40,000 different pieces of galley equipment, including cups, glasses, meal trays, an excellent range of duty free goods plus meals and beverages, altogether weighing 4.5 tonnes for each aircraft.

Menus are designed to meet a wide variety of tastes and are planned three months in advance. This gives our chefs time to visit some 30 flight kitchens around the world to select dishes and ensure they meet our high standards. We provide choices of oriental dishes to the Far East, spicy Asian-style meals to the sub-continent, German dishes to German destinations...in fact we try to tailor the meals according to the destination and expected mix of passenger nationalities per flight.

Oryx at Al Maha

Morocco



The Destination & Leisure Management team

Ghaith Al Ghaith, (second right) Commercial Operations Director with one of Emirates new awards

Customer Affairs & Service Audit

During the year there were 1,000 individual audits of various Emirates' products and services throughout the network including mystery shopper inspections to test and measure service from the customer's perspective. This regular benchmarking is vital to ensure the airline maintains and enhances its range of products and services and is carried out by a team of Inflight and Ground Services inspectors.

But any service organisation occasionally disappoints the customers and one of the roles of the Customer Affairs and Service Audit department is to act as the customer champion throughout the Group, helping to restore any lost goodwill and win back confidence. Customer feedback is important for the company and is a driving force in influencing service.

The new Customer Relations Information System (CRIS) has been improved and made user-friendly and has even been sold to other airlines as the foundation for their customer relations IT platforms.

Planning, International and Industry Affairs

Yet another hectic year with six new aircraft integrated into the fleet (all Airbus A330-200s) and four of the older Airbuses(three A310-300s and one A300-600) phased out. By the end of the year, we had a fleet of 38 aircraft.

Significant milestones for International Affairs included the department playing an important part to help Emirates obtain traffic rights from the Japanese Government to introduce operations to Osaka (starting from October 2002); achieving additional capacity and one more point of call in India (Hyderabad) and new aeropolitcal arrangements with Spain and Mauritius.

In the field of airline co-operation, Emirates codeshares with United Airlines and South African Airways were expanded. The department continues to represent Emirates at the IATA Agency and Services Conferences, the IATA Billing and Settlement Plan and IATA Cargo Accounts Settlement System Committees.

Market Research continued to focus on customer satisfaction and product development.

Group Safety

A new Safety Policy, authorised by the Group Managing Director, has set the direction for safety management in support of our existing Safety Corporate Values.

One of the highlights was the launch of the Integrated Safety Management System (ISMS) with a series of workshops throughout the group attended by 80 senior managers from 20 different departments. The ISMS is a practical mechanism for managing safety which is threaded into the existing business processes of the Group.

As part of the Safety Sense campaign aimed at raising awareness, a Safety Day featuring expert speakers from other airlines proved successful and will be included in the annual calendar of events.

The implementation of the safety audit process continued and the development of SAFE (Safety Analysis for Emirates Group) included the introduction of an analysis module addressing risk assessment and accident/incident reporting for all ground events and personal injury.

Engineering

Emirates Engineering provides state-of-the-art equipment and skilled personnel to ensure the fleet of modern Airbus A330s and Boeing 777s remain in pristine condition and maintain the on-time punctuality record which is one of the hallmarks of Emirates' service.

A fully-automatic docking system for heavy maintenance was completed and commissioned for the Boeing 777-300, the longest aircraft (in size) in the world, which will enable Emirates to carry out "C" checks for this aircraft as well as the other current aircraft in the fleet.

Engineering completed the installation of software from Airbus for monitoring the aircraft and providing data in real time to maintenance crews for review and analysis, which complements the software developed in-house for the Boeing fleet. This facility will enable the ground support teams to monitor the aircraft's performance and provide advance notice for arranging logistical assistance at outstations.

A dedicated inflight entertainment and cabin appearance maintenance team has been established to supplement the Line Maintenance team in helping to achieve a high reliability for the fleet.

Flight Operations

It was another year of growth and change for Flight Operations as six A330-200s were brought into service and four A300/310s left the fleet.

Of 248 pilot candidates who were interviewed 120 were offered jobs. Some 562 Flight Deck crew underwent the bi-annual four-day recurrent training and there were 184 transition and upgrade courses conducted.

Security became a major focus after September 11 with much work carried out internally and with the manufacturers to follow the US FAA lead in this field.

When it comes to the USA, preparations continue for our launch to New York in June next year, with particular emphasis on the planned A340-500 long haul flights over the polar regions.

Important investments in IT continue with the aim of supporting Operations Control, Crew Scheduling, Document Control, Training and Air/Ground data links.

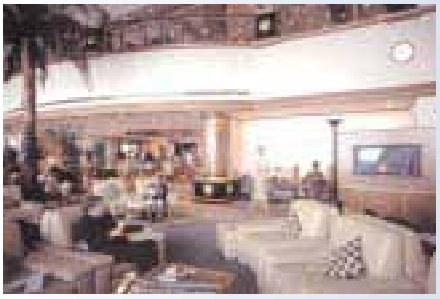
At the Dubai Airshow, the Chairman announced plans for a joint venture with CAE and the establishment of a new simulator centre. Construction is due to start in 2002 on this complex, which will make an important contribution to the training facilities on offer in the UAE.

Airport Services

The department provided a full-year of top quality service in self-handling Emirates at Dubai International Airport for check-in, at boarding gates and for special services at transfer desks and in the arrivals hall. It was 12 months of continuous changes and improvements with Airport Services playing a pivotal role in tightening up procedures across the network following September 11.

During the next financial year, Airport Services will introduce a unique and exclusive service for Emirates First and Business Class passengers in a new check-in lounge, at the same time taking over baggage, load control and porterage services.

We have introduced service level agreements for all our ground handling agents and to improve efficiency, reduce costs and provide better locations for the benefit of our clients we have changed handling companies in Paris, Zurich, Gatwick and Athens, the latter now being located at the new Athens International Airport.



First Class Lounge, Dubai

New automatic docking system

Ram Menen, Emirates Director Cargo (left), and Phil Rawlings, Emirates Cargo Manager UK and Ireland, with two new SkyCargo awards.

Dnata Airport Services

Dnata Airport Services were responsible for taking care of 59,994 aircraft movements at Dubai International Airport during the year.

As the sole ground- and passenger handling agent for 43 years at the airport, Dnata is continually upgrading its range of services and has now opened a check-in lounge for departing passengers who wish to take advantage of Marhaba's service. The award-winning Marhaba Lounge continues to be popular with airport users and has been expanded with another 22 seats as well as being refurbished.

The roll-out of the new livery gathered speed and some 573 pieces of equipment and vehicles now boast the distinctive blue and green logo, whilst there has been an updating of signage throughout the airport with Dnata Special Handling, the most recent department to be given the new livery treatment.

For its 105 airline customers, Dnata began introducing Service Level Agreements, rather than the normal tariff-based Ground Handling agreement.

Dnata Engineering commissioned a new ULD (Unit Load Devices) Repair Workshop with Emirates as its first customer but other airlines are expected to use this service for the maintenance of cargo and baggage containers. Engineering also clinched a contract to maintain the 60 Emirates-Abela catering vehicles at the airport.

Dnata Cargo

Dnata Cargo is the heartbeat of the freight operations at Dubai International Airport and once again was responsible for handling record freight tonnage with a 10.9% increase to 635,298 tonnes.

It was not just quantity but quality, too, which was to the forefront of the operations. Dnata Cargo achieved its best ever performance with an average of 95% quality delivery service for all terminals - the new Emirates Cargo Centre, the main Cargo Terminal, the Freezone Logistics Centre and the Jebel Ali Freezone Air Cargo Terminal. This result was aided by the much needed throughput capacity provided by Emirates Cargo Centre.

Dnata Cargo participated with Dubai Civil Aviation and their consultants in the detailed discussions for the preliminary design of the Mega Cargo Terminal (capacity 1,000,000 tonnes) which is targeted for operational use in 2005.

Another development was the expansion of the Logistics Centre in the Dubai Airport Freezone which is being doubled in size with completion in August 2002.

The Cargo Call Centre was much appreciated by customers with the monthly calls rising from an average of 40,000 to 60,000.

Our Road Feeder Service (consisting of a rollerbed and air suspension-equipped fleet of trucks) operating a bonded service, between UAE airports, won five new customers: Eva Air, Gulf Air, DHL, China Airways and UPS. The income contribution for the year was up 30% and market share continued to increase.

FACT (our offline Jebel Ali Freezone Air Cargo Terminal) contracted 10 new carriers for the Acceptance/Delivery Depot with a further seven in final stages of agreement.

Finally, Dnata Cargo did not rest on its laurels and achieved an ISO9001/2000 certification which was an upgrading of the original certification from June 1995.

Dnata Agencies

For the first time in two decades, Dnata experienced a fall in income of 5% but intense efforts were invested in trying to recoup this revenue with February and March being ahead of the same period last year...thus we have weathered the storm.

Despite the lacklustre results, mainly stemming from the downturn of business from September to December, it was a very hectic year with Dnata Agencies moving from their downtown offices to a sleek new Dubai Airline Centre on the Sheikh Zayed Road, nearer to the growing conurbations of Jumeirah, Umm Suqiem, the Internet and Media Cities and the Dubai Marina. At the same time, there was a "soft" launch of the Dnata Conference Centre. Our purpose-built Call Centre in the same building has 130 work stations with plans for 500 by the end of the year. Some 90% of all calls are answered within 20 seconds.

For arriving passengers at the Dubai International Airport, the World of Events opened a dedicated outlet in the Arrivals Hall to provide help and assistance. Emirates Events Programme, launched through World of Events, is a new product providing ground packages for delegates and exhibitors to fairs and exhibitions.

Holidays by Dnata produced six new brochures with 12 new destinations featured.

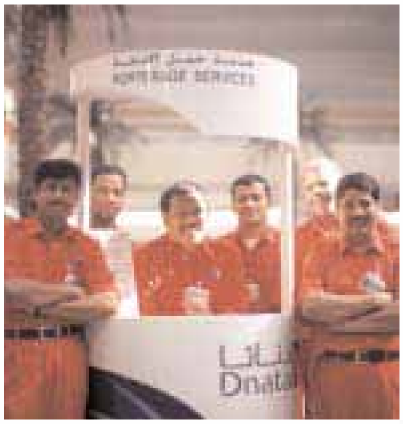
For the first time, Axis (our wholesale division of travel and tourism products) arranged a charter flight to Sharm Al Sheikh using Emirates Airline.

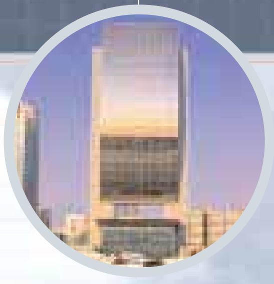
There was further investment in training with in-house training facilities in the new headquarters for teaching all Dnata counter staff the basics of leisure travel sales and 12 educational and familiarisation trips undertaken by staff and agents.

Holidays by Dnata won a clutch of awards during the year: "Most India Friendly Tour Operator" from the Government of India Regional Tourist Office; "Best Leisure Travel Agency" in Middle East from Travel Intelligence Middle East Magazine; "Outstanding Performance Award" from Starwood Hotels & Resorts.

Business Travel International (BTI) gained a "Best Business Agency" award from Travel Intelligence and Dnata Agencies received commendations from a number of airlines they serve including Oman Air, Singapore Airlines and Ethiopian Airlines.

In the forthcoming year, Dnata Agencies plan to launch an integrated e-commerce marketing platform for Dnata and all associated brands. New markets to be served, with production of brochures, include luxury spas and resorts, golf and the additional destinations of New Zealand, Indonesia, Seychelles, Mauritius and Morocco.





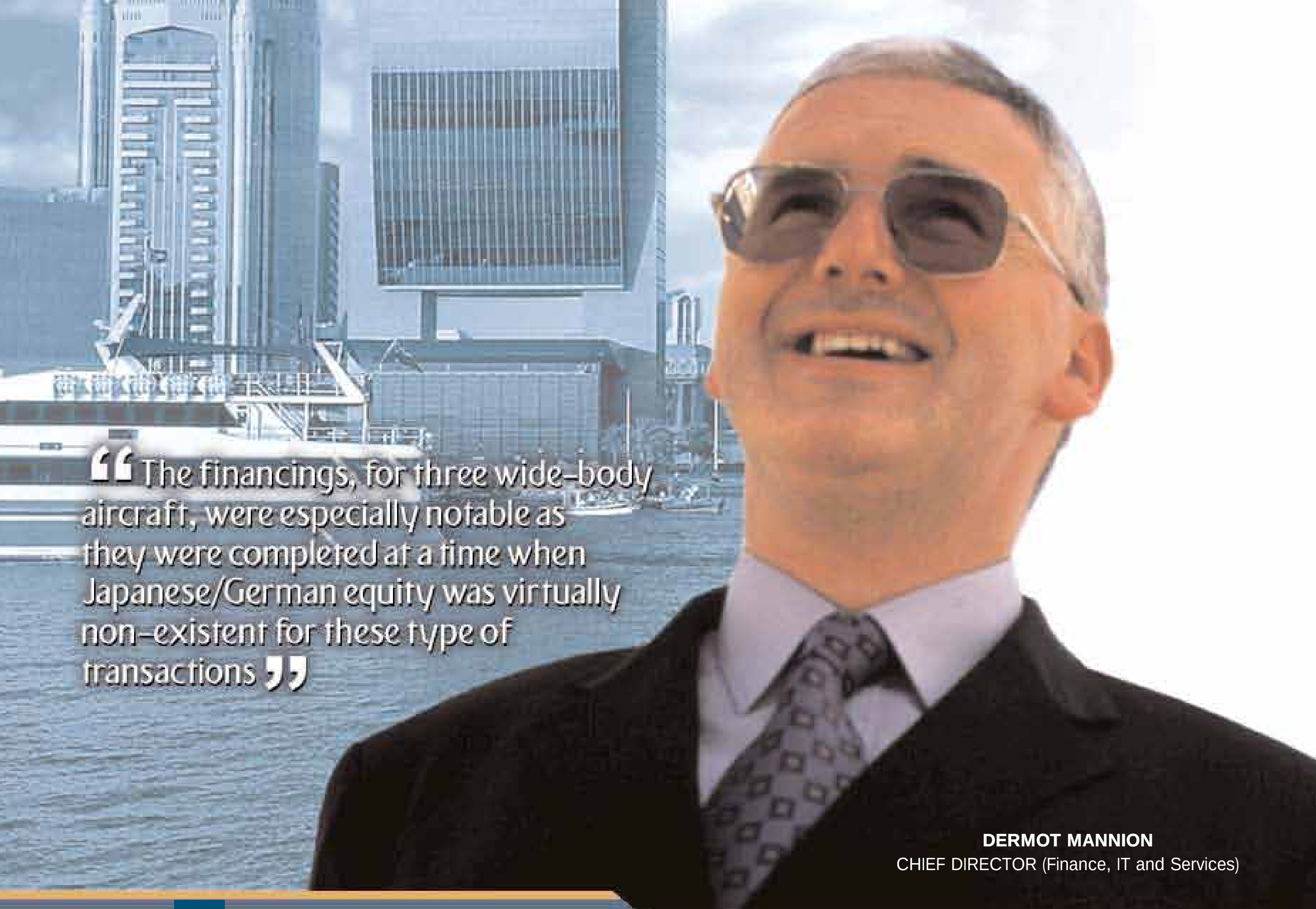
Dramatic architecture like the National Bank of Dubai's building makes the emirate an architecture student's dream.

Finance, Information Technology and Services

Finance

In the very first year that the award has been instituted, Emirates bagged Euromoney's award for "Global Airline Treasury Team of the Year 2001". The award was given after Emirates completed a string of innovative and landmark financing deals. During the financial year, a total amount of US$ 828 million was raised by Emirates, on the international financial markets, at an attractive all-in cost of funding.

Emirates initiative to fund an A330 aircraft, which for the first time combined Islamic and Export Credit financing, has won an exceptional "quadruplet" in global financing awards. As well as the Treasury Team accolade, the financing won the global "Aircraft Leasing Deal of the Year 2001", a major investment banking award, given by Jane's Transport Finance magazine, the "Asset Finance Deal of the Year for Global Aircraft



"The financings, for three wide-body aircraft, were especially notable as they were completed at a time when Japanese/German equity was virtually non-existent for these type of transactions"

DERMOT MANNION
CHIEF DIRECTOR (Finance, IT and Services)

Finance" given by Institutional Investor's Asset Finance International magazine and Euromoney's Air Finance Journal Deal of the Year for the Middle East/Africa region. Following this successful funding, Emirates also financed one A330-200 aircraft using Islamic funds exclusively which represents a further diversification of funding.

In addition, two A330-200 aircraft were financed on 12-year Japanese operating leases valued at US$190 million. The lease was arranged by Credit Agricole Indosuez. Finally, one A330-200 aircraft was financed on a 10-year German operating lease valued at US$95 million which was arranged by Citibank. These structures provide very attractive low-cost funding for Emirates and were especially notable as they were completed at a time when Japanese/German equity was virtually non-existent for these types of transactions. This demonstrates the continued confidence the international financial markets have in Emirates.

As the Chairman has reported, Emirates maiden bond issue in July 2001 was a runaway success. The bond was initially launched for Dhs 750 million and was over-subscribed by more than two and a half times. The bond was closed for an amount of Dhs 1,500 million (US$408 million). This was not only Emirates first ever bond issue but also the first bond to be issued by a UAE corporation and to be listed on the Dubai Financial Market. This bond arranged by HSBC and the National Bank of Abu Dhabi, represented the development of an important new source of funding for Emirates and a major milestone in the development of financial markets in Dubai.

On the treasury risk management side, Emirates maintained a balanced portfolio approach towards its interest rate and currency exposure, where appropriate, by structuring aircraft financing leases in currencies in which revenues are generated to form a natural hedge, or, by entering into strategic forward foreign exchange contracts or interest rate/currency swaps. The balanced strategy has allowed Emirates to keep its exposure to movements in interest rates and currency at manageable levels and optimise the related impact on the income statement.

The induction of new state-of-the-art financial systems continued to complement the expansion plans of the Emirates Group. During the current year, Finance successfully completed its design and acceptance of the internet version of Oracle Financials 11.i targeting a go-live date early in the next financial year. Emirates Group is now a member of Oracle Financial Customer Advisory Board for Europe, Middle East and Africa which enables Finance to influence the future development of the software product.

Finance's commitment to implement best practices has also extended into the area of storage and retrieval of financial documents. Finance cutover a 8000 documents per hour high-speed imaging system using IBML Image Trac 1 scanners for airline revenue accounting functions. The system, which has the capability to scan, store and retrieve documents of varying sizes, has been fully integrated into our revenue accounting system (RAPID) and will be available for all bureau customers of RAPID in the future. This is targeted to improve the productivity of the revenue accounting section by 10%.

Dermot Mannion launches Emirates bond issue

Management Accounts weekly analysis of airline route profitability was further strengthened by cutting-over to POWER, our latest multidimensional analytical system which provides electronic information in a more timely and efficient manner. The management accounting team also provided strategic financial analysis to support the Airbus A380 fleet acquisition programme and the related engine selection.

On the insurance front, following the events of September 11, Emirates was one of the first airlines to ensure continuity of insurance for acts of terror by replacing its liability insurance for such incidents by an indemnity from the Government of Dubai. This ensured compliance with our legal obligations and continuity of cover for our operations until commercial insurance became available.

Information Technology-Mercator

This has been a very challenging but successful year for Mercator, the IT services division of the Emirates Group. Although it was possible to maintain the momentum of the on-going IT programme, there was inevitably a deferment of new capital expenditure and new developments in the second half of the year as the Group responded to the dramatic downturn in the travel industry. Priorities were changed to focus on tactical opportunities to reduce cost and to support the recovery initiatives of each of the business units. Mercator external business was also seriously impacted with the widespread cutbacks in investment by the airline industry.

There were, however, some significant projects completed during this turbulent year. Most important of these has been the replacement of legacy systems in the Service Departments. Originally designed and built in-house, these systems have delivered the administrative services of payroll, personnel, purchasing, management and financial accounts for more than 15 years. The demand for more direct administration of resources and assets by managers throughout the Group was the key driver for change. Using the latest e-business technology, an integrated suite of Oracle systems was implemented by combined business and IT teams during a period of severe cost and resource constraint. The project was strategic in that it will enable the service departments to continue to provide quality administrative services throughout the increasingly diverse and expanding Group. Using the experience gained from this implementation and also that of a previous implementation at SriLankan Airlines, Mercator is now established as an expert in these ERP solutions. One such opportunity arose in early 2002 with the award of a contract to implement the financial systems at Air Malta.

Other internal developments have been driven by the need to deploy business applications in a web-based environment. Groupworld, the Intranet service of the Company, provides the communication backbone to thousands of staff throughout the organisation. Internal vacancy notices, travel information, staff regulations, executive announcements are all available with a click of a mouse. The new release of this internal Internet service provides for ease of use and improved content. Other Internet portals have been developed for staff to enable them to keep in touch when they are travelling.

Externally, corporate web sites have gone through major upgrades in order to improve content and functionality. Business systems have been improved with a technology step change with web deployment now being a design standard. One such development took place on RAPID, the market leading revenue accounting system. This was greatly enhanced with the launch of a web-based version, FASTRAC, that allows users to customise the application to their needs. This product is competitively priced in the market so that small and medium sized carriers can afford its rich functionality for ticket and airway bill accounting. The first carrier to buy this product is Air Pacific - a medium sized international airline based in Fiji. This implementation is currently in progress and there are several others in the pipeline.

External business for RAPID has continued to grow strongly with a successful implementation in June at Qantas and an extension of contract at Royal Brunei through the licencing of Mercator's passenger proration system PROFIT. Other extensions of contract have been received from SriLankan Airways for the supply of Emirates' Skychain services for cargo and from Air Algerie for the supply of the Reservations superagent service.

Recognising that technological innovation is becoming an important business driver, Mercator has sponsored a number of state of the art web based products for implementation within the Group and to meet a growing demand within the airline industry. Notable amongst these has been NOMAD, which provides airlines and airport ground handlers with the means of tracking cargo containers at low cost through Internet access. The metal containers, used in wide-bodied aircraft for baggage and freight, are transported throughout an airline's network. At each point they are managed and temporarily held by the local freight-handling agents. NOMAD will provide all parties with visibility of location, history of usage, state and current usage. The system has been successfully installed at Dnata for Dubai International Airport, at Emirates Airline and at SriLankan Airlines. There is now significant interest from airports and airlines throughout the world.

The Skywards loyalty programme of Emirates and SriLankan is based on CRIS an advanced frequent flyer and customer relationship management system, which is now being marketed by Mercator. Considerable enhancement of the product during the year will be of benefit to the current users

as well as to Philippine Airlines, which is about to cutover a relaunch of their loyalty programme SMILES using this system.

Perhaps the most significant development programme for Mercator was an internal one - to become more effective in the delivery of IT services. This has involved a restructuring of the resources and responsibilities into 4 operating divisions - Business Solutions, Software Services, Technology Services and Sales & Marketing. This will enable the organisation to expand with greater emphasis on strategy, business support and service quality. The programme of transition has also involved the move of the majority of Mercator staff from four locations into a new 100,000 sq. ft building - Al Fattan Plaza - close to the Emirates Group buildings and Dubai International Airport.

With the gradual return to normal trading conditions in the travel industry, Mercator is gearing up to meet the demands of the Emirates Group expansion. With proven strength in financial, frequent flyer and cargo products which are used by airlines in many parts of the world, Mercator will develop new external lines of business and new channel partners in the coming year.

Galileo Emirates

Galileo Emirates today distributes travel solutions, primarily the Galileo Reservation System, in the UAE, Oman, Bahrain, Qatar, Pakistan, Sri Lanka and Iran (launched in September 2001). In addition, we have recently acquired the rights to distribute the system in three new markets - Sudan, Morocco and Tunisia. This allows us for the first time to have a footprint on the African continent and brings the number of market regions under the umbrella of the Galileo Reservation System to 10.

Market growth across all markets has been robust with a segment volume increase of 18% which resulted in Galileo Emirates receiving the Outstanding Achievement Award by Galileo International.

Galileo Emirates developed and in June 2001 launched, SafarEZ, an e-commerce B2B2C solution enabling airlines, travel agents,vendors, consumers and corporates to meet in a common e-marketplace to use Galileo and other travel related services.

Plans are now finalised to build a dedicated TCP/IP network for Galileo travel agencies in the UAE and beyond which will provide an infrastructure in line with advances in technology for the deployment of Galileo International access products.

Support and Development

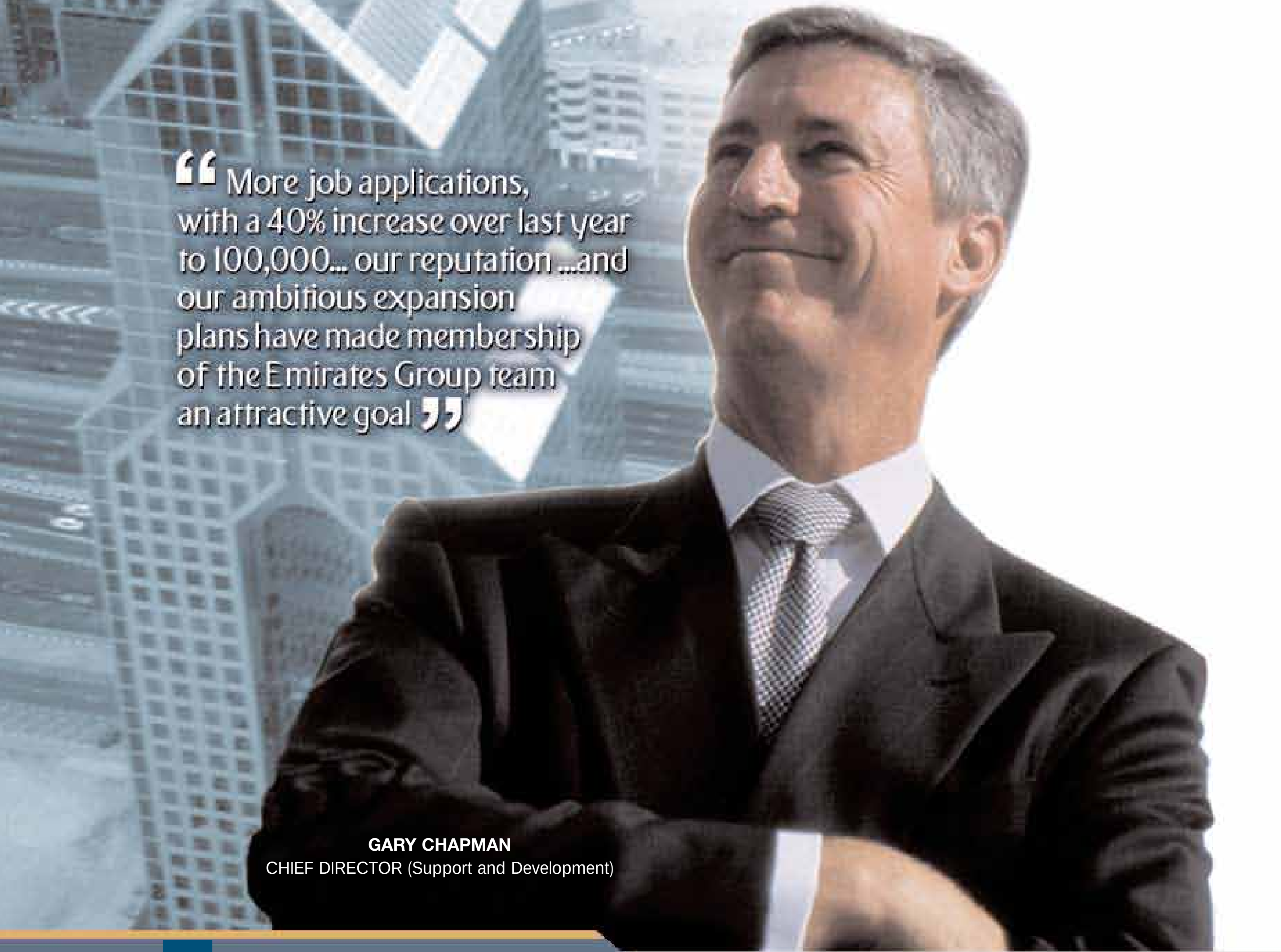
International companies like the Dusit Hotel Group are being attracted to Dubai.

Human Resources

There were 16,000 employees, an increase of 11 % over the previous year, with Dnata's staff numbers averaging 6,526 and Emirates 9,163, representing more than 100 nationalities.

Not only does our increasing brand awareness help us to sell tickets and cargo but it also encourages more job applications, with a 40% increase over last year to 100,000. We believe our reputation as a good and fair employer, the attractions of Dubai and our ambitious expansion plans have made the Emirates Group an attractive goal for many professionals in global employment markets.

With the potential of doubling the current employment numbers in this decade, a 10-year workforce recruiting strategy has been created. We have created a purpose built recruitment website **www.emiratesgroupcareers.com**



> “More job applications, with a 40% increase over last year to 100,000... our reputation ...and our ambitious expansion plans have made membership of the Emirates Group team an attractive goal”

GARY CHAPMAN
CHIEF DIRECTOR (Support and Development)

which will be launched early in the new financial year offering the capability to promote, attract and process applications more efficiently and cost effectively.

When it comes to management training there has been an increasing use of on-line learning with over 6,000 courses completed by staff. e-learning is expected to expand into all areas of traditional training and provide significant cost and delivery savings to the Group.

Medical

This has been a landmark year with the opening of a new clinic on the top floor of the Dubai Airline Centre on the Sheikh Zayed Road, giving us much needed space for the increasing number of staff and families in the Group. We have also recruited more staff, including an extra doctor, a dentist, two nurses and additional administrative personnel.

We are cutting over to a new medical records and appointment system, which will enable us to improve productivity and provide more accurate medical data for future planning.

The ongoing accreditation process with the UK Royal College of General Practitioners continues to ensure that we are independently audited and that we maintain ourselves at the very forefront of primary care and aviation medical advances.

A line-up of nurses at the new medical centre.

We were proud to be awarded accreditation to the Royal College of Surgeons Pre-Hospital Care Facility. This recognition was made for the content and quality of the emergency medical care training programmes given to our cabin crew and ground staff. Up to now, Emirates is the only airline in the world to receive this accreditation.

Group Training and Development

The major role played by training in the development of the group was underlined by the announcement of the launch of a new facility, the Emirates Aviation College which will incorporate the present Dubai Aviation College, Emirates Training College and our new multi-million-dollar third party simulator business with CAE, - one of the world's largest manufacturers of state-of-the-art simulators. Construction of these facilities has already started with completion in 2003.

Training has been involved in every aspect of the Group's activities, from foundation courses involving English communication skills and technical subjects for national cadet pilots prior to their flying school programme, to PC clinics to enhance productivity on company systems. From support to promote new Skywards products to training 100 airport personnel in special services and transfer desk procedures. In addition, a highly successful initiative was launched to run a night school at the college for students interested in careers in airport operations, with many of the 50 graduates on the course later employed by Emirates.

Training in a mock-up cabin

Altogether there were 1,300 training courses attended by 11,800 students.

The Emirates Executive MBA, in conjunction with Bradford University's School of Management, was expanded with three other companies joining, namely EPPCO, Dubai Civil Aviation and International Turnkey Solutions. By the year end, more than 70 managers across the group had commenced these studies, with the first group graduating in June 2002.

Performance Development

Performance Development continued to provide process improvement and organisation design services to the operating businesses and support functions, contributing to a number of major projects. The department launched, on behalf of the Group, a company-wide Customer Relationship Management Programme and through the eVentures Group designed and created the Middle East and GCC's first comprehensive travel portal in partnership with Microsoft Network Arabia. The travel portal provides online booking of flights, hotels, cars and holiday packages to nine countries in the region.

The Performance Development team has been involved in a number of organisational changes and was involved in the move towards self-handling of passengers and cargo by Emirates at Dubai International Airport. There have been numerous other projects targeted at improving business performance including work with Emirates Engineering, Flight Operations, Commercial departments as well as Human Resources and Finance.

The department continues to be responsible for Bright Ideas, the staff suggestion scheme.

Fuel Risk Management

We continue to actively manage our exposure to the fluctuations in the oil markets, taking a long-term view, which incorporates the use of various risk management tools of varying durations.

Our fuel-risk management programme has again proved to be very successful, helping to provide a more stable fuel cost in a volatile and often unstable market. This year our fuel costs have been reduced by some US$25 million (Dhs 90 million) through this activity - not only have we achieved below market level prices, it has enabled greater accuracy in our fuel cost budgeting and planning.

Central Services

Central Services keep our administrative functions nicely ticking over.

Staff transportation in the form of 15 buses offer pick-up services over a wide network of locations in Dubai. In total Central Services are responsible for over 300 company vehicles.

The Skywards Customer Loyalty Programme has resulted in a substantial increase in mailing activities with up to 10,000 packages sorted and distributed every day. In addition 45,000 packs are despatched every month in support of the programme.

Emirates-Abela Catering Co. LLC

Emirates is a 45% equity shareholder in Emirates-Abela Catering which employs 2,200 staff and provides inflight catering and support services for 93 airlines at Dubai International Airport.

This year the company delivered almost 10 million airline meals, an average daily production of 27,000, with each and every meal being individually prepared to the high quality standards for which Emirates Abela is renowned. The catering unit also provides hospitality services in the airline lounges at the Sheikh Rashid Terminal, Dubai for Air France, British Airways, Gulf Air, KLM, Lufthansa, Dnata (Marhaba Lounge) and Emirates (First and Business Class lounges).

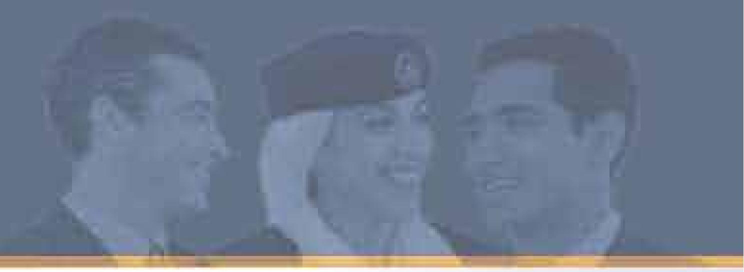
By December 2002, the capacity of the unit will be expanded from a maximum of 35,000 meals per day to 45,000-plus, while further investments in production and operation equipment will be made during the year. To cope with the growth at Dubai International Airport, construction of a new facility is planned to start in 2003 with expected completion within three years.

MMI

MMI is now 51% owned by Emirates, with the balance of the shares held by a number of Dubai-based business persons.

It was a year of exciting expansion for the company with the relaunch of Gulf Ventures, the inbound travel division, and the opening of Consumer Goods Distribution in Abu Dhabi and Al Ain. The on-line purchases system through MMI Beverages e-commerce web site has proved very successful resulting in US$3.6 million sales.

MMI's Leisure Retail operation was further developed with the opening of three Costa coffee outlets in Dubai Internet City, Dubai City Tower II and Dubai Airline Centre. MMI Logistics were awarded the 2002 Dubai Duty Free Environment Award, and gained new business accounts from Unilever Arabia, Lipton Tea, Toys R Us and LG Electronics.



Procurement and Logistics

Procurement and Logistics department has been involved in negotiating contracts in excess of US$7 billion for aircraft and related equipment, including the new A380 Super Jumbo and engine contracts, as well as leasing contracts with ILFC and Singapore Aircraft Leasing. The department is also actively involved with contracts for the A340 cabin equipment such as inflight entertainment, seats and galleys.

Our Procurement Operations team manages the contracts at airports around our network for over 300 third party companies and processes contracts for a myriad different products that we carry on board in each aircraft from blankets to tooth paste. The department staff were trained in the use of e-procurement. Following this training, several auctions were released through tejari.com - the first B2B electronic market place in the Gulf.

Other highlights include:

- Long term contracts being put in place for supply of ground support equipment;
- A corporate decision to lease company vehicles instead of purchasing them;
- A chauffeur drive service contract re-negotiated which offers better service for our First and Business Class passengers;
- Two new buildings - the Al Fattan building and the new Dubai Airline Centre completed, furnished and made available for staff use.

Corporate Development

Corporate Development continues to focus its activities in the Middle East region, Africa and the Asian subcontinent.

Implementation of Dnata's ground handling project at Mehrabad International Airport in Tehran is progressing well together with local Iranian partners.

Efforts are also directed towards the setting up of ground handling operations in Tripoli, Libya, together with the Civil Aviation of Libya as our partner.

The division continues to be actively involved in sourcing opportunities in the MIddle East, Africa and the Asian subcontinent. Projects of interest in countries like Bangladesh, India, Sudan and Djibouti are being evaluated.

The division has also supported Emirates Group Security division in structuring various security related projects as a part of Group Security's expansion strategy.

MBA courses

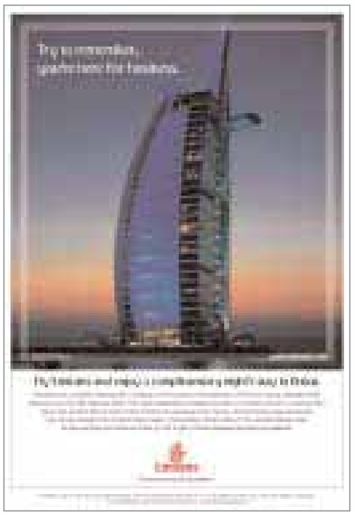
Corporate Communications

Flexibility was the name of the game as Corporate Communications supported Emirates' and Dnata's sales activities to resuscitate a stagnant market place.

Corporate Communications co-ordinated its own network of some 90 advertising and PR agencies around the world to raise awareness of the Emirates Group brands and Dubai as a destination, linked by a unique virtual workspace called Empower.

Advertising

The refreshed Emirates corporate identity continues to be rolled out internationally, and across all customer touch points. We have designed and helped implement a new retail identity for the airline in a flagship space in Dubai, and expanded roll-out of branding across airports and in Emirates offices.



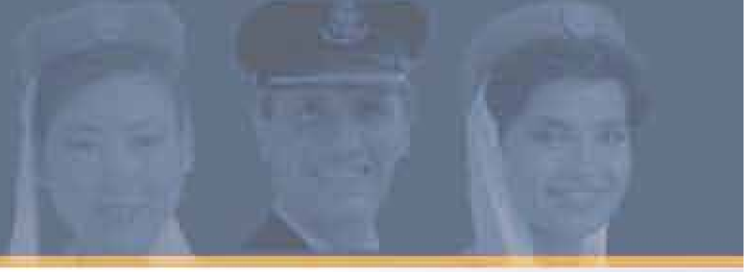
International brand-building advertising is focused on TV, print, outdoor and on the internet, the results of which are regularly tracked with awareness and attitude studies. Tactical campaigns ran across the world, promoting a range of product enhancements, including new routes, increased flights, a new kids' frequent flyer programme, inflight entertainment and Destination Dubai messages.

Our range of below-the-line material underwent a step-change this year with new point of sale material, leaflets, posters and direct mailers.

Internet

www.emirates.com has been continually refined and enriched, with additional content and functionality throughout the year. The new robust, dedicated server set-up is currently delivering 85,000 web pages a day to customers from all over the world, a 150% increase year on year. The site now supports online booking in over 12 markets, numerous special offers as well as providing an umbrella for the expanding number of regional sites and travel agency extranets.

We have also helped build and relaunched **www.skywards.com**, a major new Group recruitment website **www.emiratesgroupcareers.com** as well as site developments for **www.dnata.com**, **www.skycargo.com** and **www.emirates-holidays.com**. Online advertising now forms a regular part of our media mix and we have run numerous tactical internet-only offers this year.



Media Relations

Again Emirates grabbed the world's headlines on TV, on the internet and in the daily press with its announcement of the US$15 billion aircraft orders and the Alliance engine decision. We won millions of dollars worth of television time and newspaper space in our relentless charge to build Emirates into a global brand.

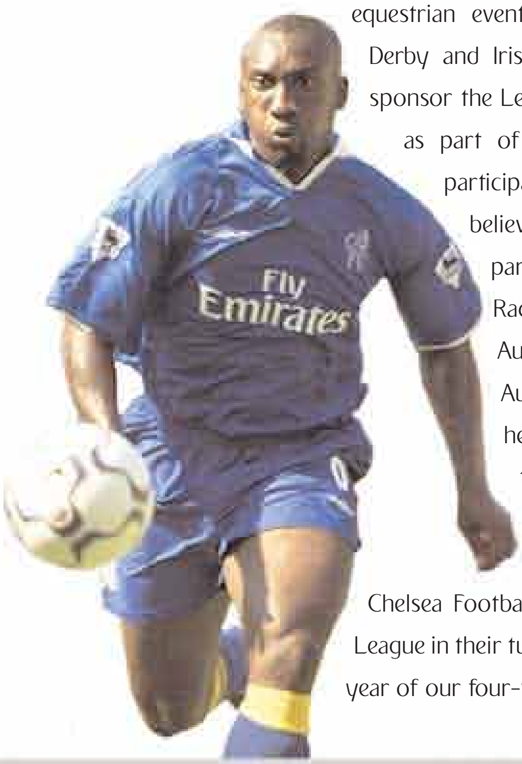
Dubai Powerboat Championship

We hosted some 350 journalists on familiarisation visits to Dubai playing a decisive part in putting the emirate back on the tourist map after the downturn of September and October.

Promotions

Emirates launched a new multi-million dollar sponsorship with Godolphin, the racehorse owners, – and immediately benefited by "Street Cry" winning the Dubai World Cup with jockey Jerry Bailey sporting the "Fly Emirates" logo on his blue silks. As the World Cup is also sponsored by Emirates this was a double-strike with the Emirates logo seen around the globe by hundreds of millions of TV viewers.

We did not renew our three-year contract for the Emirates World Racing Series but kept a high profile at equestrian events, sponsoring the Singapore Derby and Irish Oaks. We also continue to sponsor the Legends Race of veteran jockeys as part of our Melbourne Cup Festival participation. In fact, in Australia we believe our promotions like the partnership with the Victoria Racing Club, the Collingwood Aussie Rules Football Club and Australian Film Institute have helped to boost our image with the Australian public.

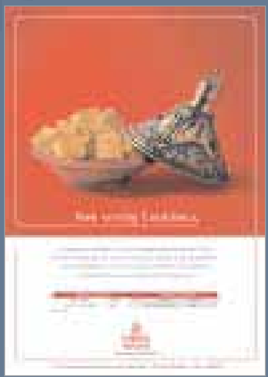


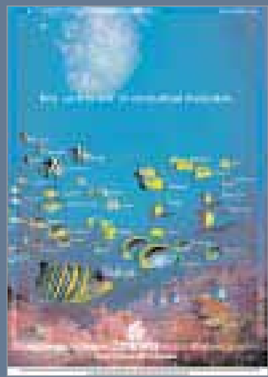
We are proud to be associated with a battling Chelsea Football Club in the English Premier League in their tussle for top honours – the first year of our four-year contract with "The Blues".

Passenger Communications and Visual Services

The inflight entertainment product has continued to be enhanced, and plans are now well advanced for exciting new features for our future aircraft on order – ensuring that Emirates inflight product will remain at the leading edge. All but one of our fleet is now fitted with a 40-channel entertainment system, with only one remaining A310 aircraft offering the 14 channel programme. The recent introduction of 18 video games for passengers has proven very popular. The growth of Emirates combined with the joint management of the entertainment product with SriLankan Airlines, has contributed to achieving improved economies of scale and efficiencies.

The Visual Services unit within Corporate Communications has supported many parts of the company with the production of quality films and videos for commercial and training purposes, as well as assisting with the staging and management of events associated with new route or product launches.



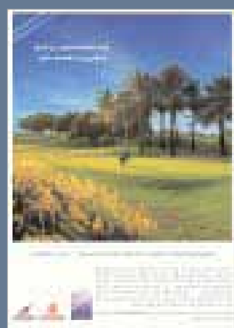


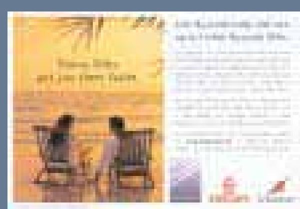

Stopovers


SKYSURFERS
SKYSURFERS


Emirates


SKYSURFERS
SKYSURFERS
SKYSURFERS





Internal Audit

Internal Audit is an integral part of the organisation but remains independent of any department, reporting direct to the Group Managing Director. Its main role is to continually evaluate the effectiveness of internal controls and corporate governance processes. The Emirates Group's Internal Audit Charter, which established the department's independence, authority and responsibility, is cited as a "best practice" document by peers within the industry.

In January 2002, The Institute of Internal Auditors, USA, nominated the Group's Chief Internal Auditor to its board of directors, a landmark recognition of the department's achievements and contribution to the development of internal auditing. In the Gulf, the Emirates Award for the best UAE-based candidate in the Certified Information Systems Auditor examination continues to generate interest among information systems audit professionals.

Group Security

During the year, the Airport Unit, which is involved in detecting forged and counterfeit travel documents, saved Dhs 24.1 million in terms of penalties and fines which would have otherwise been imposed on Emirates by immigration authorities in other countries for transporting inadmissible passengers out of Dubai.

This Airport Unit team also provides the same services of intercepting passengers with forged, counterfeit and technically faulty documents to other airlines operating at Dubai International Airport thus generating revenue for the company.

The main training effort of the Aviation Security Training Unit was concentrated on aircrew, with a particular emphasis on "Disruptive Passenger Handling". In total 3,053 Cabin Crew and 452 Flight Crew were given training on Safety Emergency Procedures. Additional Advanced Security training was also given to Senior Cabin Crew members.

The Cargo Security Unit provided security services to other international airlines, external agencies and departments within the Group during the year showing approximately 41% growth in revenue compared to that of 2000.

The Cargo Security Unit was already providing services to Malaysian Airlines, Air India, British Airways and Dnata Mishandled Baggage section. New contracts have been signed with Singapore Airlines and Atlas Air.

Transguard (which provides transportation services for valuable cargo) has shown an improvement in revenue by 19%. New and prestigious clients have now been contracted including the National Bank of Dubai, Dubai Islamic Bank, Commercial Bank of Dubai, Standard Chartered Bank, Etisalat, Sawan Exchange and Thomas Cook.

SriLankan

SriLankan Airlines Limited is 43.6% owned by Emirates.

It has come through a period of extremely difficult trading and operating conditions, especially following the major security incident at Bandaranaike International Airport on July 24, 2001 which resulted in the total loss of four aircraft. These aircraft were fully insured and all obligations to third parties have been discharged in full.

Since that time there has been a steady improvement in the security and political climate on the island and this has been reflected in much improved trading conditions for the airline in recent months.

Corporate Structure

Group

Chairman	His Highness Sheikh Ahmed bin Saeed Al-Maktoum
Group Managing Director	Maurice Flanagan
Chief Director Finance, IT and Services	Dermot Mannion
Chief Director Support and Development	Gary Chapman
Director Safety, Standards and Regulatory Liaison	Mohammed Al Khaja
Director Information Technology	Hugh Pride
Director Corporate Communications	Mike Simon
Group Legal Director	Chris Walsh
Head of Corporate Development	Khaled Mohammed Al Kamda
Head of Group Safety	Michael Quinn
Head of Medical Services	Dr. Alasdair Beatton
Senior General Manger Customer Affairs & Service Audit	Richard Ng
Senior General Manager Procurement & Logistics	Shoaib Khoory
Head of Human Resources	Abdul Aziz Al Ali
Senior General Manager (Projects)	Robert Mosley
Chief Internal Auditor	M. A. Siddique
Chief of Group Security	Abdulla Al Hashimi
Head of Chairman's Office & Facilities Management	Ali Mubarak Al Soori
Head of Performance Development	Martin Tomlinson
Senior General Manager Finance	Joshua Koshy
Corporate Treasurer	Riyaz Peermohamed

Emirates

Chairman	His Highness Sheikh Ahmed bin Saeed Al-Maktoum
Group Managing Director	Maurice Flanagan
Chief Director Airline	Tim Clark
Commercial Operations Director	Ghaith Al Ghaith
Director Service Delivery	Don Foster
Director Cargo	Ram Menen
Director Destination and Leisure Management	Hans Haensel
Director EK Airport Services	Dale W. Griffith
Deputy Director EK Airport Services	Mohammed Mattar
Head of Planning, International & Industry Affairs	Tony Tayeh
Head of Revenue Optimisation	Scott McMahen
Head of Emirates Engineering	Adel Al Redha
Head of Flight Operations	Christopher Knowles
Senior General Managers:	
Commercial Operations (West Asia & Pacific Rim)	Keith Longstaff
Commercial Operations (Europe & North America)	Nigel Page

Dnata

Chairman	His Highness Sheikh Ahmed bin Saeed Al-Maktoum
Group Managing Director	Maurice Flanagan
Director Dnata Airport Services	Ismail Ali Albanna
Senior General Manager Dnata Cargo	Jean Pierre de Pauw
Senior General Manager Dnata Agencies	Rashid Al Noori
Senior General Manager Dnata Airport Operations	Tom Lewis
Senior General Manager Dnata Airport Projects	Derek Swan

Operating statistics

Emirates

	2001-02	2000-01	1999-00	1998-99	1997-98
Consolidated financial statements*					
Total revenue (AED'000)	7,274,658	6,417,372	5,113,875	4,442,987	4,089,114
Total expenditure (AED'000)	6,783,795	5,970,725	4,812,975	4,130,028	3,826,701
Operating profit (AED'000)	625,794	665,653	513,316	437,215	434,544
Net profit (AED'000)	468,231	421,825	300,900	312,959	262,413
Average employee strength (number)	9,163	7,996	6,524	5,652	4,978
Revenue per employee (AED)	793,917	802,573	783,856	786,091	821,437
Value added per employee (AED)	282,986	295,231	303,596	306,973	308,897
Emirates operating statistics					
Performance indicators					
Yield (Fils per RTKM)	166	174	185	195	212
Unit cost (Fils per ATKM)	108	114	119	126	136
Breakeven load factor (%)	65.1	65.5	64.5	64.7	63.9
Fleet					
Number of aircraft	38	35	32	26	22
Average age (months)	37	36	48	59	58
Production					
Destination cities	57	55	50	47	44
Overall capacity (ATKM million)	5,718	4,761	3,824	3,111	2,670
Available seat kilometers (ASKM'000)	32,629,532	27,254,862	22,425,775	18,673,830	16,368,191
Aircraft departures (number)	38,914	35,310	32,482	28,677	26,115
Traffic					
Passengers carried (number)	6,765,113	5,718,818	4,775,478	4,252,759	3,683,474
Passenger seat kilometres (RPKM'000)	24,230,533	20,468,473	16,129,796	13,908,191	11,450,569
Average distance flown per pax (Kms)	3,582	3,579	3,378	3,270	3,109
Passenger seat factor (%)	74.3	75.1	71.9	74.5	70.0
Cargo carried (Kg'000)	400,569	335,194	269,919	214,215	200,138
Overall load carried (RTKM million)	3,908	3,310	2,613	2,158	1,850
Overall load factor (%)	68.3	69.5	68.3	69.4	69.3
Employee					
Average employee strength (number)	8,697	7,571	6,524	5,652	4,978
Capacity per employee (ATKM)	657,513	628,850	586,100	550,494	536,432
Load carried per employee (RTKM)	449,331	437,148	400,485	381,731	371,657

* Emirates issued consolidated financial statements for the first time in 2000-01. To conform with the consolidated presentations, figures for 1999-00 have been reclassified. Figures for financial years prior to 1999-00 conform with the presentation of separate financial statements.

Operating statistics

Dnata

	2001-02	2000-01	1999-00	1998-99	1997-98
Consolidated financial statements					
Total revenue (AED'000)	820,131	740,988	673,390	564,096	509,167
Total expenditure (AED'000)	685,364	631,460	545,972	448,074	400,370
Operating profit (AED'000)	112,776	79,312	104,463	95,197	90,584
Net profit (AED'000)	134,767	109,528	127,418	116,022	108,797
Average employee strength (number)	6,526	6,001	5,258	4,926	4,519
Revenue per employee (AED)	125,671	123,477	128,070	114,514	112,672
Value added per employee (AED)	96,996	94,995	99,869	92,709	91,175
Airport operating statistics					
Performance indicators					
Aircraft handled (number)	59,994	60,689	56,956	50,452	47,947
Passengers handled (number)	13,805,735	12,793,174	11,198,318	10,028,115	9,290,016
Cargo handled (Kg'000)	635,298	572,778	498,058	429,089	426,813
Employee					
Average employee strength (number)					
Airport operations	3,764	3,555	3,087	2,813	2,578
Cargo	1,161	1,027	940	981	930
Aircraft handled per employee (number)	16	17	18	18	19
Passengers handled per employee (number)	3,668	3,599	3,628	3,565	3,604
Cargo handled per employee (Kgs)	547,199	557,720	529,849	437,400	458,939

Financial statistics

Group

		2001-02	2000-01	% Change
Total revenue*	AED (million)	7,814.5	6,921.4	12.9
Total costs*	AED (million)	7,188.9	6,365.2	12.9
Operating profit	AED (million)	738.6	745.0	(0.9)
Net profit	AED (million)	603.0	531.3	13.5
Group liquid funds	AED (million)	3,401.3	1,719.8	97.8
Shareholders' funds	AED (million)	3,549.2	2,816.5	26.0
Return on shareholders' funds	%	18.9	20.6	(1.7) pts
Value added	AED (million)	3,223.6	2,926.3	10.2

Emirates

		2001-02	2000-01	% Change
Total revenue	AED (million)	7,274.7	6,417.4	13.4
Total costs	AED (million)	6,783.8	5,970.7	13.6
Operating profit	AED (million)	625.8	665.7	(6.0)
Net profit	AED (million)	468.2	421.8	11.0
Value added	AED (million)	2,593.0	2,360.7	9.8

Dnata

		2001-02	2000-01	% Change
Total revenue	AED (million)	820.1	741.0	10.7
Total costs	AED (million)	685.4	631.5	8.5
Operating profit	AED (million)	112.8	79.3	42.2
Net profit	AED (million)	134.8	109.5	23.0
Value added	AED (million)	633.0	570.1	11.0

*After eliminating inter company trading of AED 280.2 million in 2001-02 (2000-01: AED 236.9 million), comprising operating income / expense of AED 277.8 million (2000-01: AED 232.5 million) and interest income / expense of AED 2.4 million (2000-01: AED 4.4 million).

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

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

Income

Group operating profit for 2001-02 was marginally lower by 0.9% at AED 739 million (2000-01: AED 745 million). Group operating margin was lower at 9.6% (2000-01: 10.9%) reflecting the tough trading conditions.

Group profit net of minority interest and before tax increased by AED 75 million (13.8%) to AED 616 million.

After provision for taxation payable to overseas governments, group net profit registered a 13.5% increase to AED 603 million from AED 531 million last year.

Return on shareholders' funds declined to 18.9% as compared with 20.6% in 2000-01.

At a company level, Emirates and Dnata achieved operating profit margins of 8.8% (AED 626 million) and 14.1% (AED 113 million) respectively.

Emirates' profit net of minority interest and before tax increased by AED 49 million (11.4%) to AED 482 million and net profit by AED 46 million (11%) to AED 468 million. Dnata's profit before and after tax increased by 23% to AED 135 million.

Emirates' cash profit from operations (or EBITDA) was AED 1,126 million as compared with AED 1,176 million in 2000-01.

Revenue

Total Group revenue in 2001-02 was AED 7,815 million, an increase of AED 893 million (12.9%) over the previous year. Group revenue consisted of operating revenue of AED 7,437 million and other income of AED 377 million (2000-01: AED 6,613 million and AED 309 million).

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

Emirates operating revenue rose by AED 782 million (12.7%) to AED 6,925 million. Other income for the year increased to AED 349 million up 27.4% from AED 274 million in 2000-01 reflecting improved results from associated companies.

Passenger revenue at AED 5,261 million was 12.9% higher than last year, while cargo and related revenue grew by 8.7% to AED 1,147 million. Passenger and cargo revenue (including courier, mail and excess baggage) constituted 93.6% of Emirates' total operating revenue.

Dnata's operating revenue increased by 12.5% over last year to AED 790 million. Other income for the year was AED 30 million as compared to AED 39 million in 2000-01.

Expenditure

Group operating costs at AED 6,919 million were AED 827 million (13.6%) up over last year.

Total expenditure including financing costs and taxation was AED 7,189 million, a rise of AED 824 million (12.9%) over last year.

The increase in costs came mainly from higher aircraft operating lease costs (up AED 169 million or 31.8%), employee costs (up AED 187 million or 12.2%), aviation fuel (up AED 63 million or 8.2%), other direct operating costs (up AED 190 million or 15.5%) and corporate overheads (up AED 112 million or 15.7%) including insurance costs for the year which increased by AED 64 million mainly due to the impact of September 11.

Capital expenditure

Group capital expenditure for 2001-02 was AED 1,945 million, 216.3% higher than the previous year's level of AED 615 million. Aircraft, spares and spare engines comprised 78% of the total capital spend. This included disbursements for aircraft deliveries during the year and progress payments for future deliveries.

Financial position

At 31 March 2002, the Group's financial position showed significant improvement with liquid funds almost doubling (up 97.8%) to AED 3,401 million (2000-01: AED 1,720 million), even though, for the first time Emirates financed one new A330-200 aircraft from internal cash resources, which along with other Group capital expenditure outflows and pre-delivery payments during the year amounted to AED 914 million (2000-01: AED 289 million). Group shareholders' funds at 31 March 2002 were AED 3,549 million, up AED 733 million (26%) from 31 March 2001.

The highlight of the year was the runaway success of Emirates' maiden bond issue in July 2001. The bond was initially launched for AED 750 million, was over-subscribed by more than two and a half times and closed for an amount of AED 1,500 million (USD 408 million). This landmark bond was the first to be issued by an UAE corporation and to be listed on the Dubai Financial Market. The bond represented the development of an important new source of funding for Emirates and an important milestone in the development of financial markets in Dubai.

Of the six newly delivered Airbus A330-200s during the current financial year, two aircraft were financed using Japanese operating leases which were denominated in US Dollars. Two aircraft were also financed using a combination of export credit and Islamic financing. This innovative financing opens yet another new source of funding and represents an important diversification of funding for Emirates. One A330-200 was inducted into the fleet on operating lease from International Lease Finance Corporation. At the same time, Emirates phased out three A310 / A300 aircraft during the current year, of which two were on operating lease.

Emirates cash balance at 31 March 2002 of AED 2,938 million (2000-01: AED 1,378 million), represents more than one year's debt obligations and lease rentals. This more than adequately covers our benchmark of maintaining cash balances of at least six months debt obligations and lease rentals. The Group's cash management policy ensures that the Group has sufficient liquidity to meet its day-to-day needs and to fund its capital investment programme. At the same time, the Group places substantial cash in liquidity funds (with a minimum AAA rating) in order to generate a premium on yield.

Emirates has maintained a balanced portfolio approach towards managing its interest rate and currency exposure, where appropriate, by structuring aircraft financing leases in currencies in which revenues are generated to form a natural hedge, or, by entering into strategic forward foreign exchange contracts or interest rate / currency swaps. The balanced strategy has allowed Emirates to keep its exposure to movements in interest rates and currency at manageable levels and optimise the related impact on the income statement.

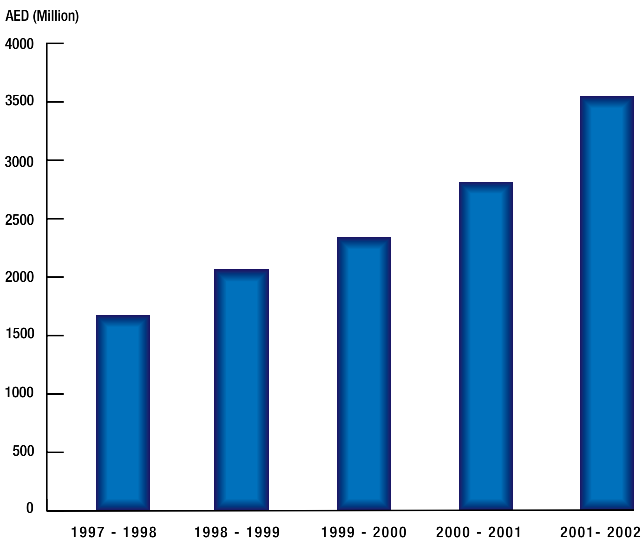
At 31 March 2002, Emirates has financed four A330-200 aircraft in Sterling and Euro denominated operating leases, which form a natural hedge against revenues generated in those currencies. This along with matching of payments with receipts and forward foreign exchange contracts / swaps that Emirates has entered into, resulted in an effective hedge at 31 March 2002 of an average of 67% (2000-01: 64%) of Sterling and Euro inflows.

Emirates long term debt (net of cash) amounts to AED 2,169 million at 31 March 2002, an increase of AED 338 million over 31 March 2001, of which 43% is on fixed rate basis with the balance 57% at floating rates. The increase is mainly on account of financing for new aircraft inducted into the fleet during the year.

At 31 March 2002, Emirates long term debt on a fixed interest rate basis carried a weighted average rate of 6.2% (2000-01: 6.2%).

At 31 March 2002, Emirates net long term debt / shareholders' funds ratio is 74% (2000-01: 80%).

Shareholders' funds



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.

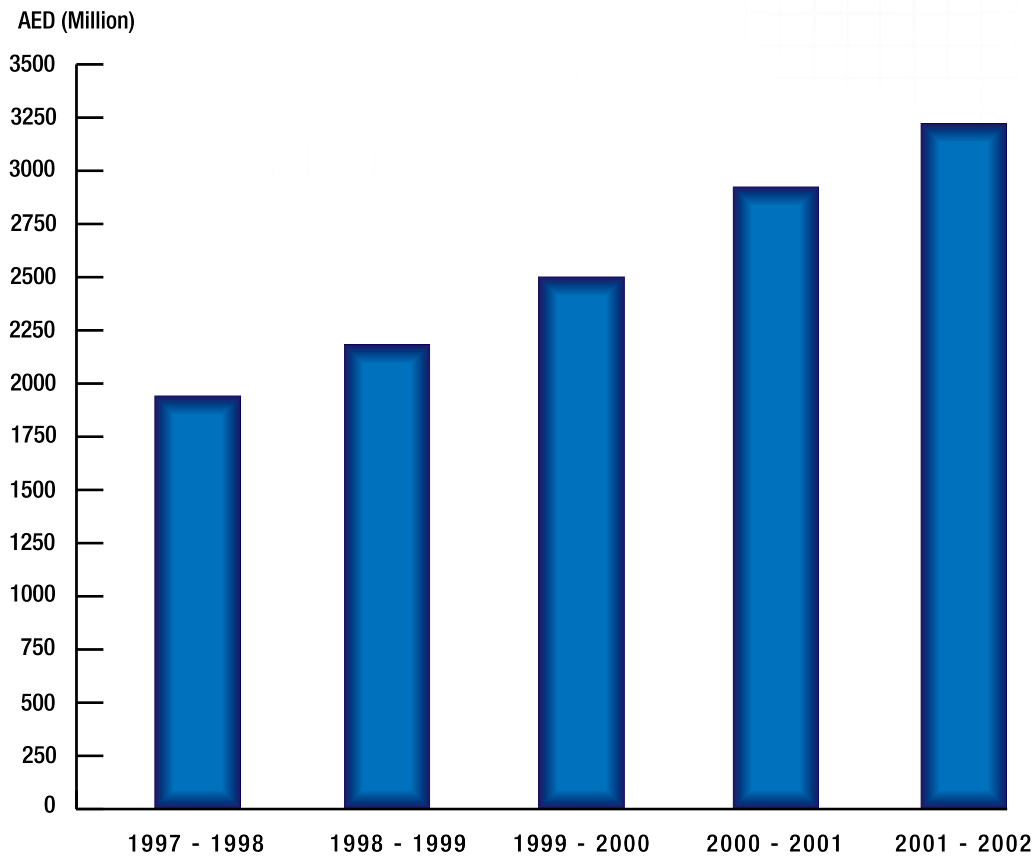
	2001-02	2000-01	1999-00	1998-99	1997-98
	AED'000	AED'000	AED'000	AED'000	AED'000
Group operating revenue	7,437,127	6,612,761	5,406,980	4,679,264	4,361,528
Less: Purchase of goods and services	4,590,960	3,995,112	3,078,810	2,643,568	2,494,002
	2,846,167	**2,617,649**	**2,328,170**	**2,035,696**	**1,867,526**
Add: Other operating income	219,746	173,021	108,514	48,636	28,735
Investment income	98,822	91,956	59,075	32,238	38,306
Profit on sale of investments	-	-	-	61,558	-
Profit on sale of fixed assets	712	50,998	14,561	3,036	5,322
Share of profit / (loss) of associated companies	58,142	(7,325)	(8,159)	2,735	2,304
Total value added by the Group	**3,223,589**	**2,926,299**	**2,502,161**	**2,183,899**	**1,942,193**
Distribution of value added:					
To employees – salaries and other employee costs	1,724,489	1,537,339	1,305,537	1,117,199	990,665
To overseas governments -					
Corporation and other taxes	13,302	10,272	7,079	12,237	8,115
To suppliers of Capital -					
Dividends	140,000	140,000	40,000	40,000	40,000
Interest	256,602	263,149	233,298	187,725	186,413
Retained for re-investment and future growth -					
Depreciation and amortisation	626,198	584,186	527,929	437,757	385,790
Retained profits	462,998	391,353	388,318	388,981	331,210
Total distribution of value added	**3,223,589**	**2,926,299**	**2,502,161**	**2,183,899**	**1,942,193**

In 2001-02, the total 'value added' of the Group increased by AED 297 million (10.2%) to AED 3,224 million (2000-01: AED 2,926 million). The increase came mainly from increased operating revenue (AED 824 million) and other operating income (AED 47 million) while the cost of purchases of goods and services increased by AED 596 million.

Employees received AED 1,724 million (53.5% of the total value added) in the form of salaries and other related costs including a profit share whilst distributions as taxation, interest and dividends were AED 410 million (12.7%).

The amount retained in the business for future growth was AED 1,089 million (33.8%).

Value added

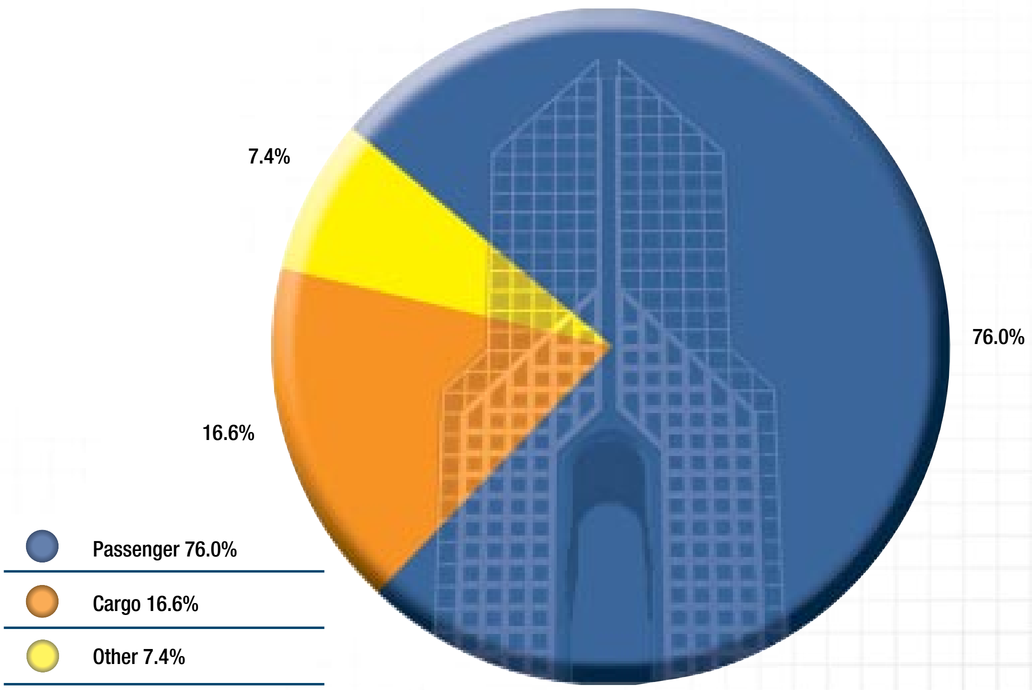


Revenue

	2001-02		2000-01	
	AED million	%	AED million	%
Passenger	5,261	76.0	4,659	75.8
Cargo	1,059	15.3	968	15.8
Courier	69	1.0	71	1.1
Excess baggage	68	1.0	57	0.9
Mail	19	0.3	16	0.3
Transport Revenue	**6,476**	**93.6**	**5,771**	**93.9**
Sale of consumer goods	340	4.9	251	4.1
Destination and leisure (see below)	78	1.1	91	1.5
Other	31	0.4	30	0.5
Total operating revenue	**6,925**	**100.0**	**6,143**	**100.0**

Destination and leisure revenue reflects the net income after removal of inter company trading and direct operating costs. Total package sales achieved for 2001-02 were AED 413 million down 16.6% on previous year (2000-01: AED 495 million) on account of September 11.

Revenue



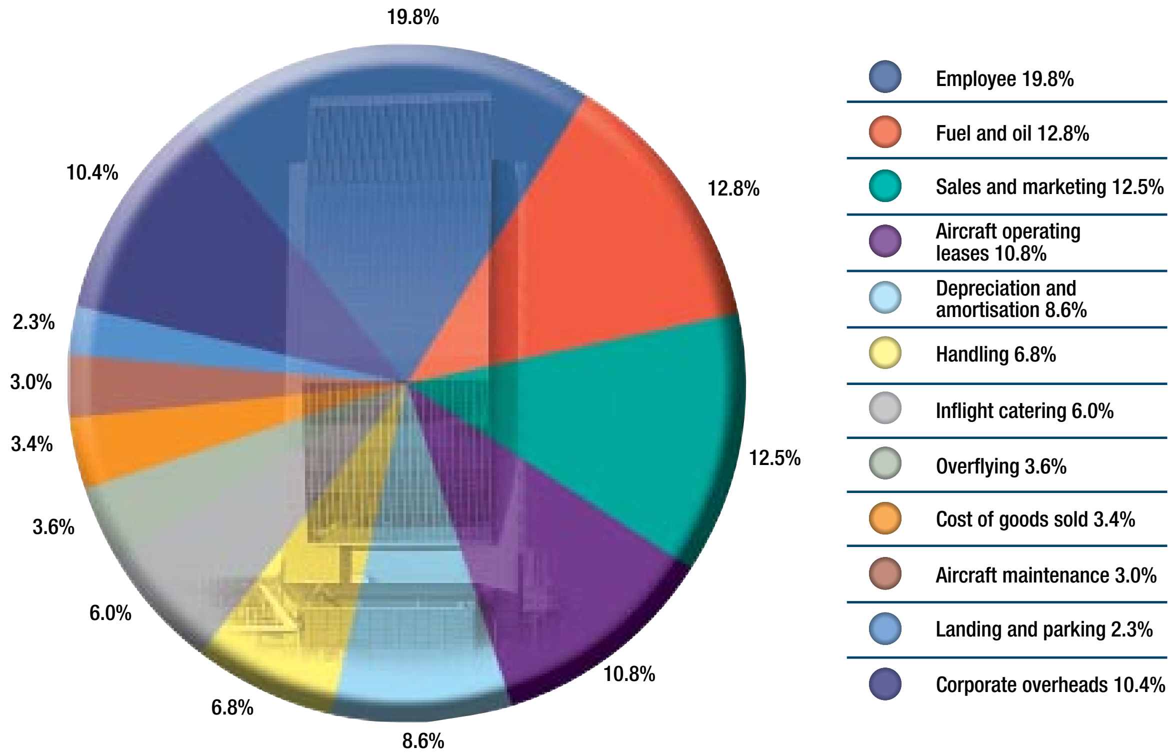
Expenditure

	2001-02		2000-01	
	AED million	%	AED million	%
Employee (see (a) below)	1,291	19.8	1,136	20.0
Fuel and oil	830	12.8	767	13.5
Sales and marketing	811	12.5	763	13.4
Aircraft operating leases	702	10.8	533	9.3
Depreciation and amortisation	562	8.6	525	9.2
Handling	445	6.8	390	6.9
Inflight catering	392	6.0	344	6.0
Overflying	233	3.6	204	3.6
Cost of goods sold	220	3.4	164	2.9
Aircraft maintenance	197	3.0	149	2.6
Landing and parking	149	2.3	139	2.4
Corporate overheads	679	10.4	579	10.2
Total operating costs (see (b) below)	**6,511**	**100.0**	**5,693**	**100.0**

(a) Includes in-house engineering employees.

(b) Excludes interest and financing costs.

Expenditure



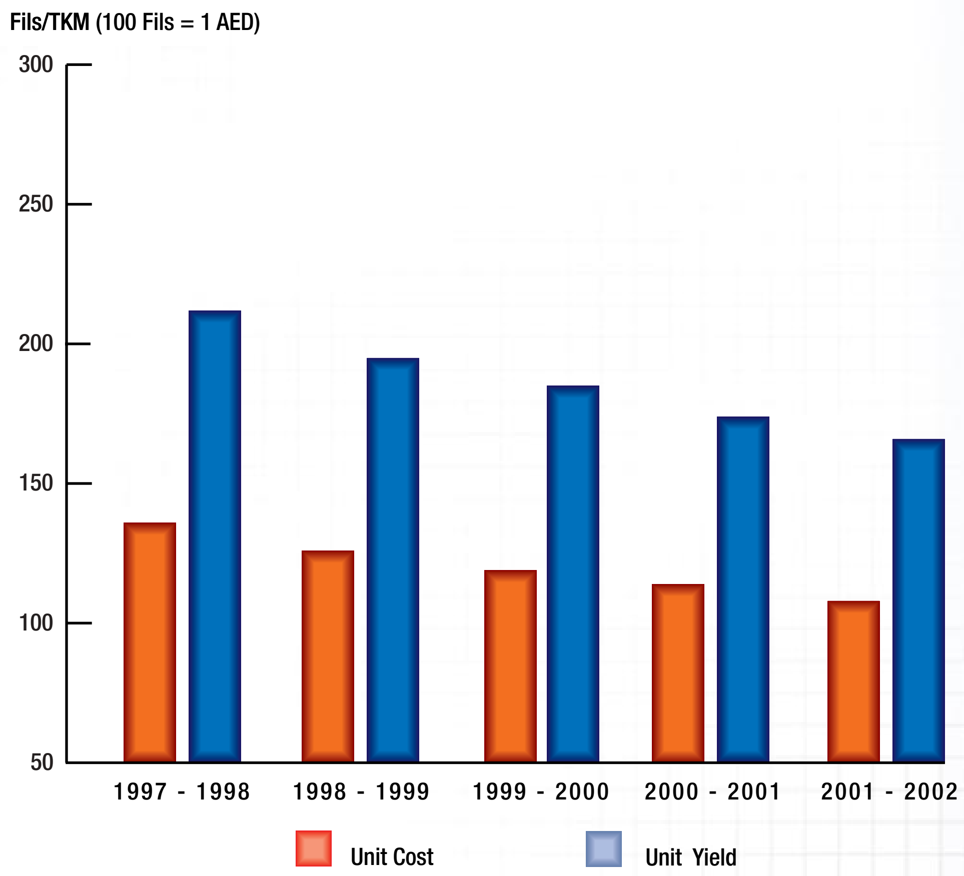
Yield, unit cost and breakeven load factor

Overall yield reduced by 5% to 166 fils per tonne-kilometre impacted by weaker currencies against the US Dollar in UK, Australia, Pakistan and South Africa. Passenger yield dropped by 4.6% mainly on account of weaker currencies contributing 3.0 percentage points and a decline in premium class traffic immediately after September 11. Cargo yield fell by 7.5% due to a combination of weaker currencies contributing 3.4 percentage points, recession in key Asian and European markets and the bottoming out of rates consequent to a fall in demand.

Unit cost improved by 6 fils (5.4%) to 108 fils per capacity tonne-kilometre as a result of lower average fuel prices and lower employee and sales and marketing costs per ATKM consequent to stringent cost containment measures introduced in the immediate aftermath of September 11.

Overall the improvement in breakeven load factor to 65.1% from 65.5% last year is a very substantial achievement especially given the huge increase in insurance costs.

Yield and unit cost



Capacity, traffic and load factor

Traffic increased by 18.1% to 3,908 million tonne-kilometre, 2 percentage points lower than the capacity increase (20.1% to 5,718 million tonne-kilometres). Aircraft departures increased by 10.2% to 38,914 while aircraft utilisation remained at one of the highest in the industry at over 12 hours per day.

The increase in traffic came principally from:

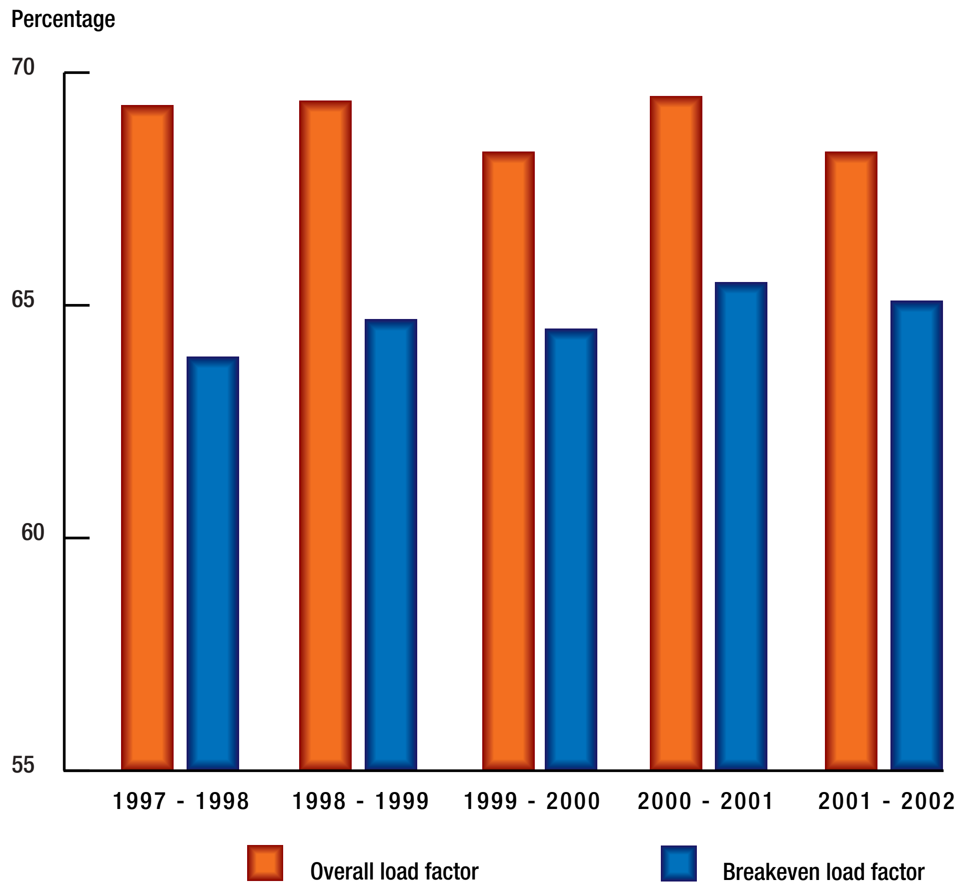
- the introduction of a new service to Hyderabad
- the full year effect of services launched during the previous financial year to Chennai, Birmingham, Tripoli and Dusseldorf
- increased frequencies to Pakistan, South Africa, France and Syria
- increased capacity to existing destinations using bigger aircraft, mainly Hong Kong, Bangkok, Sydney, Munich, Nairobi, Dar-es-salaam, Entebbe, Tehran, Sanaa and Kuwait
- increased freighter operations (20% higher compared with the previous year).

Passenger seat factor declined marginally by 0.8 percentage points to 74.3%. In the 10 weeks following September 11, passenger demand fell and seat factors averaged 66%, down 8.0 percentage points on the same period last year. **However, passenger loads picked up in the last quarter of the financial year with seat factors averaging 80%, despite an increase of 16% in capacity.** Passengers uplifted reached 6.8 million in 2001-02, representing an increase of 18.3% over last year.

Cargo carried in 2001-02 improved by 19.5% to 400,569 tonnes (2000-01: 335,194 tonnes), recording strong growth across the entire network.

Overall load factor declined by 1.2 percentage points to 68.3%, which represents a very robust performance by industry standards in a very difficult year.

Overall and breakeven load factor



Employee strength and productivity

In the year under review, the average workforce rose by 1,167 (14.6%) to 9,163. The average number of employees in the airline grew by 1,126 (14.9%) to 8,697 as a result of the significant growth in capacity.

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

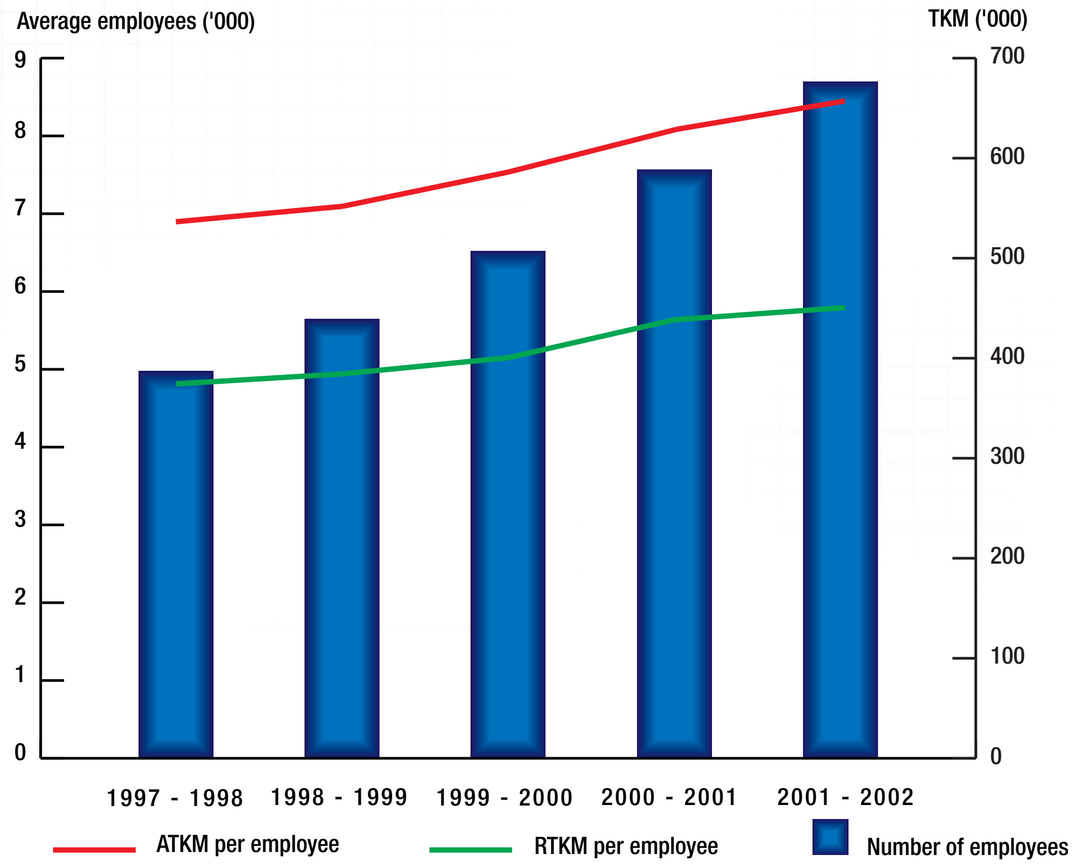
	2001-02	2000-01
UAE		
Cabin crew	2,719	2,299
Flight deck crew	556	498
Engineering	790	756
Other	2,971	2,593
	7,036	**6,146**
Overseas stations	1,661	1,425
Total Emirates	**8,697**	**7,571**
Subsidiary company	**466**	**425**
Average employee strength	**9,163**	**7,996**

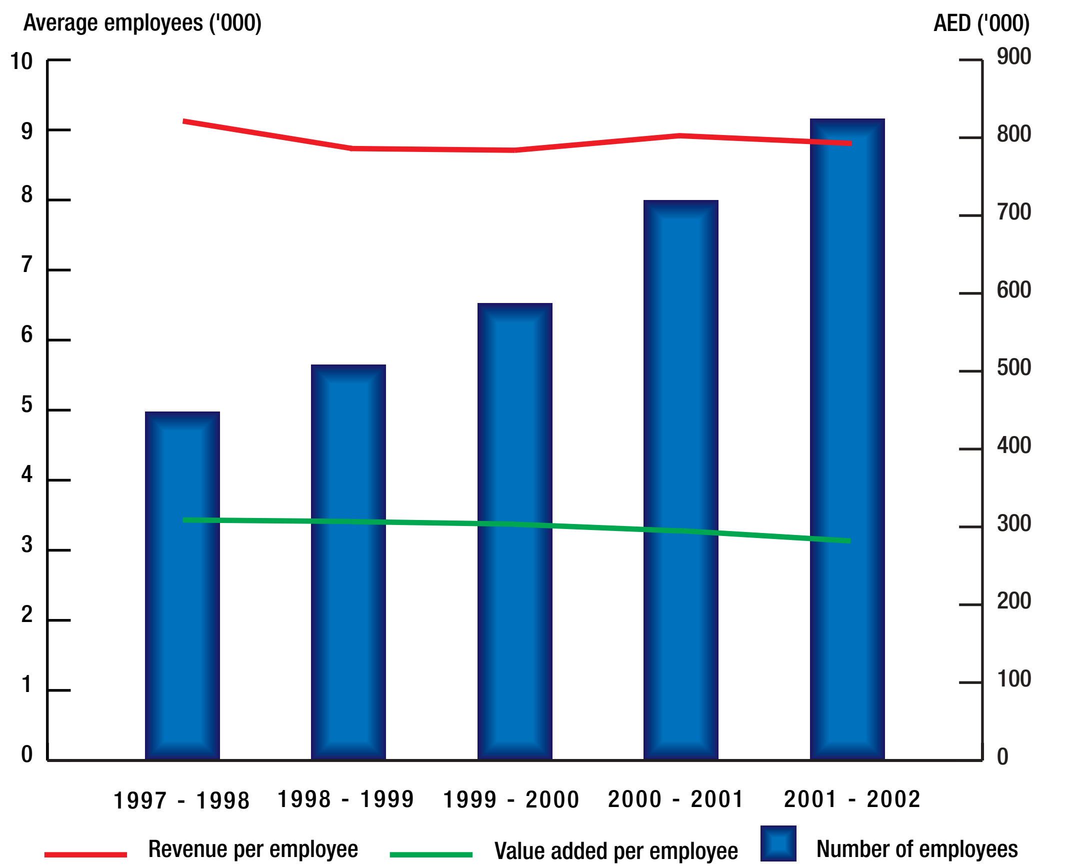
Employee productivity, measured in terms of revenue per employee was AED 793,917 compared with AED 802,573 in 2000-01 which reflects the adverse impact on traffic volumes and yield in the immediate aftermath of September 11.

Value added, which is a measure of wealth created by Emirates during the year, was AED 2,593 million up 9.8% on last year (2000-01: AED 2,361 million). This is equivalent to AED 282,986 per employee compared with AED 295,231 in the previous year.

Capacity per airline employee improved for the twelfth year with a 4.6% increase in ATKM's to 657,513 (2000-01: 628,850). In addition, load carried per airline employee increased 2.8% to 449,331 RTKM's (2000-01: 437,148).

Employee strength and productivity





Fleet information

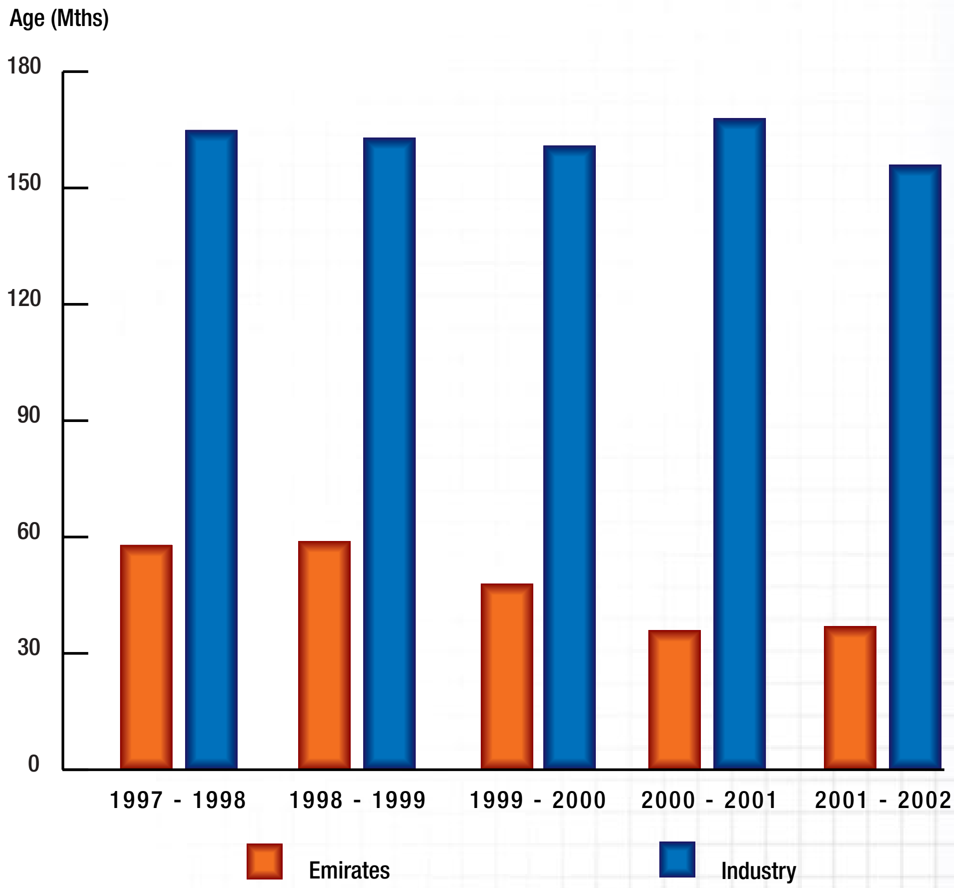
Aircraft	In operation	On firm order	On option
B777-200	9	-	4
B777-300	4	-	-
A310-300	2*	-	-
A300-600R	1	-	-
A330-200	22	5	-
A340-500	-	6	10
A380-800	-	22	10
Total	**38**	**33**	**24**

In addition to the above, Emirates has entered into contracts with International Lease Finance Corporation and Singapore Aircraft Leasing Enterprise in respect of the operating lease of eight B777-300 aircraft to be delivered between April 2002 and September 2003.

* One A310-300 has been retired from the fleet since the end of the financial year.

Emirates operates the youngest fleet in the industry with an average age of 37 months as compared with an industry average of 156 months.

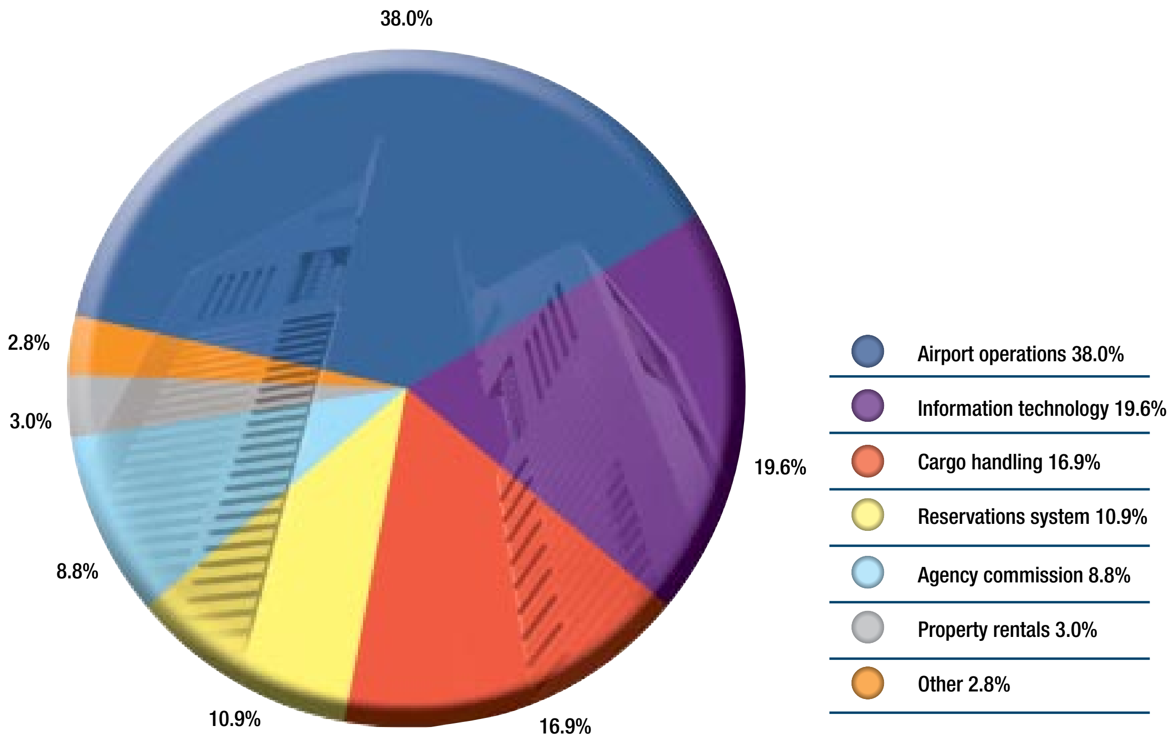
Average fleet age: Emirates and industry



Revenue

	2001-02		2000-01	
	AED million	%	AED million	%
Airport operations	300	38.0	290	41.3
Information technology	155	19.6	122	17.3
Cargo handling	133	16.9	110	15.6
Reservations system	86	10.9	64	9.2
Agency commission	70	8.8	73	10.4
Property rentals	24	3.0	20	2.9
Other	22	2.8	23	3.3
Total operating revenue	**790**	**100.0**	**702**	**100.0**

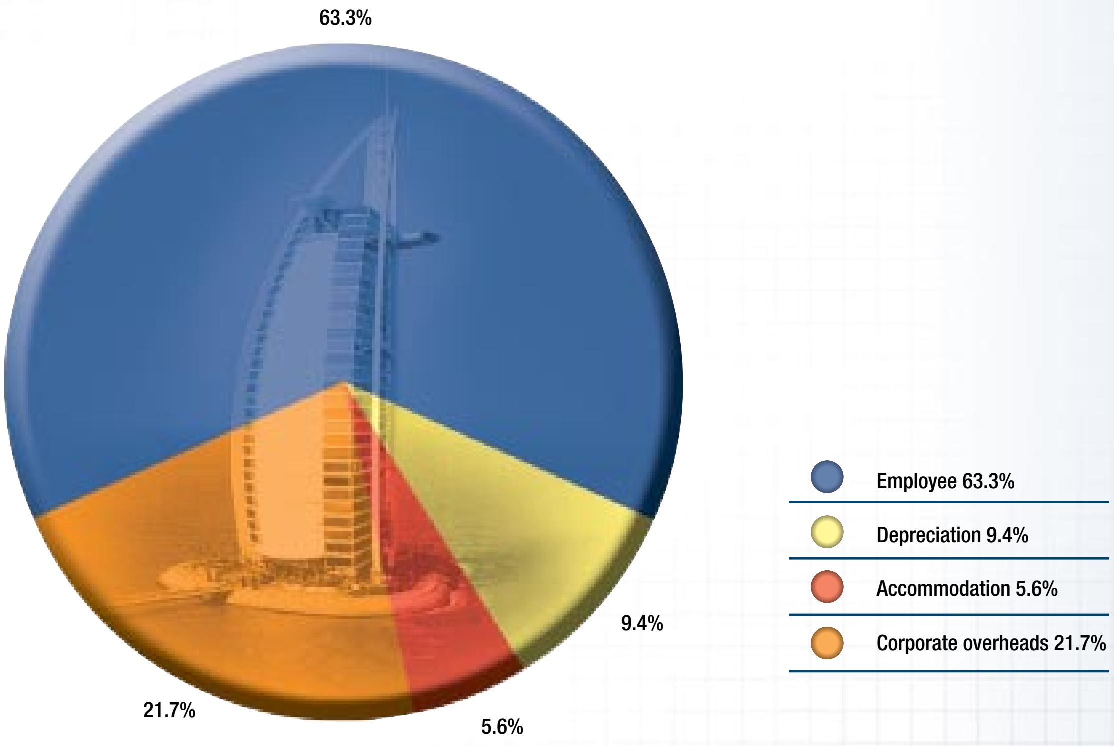
Revenue



Expenditure

	2001-02		2000-01	
	AED million	%	AED million	%
Employee	434	63.3	401	63.5
Depreciation	64	9.4	59	9.4
Accommodation	38	5.6	34	5.4
Corporate overheads	149	21.7	137	21.7
Total operating costs	**685**	**100.0**	**631**	**100.0**

Expenditure

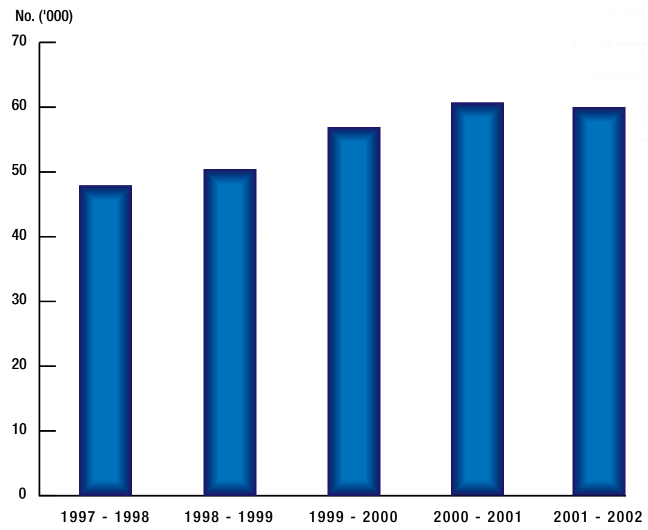


Aircraft, passengers and cargo handled

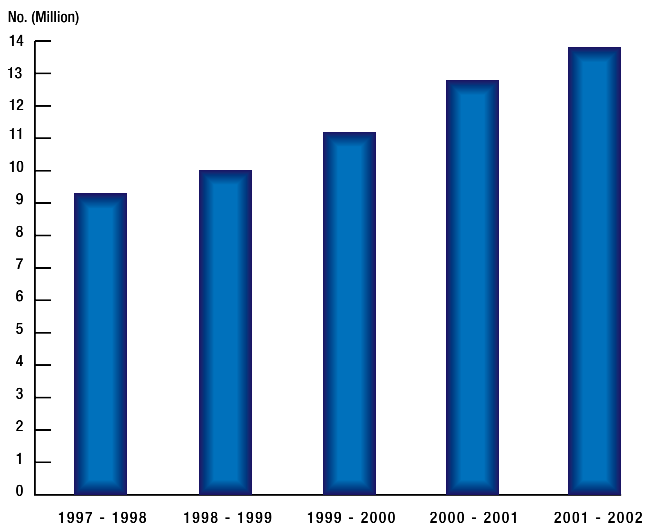
Dubai International Airport has maintained its impressive growth despite the impact of September 11 on traffic volumes worldwide.

- the number of passengers handled were 13.8 million, an increase of 7.9% or 1 million over the previous year
- the volume of cargo at 635,298 tonnes was 10.9% higher than the previous year (2000-01: 572,778 tonnes)
- Dnata handled 105 (2000-01: 95) scheduled international airlines operating to Dubai International Airport
- the number of aircraft handled during the year was 59,994 as compared with 60,689 during 2000-01.

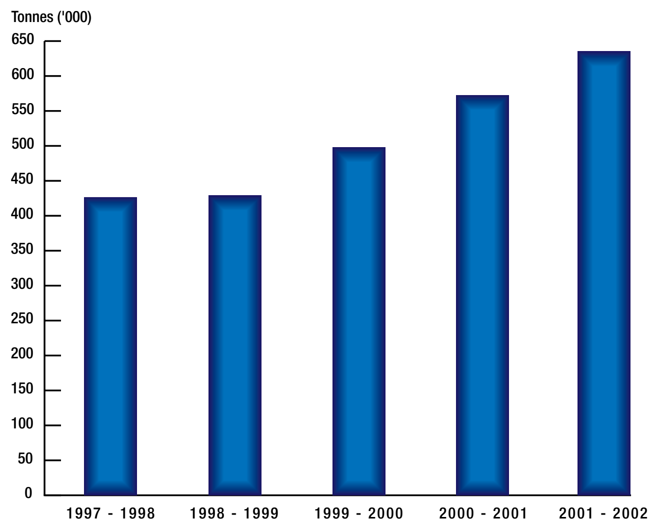
Aircraft handled



Passengers handled



Cargo handled



Employee strength and productivity

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

	2001-02	2000-01
Airport operations	3,764	3,555
Cargo handling	1,161	1,027
Dnata agencies	519	469
Other	945	836
Total Dnata	**6,389**	**5,887**
Subsidiary companies	**137**	**114**
Average employee strength	**6,526**	**6,001**

During the year under review, the average workforce rose by 525 (8.7%) to 6,526. The average number of employees of Dnata grew by 502 (8.5%) on account of the increase in volumes and full year impact of the second cargo terminal.

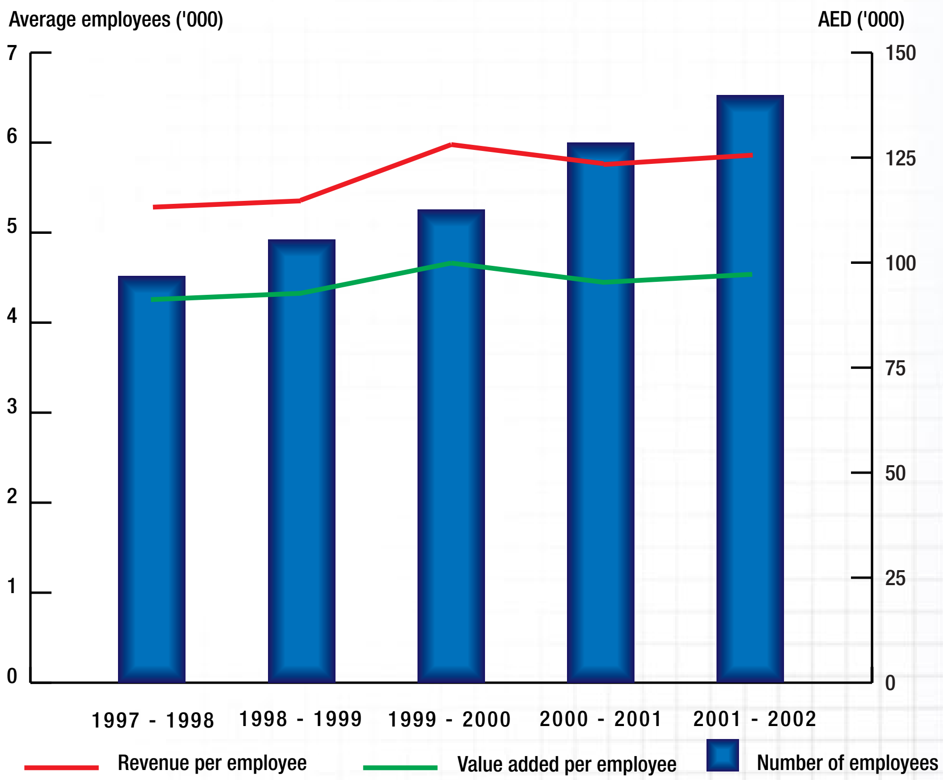
Revenue per employee increased 1.8% to AED 125,671 from AED 123,477 in 2000-01.

Value added which is a measure of wealth created by Dnata during the year, was AED 633 million (2000-01: AED 570 million). This is equivalent to AED 96,996 per employee compared with AED 94,995 in the previous year.

During the year, aircraft handled per airport employee stood at 16 while passengers handled per airport employee was up 1.9% to 3,668 (2000-01: 3,599) on account of larger aircraft being handled.

Cargo handled per cargo handling employee was 547,199 kgs compared with 557,720 kgs in 2000-01.

Employee strength and productivity



Independent auditors' report to the Government of Dubai

We have audited the accompanying consolidated balance sheet of Emirates ("the company") and its subsidiaries (together referred to as "Emirates") as at 31 March 2002 and the related consolidated statements of income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Emirates as at 31 March 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
17 April 2002

Consolidated income statement for the year ended 31 March 2002

	Notes	2002	2001
		AED'000	AED'000
Operating revenue	2	6,925,277	6,143,044
Other operating income	3	212,002	215,481
Operating costs	4	(6,511,485)	(5,692,872)
Operating profit		**625,794**	**665,653**
Net financing costs	5	(175,152)	(199,938)
Associated companies - share of results		53,523	(8,796)
Profit before taxation		**504,165**	**456,919**
Taxation	6	(13,302)	(10,272)
Profit after taxation and before minority interest		**490,863**	**446,647**
Minority interest	7	(22,632)	(24,822)
Profit for the year		**468,231**	**421,825**

The accounting policies on pages 57 to 60 and the notes on pages 61 to 72 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2002

	Notes	2002	2001
		AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	6,227,987	5,301,306
Goodwill	9	164,894	209,601
Investments in associates	10	19,771	15,116
Available-for-sale investments	11	2,872	2,872
Held-for-trading investments	11	-	485
Derivative financial instruments	27	135,828	-
		6,551,352	**5,529,380**
Current assets			
Inventories	12	377,410	363,302
Trade and other receivables	13	1,579,662	1,402,964
Held-for-trading investments	11	27,434	-
Cash and cash equivalents	25	3,124,392	1,448,367
Derivative financial instruments	27	124,075	-
		5,232,973	**3,214,633**
Total assets		**11,784,325**	**8,744,013**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	14	692,214	652,214
Reserves		2,238,777	1,640,179
		2,930,991	**2,292,393**
Minority interest	7	**54,834**	**49,027**
Non-current liabilities			
Borrowings and lease commitments	15	5,176,433	3,279,741
Derivative financial instruments	27	29,536	-
End of service benefit provision	19	134,895	113,895
Deferred credits	20	678,597	550,577
		6,019,461	**3,944,213**
Current liabilities			
Trade and other payables	21	2,229,009	1,998,422
Taxation		3,664	2,233
Borrowings and lease commitments	22	546,366	457,725
		2,779,039	**2,458,380**
Total liabilities		**8,798,500**	**6,402,593**
Total equity and liabilities		**11,784,325**	**8,744,013**

The consolidated financial statements were approved on the 17th day of April 2002 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Group Managing Director

The accounting policies on pages 57 to 60 and the notes on pages 61 to 72 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2002

	Capital	Translation reserve	Fair value reserves	Retained earnings	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
1 April 2000					
as previously reported	**612,214**	**(13,110)**	-	**1,284,976**	**1,884,080**
effect of adopting IAS 37	-	-	-	46,488	46,488
as restated	**612,214**	**(13,110)**	-	**1,331,464**	**1,930,568**
Additions during the year	40,000	-	-	-	40,000
Profit for the year	-	-	-	421,825	421,825
Dividend	-	-	-	(100,000)	(100,000)
1 April 2001	**652,214**	**(13,110)**	-	**1,653,289**	**2,292,393**
effect of adopting IAS 39 (Note 27)	-	-	263,449	-	263,449
Additions during the year	40,000	-	-	-	40,000
Gains due to changes in fair value	-	-	61,888	-	61,888
Transferred to income statement	-	-	(94,970)	-	(94,970)
Profit for the year	-	-	-	468,231	468,231
Dividend	-	-	-	(100,000)	(100,000)
31 March 2002	**692,214**	**(13,110)**	**230,367**	**2,021,520**	**2,930,991**

The accounting policies on pages 57 to 60 and the notes on pages 61 to 72 form an integral part of the consolidated financial statements.

Emirates

Consolidated statement of cash flows for the year ended 31 March 2002

	2002	2001
	AED'000	AED'000
Operating activities		
Profit for the year before taxation and after minority interest	481,533	432,097
Adjustments for:		
Depreciation (Note 4)	509,729	466,308
Amortisation (Note 4)	51,934	58,758
Net financing costs	175,152	199,938
Profit on sale of property, plant and equipment	(377)	(48,501)
Associated companies - share of results	(53,523)	8,796
Fair value gains on held-for-trading investments	(26,949)	-
Net transfer from aircraft maintenance provision	-	(95,866)
Transfer to provident fund and end of service benefit provision	78,918	69,806
Deferred credits recognised (Note 20)	(61,623)	(15,077)
Operating cash flows before working capital changes	**1,154,794**	**1,076,259**
Contributions to provident fund and end of service benefit payments	(57,918)	(58,435)
Changes in working capital:		
Inventories	(14,108)	(24,922)
Trade and other receivables	(187,326)	(285,896)
Current liabilities and deferred accounts	444,377	532,919
Tax paid	(11,871)	(10,557)
Net cash provided from operating activities	**1,327,948**	**1,229,368**
Investing activities		
Proceeds from sale of property, plant and equipment	119,154	664,588
Capital expenditure (Note 26)	(833,966)	(235,990)
Investments in associates	-	(93,275)
Additional investment in subsidiary (Note 10)	(10,044)	-
Acquisition of subsidiary (Note 28)	-	(198,122)
Other investments made during the year	-	(2,872)
Interest income	94,484	51,772
Dividends received from an associate	48,868	41,044
Net cash (used in) / provided from investing activities	**(581,504)**	**227,145**
Financing activities		
Net proceeds from issue of bonds (Note 15)	1,495,188	-
Net loan repayments	(40,205)	(195,839)
Aircraft financing costs	(211,258)	(252,757)
Other finance charges	(36,041)	(703)
Net lease commitments	(306,572)	(528,684)
Dnata account	(2,969)	(5,453)
Capital introduced	40,000	40,000
Dividend paid	(100,000)	-
Dividend paid to minority share holders	(24,826)	(13,770)
Net cash provided from / (used in) financing activities	**813,317**	**(957,206)**
Net increase in cash and cash equivalents	**1,559,761**	**499,307**
Cash and cash equivalents at beginning of year	1,378,257	878,950
Cash and cash equivalents at end of year (Note 25)	**2,938,018**	**1,378,257**

Emirates

The accounting policies on pages 57 to 60 and the notes on pages 61 to 72 form an integral part of the consolidated financial statements.

Principal accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with and comply with International Accounting Standards. The consolidated financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies for available-for-sale investments, held-for-trading investments and derivative financial instruments.

Basis of consolidation

The consolidated financial statements of Emirates comprise Emirates, Maritime & Mercantile International Management L.L.C., Emirates Hotel L.L.C., together with Emirates' share of results for the year of its associated companies. All material inter-company transactions, balances and unrealised surpluses and deficits on transactions between Emirates and its subsidiaries and associates have been eliminated.

Revenue

Passenger and cargo sales are recognised as revenue when the transportation is provided. Tickets sold but unused are held in the balance sheet as passenger and cargo sales in advance and released to income on a systematic basis.

Other operating revenue is recognised when goods are delivered or services rendered during the year and are stated net of discounts and returns.

Foreign currency

Foreign currency transactions are translated into UAE Dirhams at rates approximating those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the rate ruling at the balance sheet date. Translation differences relating to the investment in associates and subsidiaries are classified as equity until the disposal of the investment. All other exchange differences are dealt with in the income statement.

Taxation

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

Principal accounting policies (continued)

Property, plant and equipment

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

Depreciation is calculated so as to write off the cost of property, plant and equipment, less estimated residual values, on a straight line basis over the estimated useful lives of the assets concerned. The estimated useful lives and residual values are:

Aircraft	15 years (residual value 10%)
Aircraft engines and rotable spares	5 - 15 years (residual value 0 -10%)
Buildings and leasehold property	5 - 20 years
Other property, plant and equipment	3 - 15 years

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset.

Manufacturers' credits

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

Capital projects

Capital projects are stated at cost together with financing costs incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, capital projects are transferred to the appropriate category under property, plant and equipment and depreciated in accordance with Emirates' policies.

Finance and operating leases

Where property, plant and equipment 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 cost of property, plant and equipment represents the lower of the present value of the minimum lease payments and the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. Interest on the outstanding liability at current rates together with depreciation on the asset are charged to the income statement.

Lease rental charges in respect of operating leases are charged to the income statement on a systematic basis representative of the time pattern of the benefits derived from the use of the asset.

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net assets acquired by Emirates in its subsidiaries at the date of acquisition. Goodwill is amortised over a period of two to twenty years. The carrying amount of goodwill is reviewed annually and written down for impairment.

Investments in associates

Investments in associates are accounted for in accordance with the equity method.

A listing of associated companies is shown in Note 10.

Available-for-sale investments

Investments intended to be held for an indefinite period of time are classified as available-for-sale. Quoted investments are initially recognised in the balance sheet at cost including transaction costs and subsequently measured at their fair value based on quoted bid prices. Unrealised gains and losses arising from changes in the fair value are recognised in the fair value reserves in equity until the investment is sold, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

Unquoted investments in this category are stated at cost. At each balance sheet date a review is made for an indication of impairment and where necessary the carrying value is written down to the present value of expected future cash flows discounted at current market rates.

Held-for-trading investments

Investments that are intended to be held for the short term are classified as held-for-trading and included in current assets. Trading investments are initially recognised in the balance sheet at cost including transaction costs and subsequently measured at their fair value based on quoted bid prices. Realised and unrealised gains and losses arising from changes in the fair value are included in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost including transaction costs and subsequently measured at their fair values. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

Derivative financial instruments (continued)

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the fair value reserves in equity. When the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. In all other cases, amounts deferred in equity are transferred to the income statement in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

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

Inventories

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

End of service benefit provision

Provision for end of service benefit for employees based in the UAE is as per UAE labour law and is based on periods of cumulative service and employees' current basic salary.

Provision for end of service benefit for employees based outside the UAE is in accordance with the relevant local regulations.

Provident fund

Senior employees who are based in the UAE and all UAE national employees are entitled to participate in a provident fund to which Emirates contributes. Emirates guarantees these employees will receive at the end of their contracts, at a minimum, benefits equal to their end of service benefit entitlements in accordance with their contracts of employment. Contributions to the provident fund are charged to the income statement in the period in which they fall due.

Frequent flyer programme

Net liability for free miles under the frequent flyer programme is accounted using the incremental cost method.

Cash and cash equivalents

For the purpose of reporting cash flows, Emirates considers all cash and liquid funds with an original maturity of less than three months and bank overdrafts to be cash and cash equivalents.

1. Establishment and operations

Emirates comprises Emirates, its subsidiaries and associated companies. Emirates was incorporated, with limited liability, by an Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 26 June 1985 as the national airline for the emirate of Dubai. Emirates is wholly owned by the Government of Dubai and commenced commercial operations on 25 October 1985.

The main activities of Emirates comprise:

- commercial air transportation which includes passenger, cargo and postal carriage services
- wholesale and retail of consumer goods through its subsidiary Maritime & Mercantile International Management L.L.C.
- aircraft handling and catering services at Bandaranaike International Airport through its associated company SriLankan Airlines Limited
- catering and related services to airlines using Dubai International Airport through its associated company Emirates – Abela Catering Co. L.L.C.
- hotel operations through its subsidiary Emirates Hotel L.L.C. (commercial operations are likely to commence in the financial year 2002-03) and through Al Maha which is the ecotourism resort owned by Emirates.

2. Operating revenue

	2002	2001
	AED'000	AED'000
Services		
Passenger	5,260,664	4,658,479
Cargo	1,059,366	967,833
Destination and leisure	77,684	90,937
Courier	69,132	70,943
Excess baggage	68,453	57,320
Mail	18,815	16,317
Licensed engineering income	17,010	17,318
Duty free income	13,669	12,894
	6,584,793	**5,892,041**
Sale of consumer goods	**340,484**	**251,003**
	6,925,277	**6,143,044**

2. Operating revenue (continued)

Segment information

Primary reporting format - geographical segments

	Middle East	Europe	Far East	Indian Sub-continent	Africa	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2002						
Total revenue	1,686,648	2,249,421	1,721,740	1,018,608	460,862	7,137,279
Segment results	846,912	565,865	404,870	358,362	125,065	2,301,074
Unallocated costs						(1,675,280)
Operating profit						**625,794**
Associated companies - share of results	53,523	-	-	-	-	53,523
2001						
Total revenue	1,549,877	1,997,120	1,644,101	836,349	331,078	6,358,525
Segment results	800,646	636,200	399,917	278,533	78,460	2,193,756
Unallocated costs						(1,528,103)
Operating profit						**665,653**
Associated companies - share of results	(8,796)	-	-	-	-	(8,796)

Traffic revenue is allocated to the segments based on turnover by destination. Revenue from inbound and outbound airline operations between UAE and the overseas point are attributed to the geographical area in which the respective overseas points are located. Other revenue streams are grouped under Middle East, being the principal segment in which services are rendered. Costs not directly attributable to geographical segments are shown as unallocated.

The major revenue earning asset is the aircraft fleet which is registered in the UAE. Since the aircraft fleet is employed flexibly across the Emirates' route network, there is no suitable basis of allocating such assets and the related depreciation and liabilities to geographical segments.

Secondary reporting format - business segments

	Airline	Consumer goods	Total
	AED'000	AED'000	AED'000
2002			
Total revenue	6,796,795	340,484	7,137,279
2001			
Total revenue	6,107,522	251,003	6,358,525

Emirates operates predominantly in two industries, airline and consumer goods. The carrying amount of total assets at 31 March 2002 comprised airline related assets of AED 11,601.5 million (2001: AED 8,574.9 million) and assets deployed in the consumer goods segment of AED 182.8 million (2001: AED 169.1 million). The related segment capital expenditure for the year ended 31 March 2002 was AED 1,874.2 million (2001: AED 557.9 million) and AED 6 million (2001: AED 3.6 million) respectively.

3. Other operating income

Other operating income includes profit on sale and lease back of aircraft amounting to AED Nil (2001: AED 132.1 million), unrealised gains on held-for-trading investments amounting to AED 26.9 million (2001: Nil) and net surpluses from cashed in interest rate derivatives amounting to AED 59.7 million (2001: Nil).

4. Operating costs

	2002	2001
	AED'000	AED'000
Employee (see (a) & (d) below)	1,290,796	1,135,920
Fuel and oil	830,135	767,149
Sales and marketing	810,979	763,463
Aircraft operating leases (see (b) below)	702,370	533,085
Depreciation	509,729	466,308
Handling (see (c) below)	444,986	390,177
Inflight catering	392,506	343,706
Overflying (see (c) below)	232,712	204,195
Cost of goods sold	220,627	163,696
Aircraft maintenance	196,805	148,980
Landing and parking (see (c) below)	149,246	138,756
Amortisation (Note 9)	51,934	58,758
Corporate overheads (see (e) below)	678,660	578,679
	6,511,485	**5,692,872**

(a) Employee costs include AED 27.4 million (2001: AED 23.6 million) in respect of end of service benefit provision, AED 51.5 million (2001: AED 46.2 million) in respect of provident fund contributions and AED 33 million (2001: AED 33.1 million) in respect of Emirates' profit share scheme.

(b) Aircraft operating lease charges include AED 571.8 million (2001: AED 427.2 million) in respect of twenty three aircraft (2001: twenty) and AED 130.6 million (2001: AED 105.9 million) in respect of the wet lease of freighter aircraft.

(c) A detailed review of direct operating cost accruals is performed each year. This review necessitated an adjustment to the accruals for landing, handling and overflying costs resulting in a release of excess accruals made in prior years amounting to AED 24 million (2001: AED 19.5 million).

(d) Average employee strength during the year was 9,163 (2001: 7,996).

(e) Corporate overheads include a net loss from foreign currency transactions of AED 13 million (2001: AED 26.1 million).

5. Net financing costs

	2002	2001
	AED'000	AED'000
Aircraft financing costs	(211,380)	(262,446)
Interest charges	(47,628)	(5,135)
Interest income	83,856	67,643
	(175,152)	**(199,938)**

Interest charges includes interest on bonds (Note 15) of AED 45.2 million (2001: Nil).

6. Taxation

Taxation relates only to certain overseas stations where the company is subject to income tax and where tax exemptions are not likely to be obtained. Hence providing information on effective tax rates is not meaningful.

7. Minority interest

	2002	2001
	AED'000	AED'000
Balance brought forward	**49,027**	-
Investment during the year (Note 10)	8,001	37,975
Share of net profit	22,632	24,822
Dividend paid	(24,826)	(13,770)
Balance carried forward	**54,834**	**49,027**

8. Property, plant and equipment

	Aircraft	Aircraft engines and rotable spares	Buildings and leasehold property	Other property, plant and equipment	Capital projects	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
1 April 2001	4,594,204	1,080,238	637,830	714,425	146,876	7,173,573
Additions	-	7,340	731	31,313	1,840,788	1,880,172
Transfers from capital projects	1,261,456	-	173,346	94,768	(1,529,570)	-
Disposals	(548,323)	(37,890)	(27,379)	(29,972)	-	(643,564)
31 March 2002	**5,307,337**	**1,049,688**	**784,528**	**810,534**	**458,094**	**8,410,181**
Depreciation						
1 April 2001	971,382	299,356	184,642	416,887	-	1,872,267
Charge for the year	304,739	65,623	62,102	77,265	-	509,729
Disposals	(117,118)	(26,379)	(27,148)	(29,157)	-	(199,802)
31 March 2002	**1,159,003**	**338,600**	**219,596**	**464,995**	-	**2,182,194**
Net book value						
31 March 2002	**4,148,334**	**711,088**	**564,932**	**345,539**	**458,094**	**6,227,987**
31 March 2001	3,622,822	780,882	453,188	297,538	146,876	5,301,306

8. Property, plant and equipment (continued)

The net book value of aircraft includes an amount of AED 4,039.1 million (2001: AED 3,499.2 million) in respect of assets held under finance leases (Note 17) and AED Nil (2001: AED 123.6 million) in respect of assets acquired under term loans (Note 16).

Aircraft fleet

At 31 March 2002 the aircraft fleet comprised thirty eight aircraft (2001: thirty five)

22 Airbus A330-200	(14 under operating lease)
9 Boeing B777-200	(3 under operating lease)
4 Boeing B777-300	(4 under operating lease)
2 Airbus A310-300	
1 Airbus A300-600R	

Emirates has entered into contracts to purchase five A330-200 aircraft, six A340-500 aircraft and twenty two A380-800 aircraft (Note 23).

Capital projects

Capital projects include pre-delivery payments of AED 362.2 million (2001: AED 286.9 million) in respect of Airbus aircraft (Note 23) due for delivery between 2002 and 2010 and non-refundable option deposits of AED 10.3 million (2001: AED 10.3 million) held in respect of B777 aircraft.

9. Goodwill

	2002
	AED'000
Balance brought forward	**209,601**
Additions during the year (Note 10)	7,227
Amortisation for the year	(51,934)
Balance carried forward	**164,894**
Cost	**399,930**
Accumulated amortisation	(235,036)
Closing balance	**164,894**

10. Investments in subsidiaries and associates

The subsidiaries and associated companies are:

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Subsidiaries			
Maritime & Mercantile International Management L.L.C.	51.0	Wholesale and retail consumer goods	UAE
Emirates Hotel L.L.C.	50.0	Hotel	UAE

Emirates has the ability to govern the operating and the financial policies of its subsidiaries.

Associated companies			
Emirates – Abela Catering Co. L.L.C.	45.0	Catering services to airlines	UAE
SriLankan Airlines Limited	43.6	Air transportation, aircraft handling and catering	Sri Lanka

Emirates' equity share in Maritime & Mercantile International Management L.L.C. was 49.0% in 2001. The additional investment of 2% was made in May 2001. Effective April 2001 Emirates has made progressive investments in Emirates Hotel L.L.C.. There were no other changes during the year.

11. Other investments

(a) Available-for-sale investments represent unquoted depository certificates without fixed maturity in SITA Inc.. The investment is measured at cost as it is not possible to ascertain the fair value.

(b) Held-for-trading investments represent shares which were previously stated at cost due to restrictions placed on sale. These restrictions were removed in the current financial year and management has the intention to sell the shares in the short term.

12. Inventories

	2002	2001
	AED'000	AED'000
Engineering	279,369	281,263
Inflight consumables	42,562	40,769
Consumer goods	42,160	30,532
Other	13,319	10,738
	377,410	**363,302**

13. Trade and other receivables

	2002	2001
Trade receivables		
Airlines	51,020	56,883
Agents	576,086	502,226
Dnata (Note 18)	2,201	2,887
Retail and consumer goods customers	127,356	171,400
	756,663	**733,396**
Other receivables		
Prepayments and deposits (see below)	336,268	248,053
Operating lease deposits	381,828	247,902
Other	104,903	173,613
	822,999	**669,568**
	1,579,662	**1,402,964**

Prepayments and deposits include AED 126.3 million (2001: AED 118.3 million) which are not expected to be realised within one year.

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Where there is objective evidence of amounts that are not collectible, a provision is made for the difference between the carrying amount and the recoverable amount. There are no significant concentrations of credit risk.

14. Capital

Capital represents the permanent capital provided by the Government of Dubai.

Emirates

15. Borrowings and lease commitments - non-current

	2002	2001
	AED'000	AED'000
Lease commitments (Note 17)	3,570,994	3,179,142
Bonds (see (a) and (b) below)	1,495,188	-
Term loans (Note 16)	40,378	30,128
Dnata account (Note 18)	69,873	70,471
	5,176,433	**3,279,741**
(a) Bonds at face value	1,500,000	-
Less : Unamortised transactions costs	(4,812)	-
	1,495,188	-

(b) The bonds are floating rate notes due in July 2006 and are issued at 100% of their principal amount. The bonds bear interest at six-month-EBOR plus 70 basis points. EBOR is the UAE inter-bank offered rate. Interest is paid semi-annually in arrears in January and July each year. Interest rates are fixed on issue and thereafter semi-annually on the interest payment dates and remain fixed till the next interest payment date.

The bonds may also be redeemed earlier at the option of Emirates, in whole but not in part, at their principal amount either
(i) on the interest payment date falling in July 2004, or
(ii) if 25% or less of the bonds originally issued remain outstanding, on any interest payment date.

Additionally, holders of bonds representing more than 50% of the aggregate principal amount of the bonds then outstanding may elect to require Emirates to redeem all (but not some only) of the bonds at their principal amount on the interest payment date falling in July 2004. Bond holders may also individually elect to require Emirates to redeem all (but not some) of their holdings on the next following interest payment date in the event that the Government of Dubai ceases to be the ultimate owner (whether directly or indirectly) of not less than 50% of Emirates.

16. Term loans

	2002	2001
	AED'000	AED'000
Balance brought forward	**80,583**	**276,422**
Net repayments during the year	(40,205)	(195,839)
Balance carried forward	**40,378**	**80,583**
Loans are repayable as follows:		
Within one year (Note 22)	-	**50,455**
2-5 years	19,464	30,128
After 5 years	20,914	-
Total over one year (Note 15)	**40,378**	**30,128**

The outstanding term loan in the current year is secured on the related asset in addition to a corporate guarantee of AED 48.8 million.

17. Lease commitments

	2002	2001
	AED'000	AED'000
Finance leases		
Gross liabilities under lease commitments	5,361,556	4,884,169
Future interest	(1,145,485)	(1,096,890)
Term deposits	(285,085)	(270,977)
Net commitments	**3,930,986**	**3,516,302**
Net lease commitments are repayable as follows:		
Within one year (Note 22)	**359,992**	**337,160**
2-5 years	1,751,004	1,497,384
After 5 years	1,819,990	1,681,758
Total over one year (Note 15)	**3,570,994**	**3,179,142**

The lease commitments are secured on the related aircraft. In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2002, the penalties would have been AED 133.5 million (2001: AED 114.1 million).

Operating leases

Future minimum lease payments are as follows :

	2002	2001
	AED'000	AED'000
Less than 1 year	695,566	616,176
2-5 years	2,214,209	2,364,750
After 5 years	3,844,657	3,149,075
	6,754,432	**6,130,001**

In the event of these leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2002, the penalties would have been AED 362.5 million (2001: AED 312.9 million).

Emirates holds purchase options for fourteen of twenty one aircraft leased for a period of 5 to 12 years.

18. Dnata account

Emirates and Dnata share senior management and central corporate functions. The amount payable to Dnata shown in Note 15 arises from the net recharge of expenses between Emirates and Dnata, charges raised in respect of services provided and the transfer of funds. This liability 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 paid to Dnata in line with UAE Dirham bank deposit rates.

The amount receivable from Dnata shown in Note 13 arises from ticket and cargo sales in the normal course of business.

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 the profit for the year.

19. End of service benefit provision

	2002
	AED'000
Balance brought forward	**113,895**
Charge for the year	27,449
Payments made during the year	(6,449)
Balance carried forward	**134,895**

The end of service benefit provision relates to employees who do not participate in the company provident fund. Senior employees based in the UAE and all UAE national employees participate in the company provident fund, an independent provident fund for which Emirates guarantees these employees will receive at the end of their contracts, at a minimum, benefits equal to their end of service benefit entitlements in accordance with their contracts of employment. At 31 March 2002, the benefits secured by Emirates' contributions exceeded employees' contractual end of service benefit entitlements.

In accordance with the provisions of IAS 19 (revised), management has carried out an exercise to assess the net present value of its obligations at 31 March 2002, in respect of employees' end of service benefits payable under UAE labour law. The assessment assumed average expected salary increases between 0% and 5% and a discount rate of 6%. The present value of the obligations at 31 March 2002, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with UAE labour law.

20. Deferred credits

	2002	2001
	AED'000	AED'000
Balance brought forward	**550,577**	**284,745**
Additions during the year	189,643	280,909
Recognised during the year	(61,623)	(15,077)
Balance carried forward	**678,597**	**550,577**

21. Trade and other payables

	2002	2001
Trade payables and accruals	1,281,952	1,216,287
Passenger and cargo sales in advance	847,057	682,135
Dividend payable	100,000	100,000
	2,229,009	**1,998,422**

22. Borrowings and lease commitments – current

	2002	2001
Lease commitments (Note 17)	359,992	337,160
Term loans (Note 16)	-	50,455
Bank overdrafts (Note 25)	186,374	70,110
	546,366	**457,725**

Emirates

23. Commitments

	2002	2001
	AED'000	AED'000
Capital commitments		
Authorised and contracted	22,953,591	4,259,719
Authorised but not contracted	16,274,253	6,344,926
	39,227,844	**10,604,645**

Commitments have been entered into for the purchase of aircraft for delivery as follows (Note 8):

Financial year	Aircraft
2002 - 2003	2
2003 - 2004	9
Beyond 2004 - 2005	22

In addition, options are held on four Boeing and twenty Airbus aircraft.

	2002	2001
Operational commitments		
Purchase commitments	1,863,074	1,585,454
Letters of credit	35,767	16,545
	1,898,841	**1,601,999**

Purchase commitments relate mainly to forward fuel purchase contracts (Note 27(iii)).

24. Contingent liabilities

	2002	2001
Guarantees provided in the normal course of business	61,001	59,836

25. Cash and cash equivalents

	2002	2001
Short term bank deposits and liquid funds	2,944,628	1,226,699
Cash and bank	179,764	221,668
	3,124,392	**1,448,367**
Bank overdrafts (Note 22)	(186,374)	(70,110)
	2,938,018	**1,378,257**

Short term bank deposits and liquid funds bear an effective interest rate of 3.89% (2001: 5.99%) per annum.

26. Analysis of capital expenditure

	2002	2001
	AED'000	AED'000
Purchase of property, plant and equipment (Note 8)	1,880,172	561,510
Less : Assets acquired under finance leases	(1,046,206)	(325,520)
Capital expenditure	**833,966**	**235,990**

27. Financial instruments

IAS 39 – Financial Instruments: Recognition and Measurement, became effective in the current year and has been adopted in these financial statements. In accordance with the transitional provisions of IAS 39, derivative financial instruments in existence at the commencement of the financial year have been recognised as an asset on the balance sheet at their fair values and an adjustment made to the opening balance of equity. In accordance with IAS 39, the comparative financial statements for the year ended 31 March 2001 are not restated. Prior to adopting IAS 39, derivative financial instruments were not recognised on the balance sheet.

(i) Interest rate risk

Emirates is exposed to interest rate fluctuations on the international financial market with respect to interest cost and interest income.

Interest cost

The long term debt portfolio of Emirates has a blend of fixed and floating rate debt and lease commitments. Emirates closely monitors interest rate trends and the related impact on interest costs and manages interest rate exposure by maintaining an appropriate blend of fixed and floating rate debt and lease commitments and by entering into interest rate swaps and options. A 1% increase in interest rates relating to the debt and operating lease commitments will increase the charge to the income statement in the next financial year by AED 56.5 million (2001: AED 25.5 million). Aircraft related financing and term loans bear an effective interest rate of 5.59% (2001: 6.91%) per annum while the effective interest rate on bonds was 4.13%.

Interest income

Emirates earns interest income on its cash surpluses. Emirates closely monitors interest rate trends and the related impact on interest income and manages interest rate exposure by entering into interest rate swaps and options.

		2002
		AED'000
Description	**Term**	
Interest rate swap liability	2003-2005	9,518

(ii) Currency risk

Emirates is exposed to exchange rate fluctuations between the US Dollar and other currencies which are generated from sales activities. Emirates' reporting currency, UAE Dirham is pegged to the US Dollar. Emirates closely monitors currency rate trends and the related impact on revenues. Emirates manages its currency exposure as follows:

(a) Where appropriate by structuring aircraft financing leases in currencies in which revenues are being generated to form a natural hedge. Where a currency exposure is created on account of certain end of lease obligations relating to aircraft lease transactions; this is managed by means of forward foreign currency contracts.

(b) By entering into strategic forward foreign exchange deals in respect of an appropriate portion of its major foreign currency future cash inflows.

Exchange rate hedges

		2002
		AED'000
Description	**Term**	
Currency swap liability	2003-2012	20,018

27. Financial instruments (continued)

(iii) Fuel price risk

The airline industry is exposed to fluctuations in the price of jet fuel. Emirates closely monitors the actual cost of fuel against forecasted cost. Emirates utilises commodity swaps to manage fuel costs.

Fuel price hedges

Description	Term	2002 AED'000
Commodity swap asset	2002-2003	124,075
Commodity swap asset	2003-2006	135,828

(iv) Credit risk on derivative financial instruments

Derivative counterparties are limited to financial institutions possessing high credit quality and hence the risk of default is low.

28. Acquisition

The assets and liabilities arising from the acquisition of the subsidiary during 2000-01 are as follows:

	2001 AED'000
Cash and cash equivalents	13,746
Property, plant and equipment	40,788
Current assets	110,515
Current liabilities	(82,307)
Terminal benefits	(8,281)
Minority interest	(37,975)
Fair value of net assets acquired	**36,486**
Goodwill	175,382
Total purchase consideration	**211,868**
Less : cash and cash equivalents	(13,746)
Cash outflow on acquisition	**198,122**

29. Comparatives

The comparative figures for operating revenue and other operating income have been reclassified to conform with the current year's presentation to make it more meaningful.

Independent auditors' report to the Government of Dubai

We have audited the accompanying consolidated balance sheet of Dnata ("the company") and its subsidiaries ("the group") as at 31 March 2002 and the related consolidated statements of income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
17 April 2002

Consolidated income statement for the year ended 31 March 2002

	Notes	2002	2001
		AED'000	AED'000
Operating revenue	2	789,684	702,234
Other operating income		8,456	8,538
Operating costs	3	(685,364)	(631,460)
Operating profit		**112,776**	**79,312**
Interest income		17,372	28,745
Associated companies - share of results		4,619	1,471
Profit for the year		**134,767**	**109,528**

The accounting policies on pages 78 and 79 and the notes on pages 80 to 86 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2002

	Notes	2002	2001
		AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	168,256	167,751
Investments in associates	5	12,967	10,059
Long term receivable	6	69,873	70,471
Held-to-maturity investment	7	-	73,460
		251,096	**321,741**
Current assets			
Inventories		8,827	9,952
Trade and other receivables	8	160,483	165,582
Held-to-maturity investment	7	73,460	-
Cash and cash equivalents	14	484,333	368,001
		727,103	**543,535**
Total assets		**978,199**	**865,276**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	11	62,615	62,615
Reserves		555,567	461,503
		618,182	**524,118**
Non-current liabilities			
End of service benefit provision	9	**106,533**	**93,150**
Current liabilities			
Trade and other payables	10	232,429	221,546
Bank overdrafts	14	21,055	26,462
		253,484	**248,008**
Total liabilities		**360,017**	**341,158**
Total equity and liabilities		**978,199**	**865,276**

The consolidated financial statements were approved on the 17th day of April 2002 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Group Managing Director

The accounting policies on pages 78 and 79 and the notes on pages 80 to 86 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2002

	Capital	Translation reserve	Retained earnings	Total
	AED'000	AED'000	AED'000	AED'000
1 April 2000	**62,615**	**(1,064)**	**396,519**	**458,070**
Profit for the year	-	-	109,528	109,528
Dividend	-	-	(40,000)	(40,000)
Additions during the year	-	(3,480)	-	(3,480)
1 April 2001	**62,615**	**(4,544)**	**466,047**	**524,118**
Profit for the year	-	-	134,767	134,767
Dividend	-	-	(40,000)	(40,000)
Additions during the year	-	(703)	-	(703)
31 March 2002	**62,615**	**(5,247)**	**560,814**	**618,182**

The accounting policies on pages 78 and 79 and the notes on pages 80 to 86 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 March 2002

	2002 AED'000	2001 AED'000
Operating activities		
Profit for the year	134,767	109,528
Adjustments for:		
Depreciation (Note 4)	64,535	59,120
Interest income	(17,372)	(28,745)
Transfer to provident fund and end of service benefit provision	24,757	23,834
Associated companies - share of results	(4,619)	(1,471)
Profit on sale of property, plant and equipment	(335)	(2,497)
Operating cash flows before working capital changes	**201,733**	**159,769**
Contributions to provident fund and end of service benefit payments	(11,374)	(15,526)
Changes in working capital:		
Inventories	1,125	(458)
Trade and other receivables	4,155	(5,978)
Trade and other payables	10,883	22,426
Net cash provided from operating activities	**206,522**	**160,233**
Investing activities		
Purchase of property, plant and equipment (Note 4)	(65,075)	(53,441)
Proceeds from sale of property, plant and equipment	405	3,014
Acquistion of subsidiary (Note 16)	-	(3,042)
Emirates account	2,969	5,453
Interest income	15,910	23,792
Dividends received from associates	1,781	500
Net cash used in investing activities	**(44,010)**	**(23,724)**
Financing activities		
Dividend paid	(40,000)	(40,000)
Net increase in cash and cash equivalents	**122,512**	**96,509**
Cash and cash equivalents at beginning of year	341,539	247,954
Effect of exchange rate changes	(773)	(2,924)
Cash and cash equivalents at end of year (Note 14)	**463,278**	**341,539**

The accounting policies on pages 78 and 79 and the notes on pages 80 to 86 form an integral part of the consolidated financial statements.

Principal accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with and comply with International Accounting Standards. The consolidated financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements of Dnata comprise Dnata, Dnata World Travel and its subsidiary companies, together with Dnata's share of results for the year of its associated companies. All material inter company transactions, balances and unrealised surpluses and deficits on transactions between Dnata and its subsidiaries and associates have been eliminated.

Revenue

Operating revenue is recognised in the year in which it is earned and is stated after deduction of discounts. Information technology services are billed progressively and recognised as income on a systematic basis.

Foreign currency

Foreign currency transactions are translated into UAE Dirhams at rates approximating those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the rate ruling at the balance sheet date. Translation differences relating to the investments in associates and subsidiaries are classified as equity until the disposal of the investment. All other exchange differences are dealt with in the income statement.

Property, plant and equipment

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

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight line basis over the estimated useful lives of the assets concerned. The estimated useful lives are:

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

Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset.

Capital projects

Capital projects are stated at cost. When commissioned, capital projects are transferred to the appropriate property, plant and equipment category and depreciated in accordance with Dnata's policies.

Investments in associates

Investments in associates are accounted for in accordance with the equity method.

A listing of associated companies is shown in Note 5.

Held-to-maturity investment

Investments with determinable payments and fixed maturity are classified as held-to-maturity investments where management has a positive intent and ability to hold the investment to maturity. Such investments are stated at amortised cost using the effective interest method.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the weighted average cost basis.

End of service benefit provision

Provision for end of service benefit for employees based in the UAE is as per UAE labour law and is based on periods of cumulative service and employees' current basic salary.

Provision for end of service benefit for employees based outside the UAE is made in accordance with the relevant local regulations.

Provident fund

Senior employees who are based in the UAE and all UAE national employees are entitled to participate in a provident fund to which Dnata contributes. Dnata guarantees these employees will receive at the end of their contracts, at a minimum, benefits equal to their end of service benefit entitlements in accordance with their contracts of employment. Contributions to the provident fund are charged to the income statement in the period in which they fall due.

Cash and cash equivalents

For the purpose of reporting cash flows, Dnata considers all cash and liquid funds with an original maturity of less than three months and bank overdrafts to be cash and cash equivalents.

1. Establishment and operations

Dnata comprises Dnata, Dnata World Travel and its subsidiaries and associated companies which are set out in Note 5. Dnata was incorporated in the emirate of Dubai, with limited liability, under an 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.

Dnata World Travel was incorporated in the emirate of Dubai, with limited liability, by an Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 27 February 1989.

The main activities of Dnata comprise:

- aircraft handling services at Dubai International Airport
- engineering services to airlines using Dubai International Airport
- sale of air tickets on behalf of airlines as general sales agent and as an agent
- other travel related and event management services
- handling services for cargo exported and imported through Dubai International Airport
- management of the Dubai Airline Centre
- information technology services to Emirates and other third parties
- freight clearing and forwarding services through its associated company Dubai Express L.L.C., a company incorporated in the United Arab Emirates
- handling and engineering services at international airports in Pakistan, through its associated company Gerry's Dnata (Private) Ltd., a company incorporated in Pakistan
- handling and engineering services at Ninoy Aquino airport in Manila, through its subsidiary company Dnata-Wings Aviation Systems Corporation, a company incorporated in the Philippines
- travel agency activity in the United Kingdom through Dnata World Travel's subsidiary company, Dnata Travel (UK) Ltd., a company incorporated in the United Kingdom.

2. Operating revenue

	2002	2001
	AED'000	AED'000
Airport operations	299,994	290,416
Information technology	154,954	121,704
Cargo	133,341	109,594
Reservations system	85,890	64,429
Agency commission	69,116	72,892
Property rentals	24,214	20,227
Other	22,175	22,972
	789,684	**702,234**

3. Operating costs

	2002	2001
Employee (see below)	433,693	401,419
Depreciation	64,535	59,120
Accommodation	38,125	33,940
Corporate overheads	149,011	136,981
	685,364	**631,460**

(a) Employee costs include AED 19.4 million (2001: AED 19.2 million) in respect of end of service benefit provision, AED 5.4 million (2001: AED 4.7 million) in respect of provident fund contributions and AED 11.5 million (2001: AED 11.1 million) in respect of Dnata's profit share scheme.

(b) Average employee strength during the year was 6,526 (2001: 6,001).

4. Property, plant and equipment

	Buildings	Airport plant and equipment	Office equipment and furniture	Motor vehicles	Capital projects	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
1 April 2001	21,713	153,404	301,117	11,103	5,799	493,136
Additions	80	23,268	24,061	2,582	15,084	65,075
Transfers from capital projects	-	-	12,144	-	(12,144)	-
Disposals	-	(2,399)	(2,248)	(392)	-	(5,039)
31 March 2002	**21,793**	**174,273**	**335,074**	**13,293**	**8,739**	**553,172**
Depreciation						
1 April 2001	5,261	107,528	204,803	7,793	-	325,385
Charge for the year	1,233	19,071	42,691	1,540	-	64,535
Disposals	-	(2,399)	(2,218)	(387)	-	(5,004)
31 March 2002	**6,494**	**124,200**	**245,276**	**8,946**	**-**	**384,916**
Net book value						
31 March 2002	**15,299**	**50,073**	**89,798**	**4,347**	**8,739**	**168,256**
31 March 2001	16,452	45,876	96,314	3,310	5,799	167,751

5. Investments in subsidiaries and associates

The subsidiaries and associated companies are:

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Subsidiaries			
Dnata Travel (UK) Ltd.	100	Travel agency	U K
Dnata-Wings Aviation Systems Corporation	100	Aircraft handling services	Philippines
Associated companies			
Dubai Express L.L.C.	50	Freight clearing and forwarding	U A E
Gerry's Dnata (Private) Ltd.	50	Aircraft handling services	Pakistan

Dnata-Wings Aviation Systems Corporation became a wholly owned subsidiary consequent to Dnata acquiring the residual 50% equity during the previous year. There were no other changes in the percentage of ownership interests during the two years ended 31 March 2002.

6. Long term receivables

	2002	2001
	AED'000	AED'000
Due from Emirates	69,873	70,471

Dnata and Emirates share senior management and central corporate functions. The amount receivable from Emirates arises from the net recharge of expenses between Dnata and 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 UAE Dirham bank deposit rates.

The amount payable to Emirates shown in Note 10 arises from ticket and cargo sales in the normal course of business.

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 profit for the year.

7. Held-to-maturity investment

Held-to-maturity investment represents guaranteed floating rate notes with Wisma (S) Limited, a 100% owned subsidiary of Emirates Bank International PJSC. The notes are guaranteed for principal and interest by Emirates Bank International PJSC. The investment matures on 15 December 2002 and has therefore been presented as a current asset at 31 March 2002. Interest is earned based on LIBOR plus 90 basis points paid quarterly in arrears.

8. Trade and other receivables

	2002	2001
	AED'000	AED'000
Trade receivables:		
Travel agents	7,427	9,071
Airlines	21,954	28,301
Other	63,200	69,758
	92,581	**107,130**
Other receivables and prepayments:		
Prepayments and deposits	25,857	26,901
Other	42,045	31,551
	67,902	**58,452**
	160,483	**165,582**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Where there is objective evidence of amounts that are not collectible, a provision is made for the difference between the carrying amount and the recoverable amount. There are no significant concentrations of credit risk.

9. End of service benefit provision

	2002
	AED'000
Balance brought forward	**93,150**
Charge for the year	19,367
Payments during the year	(5,984)
Balance carried forward	**106,533**

The end of service benefit provision relates to employees who do not participate in the company provident fund. Senior employees based in the UAE and all UAE national employees participate in the company provident fund, an independent provident fund for which Dnata guarantees these employees will receive at the end of their contracts, at a minimum, benefits equal to their end of service benefit entitlements in accordance with their contracts of employment. At 31 March 2002, the benefits secured by Dnata's contributions exceeded employees' contractual end of service benefit entitlements.

In accordance with the provisions of IAS 19 (revised), management has carried out an exercise to assess the net present value of its obligations at 31 March 2002, in respect of employees' end of service benefits payable under UAE labour law. The assessment assumed average expected salary increases between 0% and 5% and a discount rate of 6%. The present values of the obligations at 31 March 2002, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with UAE labour law.

10. Trade and other payables

	2002	2001
	AED'000	AED'000
Payables and accruals	135,579	121,841
Dividend payable	40,000	40,000
Employee leave pay	20,931	18,347
Airlines:		
Emirates (Note 6)	2,201	2,887
Other	33,718	38,471
	232,429	**221,546**

11. Capital

Capital represents the value of the net assets taken over from Dubai National Air Travel Agency for nil consideration with effect from 1 April 1987.

12. Commitments

	2002	2001
	AED'000	AED'000
Capital commitments		
Authorised and contracted	19,227	12,872
Authorised but not contracted	135,805	153,945
	155,032	**166,817**
Operational commitments		
Letters of credit	92	92

The above were issued in the normal course of business.

13. Contingent liabilities

Guarantees provided in the normal course of business	10,358	8,887

14. Cash and cash equivalents

Short term bank deposits and liquid funds	475,546	355,008
Cash and bank	8,787	12,993
	484,333	**368,001**
Bank overdrafts	(21,055)	(26,462)
	463,278	**341,539**

Cash transactions are limited to financial institutions possessing high credit quality and hence the risk of default is low. Short term bank deposits and liquid funds bear an effective interest rate of 2.93% (2001: 6.38%) per annum.

15. Financial instruments

Fair values

The carrying amounts of the financial assets and financial liabilities as reflected in these financial statements approximate to their fair values.

16. Acquisition

The assets and liabilities arising from the acquisition of the subsidiary during 2000-01 are as follows (Note 5):

	2001
	AED'000
Cash and cash equivalents	410
Property, plant and equipment	2,707
Current assets	6,149
Current liabilities	(2,988)
Fair value of net assets acquired	**6,278**
Less : Share of assets out of earlier acquisition	(2,826)
Less : Cash and cash equivalents	(410)
Cash outflow on acquisitions	**3,042**

Middle East & Africa

City	Address	Agent	Code	Telephone
ABU DHABI	Sheikh Mohammad Bin Khaled Al Nahyan Building, Corniche Road, Abu Dhabi, UAE	EMIRATES	971-2	6911600
AJMAN	Travel Centre P O Box 3838, Ajman, UAE	GSA	971-6	7448444
AL AIN	Bin Harmal Travel & Tourism P O Box 1446 Al Ain, UAE	GSA	971-3	7662424
ALEXANDRIA	33 Salah Salem Street, Al Attaren, Alexandria, Egypt	EMIRATES	20-3	4850450 4854259 4854154 4872181
AMMAN	Astra Plaza Building (A) Wadi Saqra Street, P O Box 910325 Amman, 11191 Jordan	EMIRATES	962-6	4615222
BAHRAIN	1F13-1F19, 1F68-1F70 Al Al'Ali Shopping Complex Block 428, Road 2827, Bldg No 2210 Al Seef District P O Box 21354, Manama, State of Bahrain	EMIRATES	973	588700
BEIRUT	Gefinor Building Ground 2 Section D. No 60-63 Al Hamra Area Beirut, Lebanon	EMIRATES	961-1	739042
CAIRO	18, Al-Batal Ahmed Abdul Aziz St. Mohandesen Cairo, Egypt	EMIRATES	20-2	3361555
	Baron Hotel, Heliopolis Cairo, Egypt	EMIRATES	20-2	2907730
CASABLANCA	SCI- Sania Building, 140, Zertouni Road, Casablanca, Morocco	EMIRATES	212-022	263333/3939
DAMASCUS	Manaf Tours & Travel 29 Ayyar Street Damascus, Syria	GSA	963-11	2313450/1/2 2315211
DAMMAM (DHAHRAN)	Al Dossary Towers Dhahran Street Post Box 561 Al Khobar, 31952 Dhahran, Saudi Arabia	EMIRATES	966-3	8979797
DAR ES SALAAM	Haidery Plaza Ali Hassan Mwinyi Road P O Box 9594 Dar es Salaam, Tanzania	EMIRATES	255-22	2116100/1/2/3
DOHA	Abdulla Bin Jassem Street P O Box 22488, Doha, Qatar	EMIRATES	974	4384477
DUBAI	Call Centre Al Ramoul, Dubai, UAE	EMIRATES	971 4	2144444 (Eng) 2044000 (Arabic)
DUBAI (SOUQ)	Ticket Office, Souq Naif Road, Deira	EMIRATES	971-4	2260003
DUBAI	Ticket Office Sheikh Zayed Road	EMIRATES	971-4	3167522
	Ticket Office, EK Head Office Near Clock Tower, Dubai, UAE	EMIRATES	971-4	2951111
ENTEBEE	2nd Floor, Passenger Terminal, Entebee International Airport, Entebee, Uganda	EMIRATES	256-41	321819/321823

FUJAIRAH	DNATA Bank Saderat Iran Bldg P O Box 445, Fujairah, UAE	GSA	971-9	2222985
JEDDAH	City Centre Building Medina Road, P O Box 41142 Jeddah 21521, Saudi Arabia	EMIRATES	966-2	6659252
JOHANNESBURG	Sandton Office Tower 5th Floor, Sandton City C/o 5th Avenue & Rivonia Road Johannesburg, South Africa	EMIRATES	27-11	3031900
KAMPALA	Hanover Travel FNC Building, Corner of Kimathi & Colville Street,P O Box 33124 Kampala, Uganda	GSA	256-41	349941/2/3
KHARTOUM	6B East Khartoum, Intersection of Mincnemer and Jamhouria Road P O Box 3663, Khartoum, Sudan	EMIRATES	24911	799473/4/5
KUWAIT	Boodai Aviation Agencies Kuwait Finance House Bldg Al Hilali Street, P O Box 5798 13058 Safat, Kuwait	GSA	965	2425566 2425588
LAGOS	Paradise Travel & Tours Plot 8, Lagos, Nigeria	PSA	234-1	2625545/6
LUSAKA	Premier Travel & Tours No. 7 Ground Floor Findeco House P O Box 370-12, Lusaka, Zambia	PSA	260-1	224138 222931 226121
MADINAH	Saudi Tourist & Travel Bureau Ltd. Abu Baker Al Saddeuq Street (Sultana), Al Ayoon Bldg, P O Box 2321, Madinah, Saudi Arabia	PSA	966-4	8268244 8267097 8268164
MAKKAH	Saudi Tourist & Travel Bureau Ltd. Al Ghamash Bldg, Shop No. 1 Near Municipality Office Main Maabdah P O Box 9803 Makkah, Saudi Arabia	PSA	966-2	5748941 5748571 5745121 5745145
MAURITIUS (PORT LOUIS)	Ireland Blythe & Co Ltd (IBL) Tourism Division 10, Dr. Ferrier St. P O Box 56 Port Louis, Mauritius	GSA	230	2125846
MOMBASA	Mezzanine Floor, TSS Towers Nkrumah Road, P O Box 88704 Mombasa, Kenya	EMIRATES	11	226600 226343 316966
MUSCAT	Universal Travel and Tourism Agencies LLC P O Box 2802, Pin Code 112 Ruwi, Sultanate of Oman	EMIRATES	968	792222
NAIROBI	View Park Towers, 20th Floor Monrovia Street P O Box 40993 Nairobi, Kenya	EMIRATES	254-2	211900 211187 211315
RAS AL-KHAIMAH	Omest Travels P O Box 103 Ras Al Khaimah, UAE	GSA	971-7	2229413
RIYADH	Cerecon Building No. 4 Opp Old Akhariya Mousa Bin Road Olaya, P O Box 57475 Riyadh 11574, Saudi Arabia	EMIRATES	966-1	4657117
SANAA	Apollo Travel Co Ltd Hadda Street (Opp. Cinema Complex) P O Box 18286, Sanaa Republic of Yemen	GSA	967-1	444442 440527

SHARJAH	Sharjah Tower (Al Soor Bldg) Ground Floor, Al Arooba St Sharjah, UAE	EMIRATES	971-6	5690125
	SNTTA P O Box 17, Sharjah, UAE	GSA	971-6	5684411
TEHRAN	1/1209 Valiasr St. Opposite Tavanir St Tehran 15167, Iran	EMIRATES	98-21	8796786
TRIPOLI	Al Fateh Tower Ground Floor, Tripoli, Libya	EMIRATES	218-21	3350591/8
UMM AL-QUWAIN	UAQ National Travel Agency P O Box 601 Umm Al Quwain, UAE	GSA	971-6	7666684
ZANZIBAR	K.N.A Travel & Tourism Ltd. P O Box 3728, Zanzibar	GSA	255-24	2234950 2233322

Europe, USA & Canada

AMSTERDAM	Air Support, Triport 3 Westelijke Randweg 59, 1118 CR Schiphol Airport Netherlands	GSA	31-20	3164222
ATHENS	189, L. Syngrou Avenue 1st floor, 171 21 - N. Smyrni Athens, Greece	EMIRATES	30-1	9333400
	Amathus Aviation Hellas Ltd 40 Mitropoleos 54623 Thessaloniki, Greece	GSA	30-310	283015-17
BELGRADE	PMT Limited Knez Mihajova 6/6 Belgrade 11000, Yugoslavia	PSA	381-11	624435
BIRMINGHAM	Birmingham Intl. Airport	EMIRATES	0870	2432222 2412195 (Arabic)
BUCHAREST	World Travel Calea Mosilor, nr. 294, sect 2 Bucharest, Romania	GSA	40-1	2100527 2100601
BUDAPEST	Globair Hungary Kft, Vaci Utca 19-21, Millennium Center 1054 Budapest, Hungary	GSA	00361	2668436
	19-21 Vaci Street Millennium Center, 4th Floor 1052 Budapest, Hungary	EMIRATES	00361	2668436
CHICAGO	150 North Martingale Road Suite 840, Schaumburg IL 60173, USA	EMIRATES	1-847	5923470 800-777 3999 (Tollfree)
DUSSELDORF	Terminal B, Room 3423 D-40474, Dusseldorf Airport, Germany	EMIRATES	0180	5364728
FRANKFURT	Terminal 1, Departure Hall C 60549 Frankfurt Airport Germany	EMIRATES	0180	5364728
HOUSTON	5718 Westheimer Road Suite 1090, Houston Texas 77057, USA	EMIRATES	1-713	2665491 800-777 3999 (Tollfree)
ISTANBUL	Inonu Caddesi 96, Devres Han Gumussuyu 80090 Istanbul, Turkey	EMIRATES	90-212	2935050
LARNACA	Amathus Navigation Co Ltd Larnaca Airport Larnaca, Cyprus	GSA	357	24643323 24643070
	Office No. 84, Larnaca Intl. Airport	EMIRATES	357	24643587

LONDON	First Floor, Gloucester Park 95, Cromwell Road London SW7 4DL United Kingdom	EMIRATES	0870	2432222 2412195 (Arabic)
LOS ANGELES	222 N.Sepulveda, Suite 1760, El Segundo CA 90245 USA	EMIRATES	1-310	414-3250 800-777-3999 (Tollfree)
MADRID	Skyways S.L. Gran Via 67, 6th Floor, Office 618 28013, Madrid, Spain	GSA	34-91	5599897
MALTA (VALLETTA)	Air Services International Ltd 144 Old Bakery Street Valletta VLT, 09, Malta	GSA	356-21	233121 Ext 3380/81 251384
MANCHESTER	Riverside Court Riverside Park Wilmslow Cheshire SK9 1DL	EMIRATES	0870	2432222 2412195 (Arabic)
MILAN	Via Paolo Da Cannobio 10 5th Floor, 20122-Milan, Italy	EMIRATES	39-02	72000370
MUNICH	Munich Airport Terminal Module C Level 4, Room 310 85356 Munchen, Germany	EMIRATES	0180	5364728
NEW YORK	55 East 59th Street 5th Floor NY 10022, USA	EMIRATES	212	7583944 800-777 3999 (Tollfree)
NICE (PARIS)	Aeroport Nice Cote d'Azur Terminal 1 06281 Nice Cedex 3, France	EMIRATES	33-1	53053535 (Paris)
NICOSIA	C/o Amathus Navigation Co. Ltd 66E Makarios Avenue P.O.Box 21601 Nicosia 1077, Cyprus	GSA	357	22374302 22374010/612
PARIS	5 Rue Scribe 75009 Paris France	EMIRATES	33-1	53053535
PRAGUE	Globair S.R.O. Kozi 3 110 00 Prague 1 Czech Republic	GSA	420-2	24810261
ROME	Piazza Guglielmo Marconi 25 Rome, Italy	EMIRATES	3906	54220213
SKOPJE	PMT Limited Mito Hazdivasilev 20 91000 Skopje FYR Macedonia	GSA	3892	118692
STOCKHOLM	Aviation Marketing Scandinavia AB St. Goeransgatan 84 SE 112 38 Stockholm, Sweden	GSA	46-8	6512850
TORONTO	40 Sheppard Avenue West 7th Floor, Suite 707 North York, Ontario Canada M2N 6K9	EMIRATES		800-777 3999 (Tollfree)
VIENNA	Union Reisen Gmbh Schreyvogelgasse 5 1010 Vienna, Austria	GSA	43-1	5326028
ZURICH	Ambassador House Talckerstrasse 1, 8152 Zurich-Glattbrugg Switzerland	EMIRATES	41-1	8092828
ZAVENTUM (BRUSSELS)	Air Agencies Belgium NV, Vilvoordelaan 153A, B-1930, Zaventum, Belgium	GSA	32-(0)2	7126447

West Asia & Pacific Rim

AUCKLAND	Level 3, 220 Queen Street Auckland, New Zealand	EMIRATES	64-9	3776004
BANGKOK	2nd Floor, B B Building 54, Asoke Road Sukhumvit 21 Khet Wattana Bangkok 10110, Thailand	EMIRATES	66	26641040 (Auto 5 Lines)
CHENNAI (MADRAS)	Riaz Garden, 1st floor 12 & 13 Kodambakkam High Road Chennai 600 034, India	EMIRATES	91 44	8240137 8223700 8232519
CHITTAGONG	ABC Air Limited 91 Agrabad Commercial Area Chittagong, Bangladesh	GSA	880-31	725647/8
COLOMBO	Hemas Bldg, 9th Floor 75 Baybrooke Place Colombo 02, Sri Lanka	GSA	94-1	300200
DELHI	Kanchenjunga Building 18, Barakhamba Road New Delhi 110 001, India	EMIRATES	91-11	3328080 (5 lines)
DHAKA	116 Gulshan Avenue Gulshan Model Town Dhaka, Bangladesh	EMIRATES	880-2	9885573/74
	ABC Air Limited 64, Motijheel Commercial Area Dhaka, Bangladesh	GSA	880-2	9563825/6/7
HANOI	Transviet Promotions 25 Ly Thuong Kiet, Hoan Kiem District Hanoi, Vietnam	GSA	84-4	9347240
HO CHI MINH	Transviet Promotions 114A Nguyen Hue Street District 1, Ho Chi Minh City Vietnam	GSA	84-8	8256575/6
HONG KONG	11/F, Henley Building 5 Queens Road Central Hong Kong	EMIRATES	852	25267171
HYDERABAD	Reliance Classic Office 3&4, 1st Floor, Banjara Hills, Road No. 1, Hyderabad	EMIRATES	91-40	3321111
ISLAMABAD	2-C Mohammadi Plaza Jinnah Avenue, Blue Area Islamabad, Pakistan	EMIRATES	92-21	5683377 0800-33777 (Tollfree)
JAKARTA	Sahid Jaya Hotel 2nd Floor Jalan Jend Sudirman No. 86 Jakarta, Indonesia	EMIRATES	62-21	5742440/433
JOHOR BAHRU	Maple Travel (M) SDN BHD G 125, Ground Floor Holiday Plaza, Jalan Dato Sulaiman, Taman Century 80250 Johor Bahru, Malaysia	GSA	60-7	3325828
KARACHI	265 R A, Lines Sarwar Shaheed Road Karachi 74200, Pakistan	EMIRATES	92-21	5683377 0800-33777 (Tollfree)
KATHMANDU	Universal Tours & Travels (P) Ltd P O Box 939, Kantipath Kathmandu, Nepal	GSA	977-1	220579 252048/49 252050
KUALA LUMPUR	Shangri-La Hotel Annexe Lot 25, Letter Box 103 1st Floor, UBN Tower 10 Jalan P Ramlee 50250 Kuala Lumpur, Malaysia	EMIRATES	60-3	20725288

LAHORE	1-2 Cantonment Commercial Complex Abid Majeed Road Lahore Cantt, Pakistan	EMIRATES		5683377 0800-33777 (Tollfree)
MALE	Boduthakurufaanu Magu, Henveiru Male,	EMIRATES	960	314945 325491
	Universal Enterprises Ltd Orchid Magu Male, Republic of Maldives	PSA	960	315465/6/7
MANILA	18th Floor, Pacific Star Building Sen, Gil J Puyat Avenue Corner Makati Avenue Makati City, Manila, Philippines	EMIRATES	63-2	8115278
MELBOURNE	Level 2 257 Collins Street Melbourne, Vic 3000 03-9667-0000, Australia	EMIRATES		1300-303777 (Tollfree)
MULTAN	House 1717, Kutchery Road, Multan Pakistan 60000	EMIRATES		0800 33777 (toll free)
MUMBAI (BOMBAY)	Mittal Chambers Office No. 3 Ground Floor 228, Nariman Point Mumbai 400021, India	EMIRATES	91-22	8301111
OSAKA	Hommachi Hua Tong Bldg., 5F Floor 4-5-16 Hommachi, Chou-ku, Osaka 541-0053, Japan	GSA	81-6	62652511
PENANG	Maple Travel (M) SDN BHD Phase 2B Lot 4-32 Komtar Level 4 10000 Penang, Malaysia	GSA	60-4	2631100
PESHAWAR	3 Islamia Road Peshawar Pakistan	EMIRATES	92-91	5683377 5260777 0800 33777 (Tollfree)
SEOUL	Wooree Agency Corpn 5th Floor, Soon Hwa Bldg 5-2 Soon Hwa Dong Chung Gu, Seoul, Korea	GSA	82-2	3190059
SINGAPORE	435, Orchard Road # 19-06 Wisma Atria Singapore 238877	EMIRATES	65	67353535
SYDNEY	Level 4, 36 Clarence Street Sydney, N.S.W. 2000	EMIRATES	61-2	1300-303 777 (Toll Free) 92909700
SYLHET	ABC Air Limited 502, Taltola, Sylhet Bangladesh	GSA	880-821	712159 711200 711300
TAIPEI	Sentra Travel Service Ltd 4F, 112, Sec 2 Chung Hsiao E Road Taipei, Taiwan Republic of China	GSA	886-2	23966891
TOKYO	Air Systems Inc Toranomon TBL Bldg 8F 1-19-9 Toranomon, Minato-Ku, Tokyo 105-0001, Japan	GSA	81-3	35936720