The Emirates Group

Report & Accounts 2002-2003

Emirates

Dnata

H. H. Sheikh Maktoum bin Rashid Al-Maktoum

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

H. H. General Sheikh Mohammed bin Rashid Al-Maktoum

Crown Prince of Dubai and Minister of Defence, UAE

Contents

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

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

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

Chairman's Review

The Emirates Group had another record-breaking year. We earned a profit of US$ 285.7 million (Dhs 1,048.5 million) on revenue of US$ 2,790.2 million (Dhs 10,240.2 million) carrying 8.5 million passengers and 525,188 tonnes of cargo.

A great way to start an annual report!

But I must point out that this success does not come automatically, or by chance, but is the consequence of real teamwork by our experienced and professional management and staff who have the ability to combine hard-nosed, cost-effective measures with a people-to-people personal touch.

Sheikh Ahmed is welcomed at Kansai International Airport, Osaka.

As I travel around our network, journalists always ask the same question - What is the secret?

It's difficult to put a finger on it ... but I experience it during the night as I chat with cheerful ground crews, working round the clock at Dubai International Airport to maintain punctuality for Emirates and 100 other carriers, despite the extensive reconstruction projects; I see it on board where Emirates not only offers phones, faxes and films, but also defibrillators; I watch our off-duty men and women becoming champions in offshore power boat racing, cricket, rugby and wakeboarding ... and I hear about it from grateful, not so agile passengers guided through the airport by our Marhaba ladies. And I'm convinced the secret is .... our passion for quality.

This passion surfaces throughout the Group wherever we do business: in the latest IT systems created by Mercator, our on-time inaugural arrival at a new station like Osaka, our best-deal negotiations for fuel and aircraft, our psychometric testing of new recruits from more than 100 nationalities, our sporting sponsorships and our little-known contribution towards the protection of Dubai's desert. When it comes to the environment, the Al Maha Desert Resort will soon form the core of a new 225 square kilometre Dubai Desert Conservation Reserve, nearly 10 times bigger than the original 25 kilometre site and taking up almost 5% of Dubai's desert land area; we have also bred some 60 Arabian oryx at the reserve, while Dnata Cargo staff have also played a meaningful role in helping to keep Dubai's beaches clean. The Emirates Group participates in the World Travel and Tourism Council and is a member of Green Globe 21.

In fact, we are actively promoting Dubai as the 21st century's most exciting city for commerce and tourism with a difference.

It's a good time for an aviation company to be based in Dubai where a visionary Government confidently plans and builds for the future, inviting not only its citizens but expatriates, too, to share in its success by owning property in developments like the Dubai Marina, the Palm offshore island, Arabian Ranches and Emirates Hills. The infrastructure for tourism and conferences, in the Manhattan-like skyline along the Sheikh Zayed Road and on the shoreline, changes continuously as more innovative designs create an architect's paradise.

At the airport, too, the Government is making a crucial multi-million dollar investment in a new revolutionary expansion of the already futuristic complex which will increase the capacity to 60 million passengers a year by 2012 - and in a mega cargo centre capable of handling one million tonnes of freight, providing Emirates with an exclusive terminal from 2007. Emirates, too, is playing a major part in helping Dubai International Airport to become a global hub.

Not counting the benefit to the

HH Sheikh Ahmed bin Saeed Al-Maktoum Chairman of The Emirates Group

2002/2003 US$ 285.7 (Dhs 1,048.5)

2001/2002 US$ 164.3 (Dhs 603.0)

Group net profit (million)

community of our air services and long-term, unsubsidised profitability, the Emirates Group makes a major contribution to the Dubai Gross Domestic Product. In the financial year under review, the contribution of the Group to the Dubai economy was US$ 1,100 million (Dhs 4,037 million) in direct expenditure, plus a conservative estimate of an additional US$ 1,650 million (Dhs 6,055.5 million) independent expenditure by third parties - a total of US$ 2.75 billion (Dhs 10 billion).

We are, indeed, fortunate to be in a part of the world where the economy is booming, for when we compare our results with those of the world aviation industry in general they seem almost surreal. In the past year global airline losses topped US$ 13 billion, following the US$ 18 billion the previous year. In other words, the industry has lost in the last two years the equivalent of the total profit made by all carriers since 1945.

It is, therefore, a difficult task for me to predict our results for next year while many of our colleagues, particularly in the USA, are being warned of more red ink with losses raining down on them.

To put the industry into perspective: there are a number of carriers, especially in Asia, who are still returning healthy balances and IATA is forecasting a world-wide growth of 6.4 % in passenger traffic in 2003 with an average of 3.3 % per year until 2006 ... hopefully there is light at the end of the tunnel for everyone.

The Emirates Group will continue its bullish ways for the 2003/4 financial year and I am expecting yet another record year.

For the Emirates Group, I am pleased to announce a bonus for all our employees and a dividend of US$ 65.4 million (Dhs 240 million) to be paid to the ownership.

Last, but not least, I would like to thank our dedicated, passionate staff for their hard work and accomplishments, which were quite extraordinary.

Ahmed bin Saeed Al-Maktoum

Sunset at Dubai Marina - yet another exciting residential development.

Group Managing Director's Review

I read recently in a book of spoof memoirs: "I now presume to make a wanton, but personal, intrusion into what has hitherto constituted a rigorously impersonal record." I am celebrating - and that really is the right word - my 50th year in civil aviation, which followed two years as a navigator in the RAF, so 52 years in the company of aircraft and their people.

I started as a trainee with BOAC, British Airways predecessor, and a top-notch longhaul airline. I was in BA senior management in 1978 when a life-deciding, possibly career-killing, choice came up - remain, or accept a temporary secondment to the Government of Dubai. Fast-growing Dubai looked good for a couple of years, to get over a desperate hump of school and university fees. Then, who knows? And here I am, 25 years later, with one of the most satisfying jobs in air transport and a member of a great team under a brilliant Chairman.

The planned Operations Centre opening at the end of 2004.

How amazingly this industry has grown. When I joined BOAC in 1953 it was, as I said, a world-leading, longhaul airline, and carried in that year 247,000 passengers and 1,200 tonnes of cargo. Last year Emirates, standing at about 20th in size of international airlines (but moving fast up the table), carried 8.5 million passengers and 525,188 tonnes of cargo.

Closer to the present, in the pages of our annual report from six years ago, I note that at that time Emirates had 19 aircraft - A310s, A300s and B777s with an average age of five years, served 41 destinations, carried three million passengers and 159,720 tonnes of cargo. It was a record year. Mind you, I have to add that each of our 17 years has been a record year.

In this annual report, we list a fleet of 46 aircraft, all of them Boeing 777s and Airbus A330s (with just one relatively small A310 remaining), with an average age of three years, serving 64 destinations and Emirates now among the five most profitable international passenger airlines in the world.

Looking ahead, in the year 2010 we forecast that Emirates will carry 29 million passengers and 1.5 million tonnes of cargo in 120 aircraft. That's what Dubai does for you, with its visionary dynamism and its ideal location as the global air transport hub of the 21st century.

Ever since we started in 1985 we have operated under Dubai's invigorating Open Skies regime, and fully support its no subsidy-no protection policy. This tough environment for the resident airline has helped us to become a carrier which can compete with the best of the world's airlines. There were 55 airlines serving the UAE at that time. Now there are over 100. For both Dubai and the industry, competition works. We prefer that competition to be fair, and not to come from airlines which are heavily subsidised or protected, or both, by their governments. Even that we can live with. In fact, we have to.

In a desperately wobbly year for the world's airlines, we remained on course for achieving yet another target as we kept moving the goalposts in our quest for Emirates to become a global brand. Dnata, too, in its 44th year continues to find its way into the record books ... at Dubai International Airport handling 16.5 million passengers and 399,193 tonnes of cargo.

Emirates not only bucked the industry trend by making a profit instead of a loss, but we were at last able to report a halt in the decline of the yield which had been dropping steadily for a number of years. The yield showed an improvement of 2.1 % helped, admittedly, by the strength of the pound and the euro against the dollar, a factor which for several years had previously been working against us.

Maurice Flanagan
Group Managing
Director

2002/2003
46 aircraft

2001/2002
38 aircraft

Fleet size

Throughout, both Emirates and Dnata staff have been conscious of the need to save costs without affecting the quality of our service. This is reflected in the revenue per employee (excluding subsidiaries) which increased by 18.2% to US$ 164,412 (Dhs 603,392).

An unusual strength of the Emirates Group lies in its diversity of nationalities, all linked together by their commitment to Emirates and Dnata, and a business model which is not taught in any business school, nor subscribed to by any renowned management guru or consultant. We believe that every single member of our family should be treated with the same care and understanding, no matter what position he or she holds, no matter from what country they originate ... we ask only that they be experienced, skilled professionals and spend more time than their colleagues in other companies making sure customers receive value for money.

> This is a non-fiction work, though sometimes the exploits of our staff, on and off-duty, sound like fiction!

At the present time, Emirates is probably the biggest current purchaser of new aircraft in the world. The announcement of new orders is the final act of a process which takes months, even years, of comprehensive assessments of air frames, engines, performance data and also the start of the next step to find hundreds of millions of dollars of money from our own resources and from banks and financial institutions who wish to invest in the aircraft.

An aviation group is not just about aircraft and their markets, and airport equipment, but also about influencing the future shape of what are now becoming known as Airport Cities.

In the case of Emirates and Dnata this has meant our being able to be involved with Dubai Civil Aviation in discussions on the future facilities at the airport which the Chairman has described in his review. On track for Emirates for completion in 2004 is a new Technical Centre with eight hangars at the airport and a new Operations Centre, covering 600,000 sq metres, planned to be ready by 2004 year end.

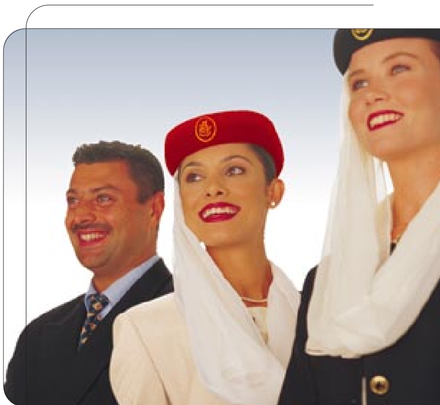
Even after so many years of our relentless march forward, I am always amazed and delighted to see the Group increase its profit compared to the previous year by a pleasing 74%.

This report is the story of an unusual, enthusiastic band of specialists, representing more than 100 nationalities, banded and bonded together by a common endeavour to create quality products on the world's travel scene ... it is a non-fiction work, though sometimes the exploits of our staff, on and off-duty, sound like fiction!

I thank them all for a job well done.

Maurice Flanagan

Maurice Flanagan



The Airline

As both the Chairman and Group Managing Director have stated, it was indeed a remarkable, record-breaking year. Emirates has not deviated from its basic plan which started in October 1985 - to become a global airline, to be profitable through growth and to be the best airline on every route we fly. Our value for money approach to the airline business coupled with intense attention to the macro and micro has again won us more than 20 awards in the past year.

"We believe successful sides are the ones who can keep all their star players while recruiting others to adopt the same winning ways ... at Emirates we have been fortunate to maintain our position at the top of the Premier League by doing just that. This year we expect to be among the five most profitable international airlines in the world - and the 20th largest.

We are now on target to have a fleet of more than 100 aircraft by 2010 serving some 80 cities around the world.

Tim Clark,
Chief Director Airline

Commercial

The success of Emirates has always been due to the culmination of team efforts from many different departments. The Commercial Operations' contribution to this astonishing year has been the result of integrating a highly motivated and innovative sales staff with an ability to accurately forecast traffic flows and projected revenue.

Key achievements were the launching of new services to Casablanca, Khartoum, Perth, Osaka, Cochin and Mauritius. In addition, there were capacity and frequency increases on London Heathrow, London Gatwick, Johannesburg, Tehran, Riyadh, Kuwait, Paris, Frankfurt and Munich.

To support this development, increased office space was taken in London and Frankfurt and there was a further expansion of the Manchester call centre which now handles calls from Germany, France, Italy and Switzerland. An example of globalisation on the call centre front is the fact that overflow calls from our Long Island call centre in New York are now handled in Mumbai.

A new office was opened in Malta to replace our General Sales Agent representation and Emirates also moved to bigger offices in Toronto in March 2003.

We have invested in the development of our IT-based decision support systems like the new pricing and yield management point-of-sales control systems, plus the web-based future sales and planning programmes. Another step forward will be the introduction of a new Internet booking engine to support the growth of online sales, which will later cover hotel bookings, car hire and tour packages, jointly developed by Datalex and Mercator.

Motivation was high at the annual Commercial Conference, attended by 450 delegates, where the future vision of the company was reinforced and strategies shared to help focus sales efforts on corporate traffic.

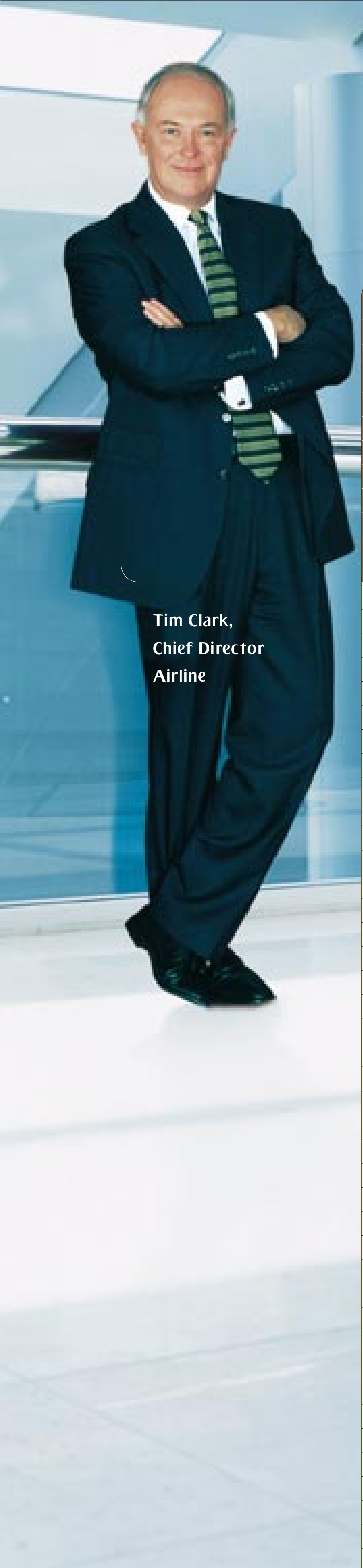
Commented Ghaith Al Ghaith, Commercial Operations Director "This was a remarkable effort by everyone. We reversed the industry trend and strengthened our position in the global marketplace."

Ghaith Al Ghaith (left) at the press launch of Emirates' sponsorship of the FIFA World Youth Cup 2003.

SkyCargo

During the year SkyCargo carried a record 525,188 tonnes and was responsible for a 19.3% contribution to the airline's operating revenue. With the revenue increasing by 48.8% and tonnage by 31.1% compared to the previous year - and a growth in yield of 11.7%, SkyCargo remained firmly as market leaders when compared with the performance of carriers with a similar fleet mix.

In addition to the passenger/cargo destinations previously mentioned, two all-



Tim Clark,
Chief Director
Airline

Annual tonnage carried

2002/2003
525,188 tonnes

2001/2002
400,569 tonnes

cargo gateways were opened to Shanghai and Liege. We also operated Boeing 747-400F and 747-200F freighters (leased from Atlas Air).

Networkwide there was low market demand in the first quarter of the year, an upturn in the second and third quarters, particularly in the Pacific Rim and China (with high freight demand in the USA due to the industrial action at the USA West Coast seaports) and a slowing of European imports in the fourth quarter. Demand in the Middle East remained high throughout the year.

> We will have a fleet of more than 100 aircraft by 2010.....

SkyCargo took over the management and operation of its own dedicated cargo centre in Dubai from April 1st performing miracle-like tasks to handle over half a million tonnes during the year, with peak daily outputs often exceeding 1,500 tonnes.

But these figures will be dwarfed by the development planned for the one million tonne capacity Mega Terminal when it is opened by 2007. A dedicated Perishables Centre was opened in February 2003 and the design for the Dubai Flower Centre was finalised with construction now underway for completion in 2004. Our investment continues in freight management systems and IT applications with SkyChain becoming the first-choice information and data tool for our customers and users of Emirates services. Some 14% of SkyCargo bookings are now received online through SkyChain and this figure is increasing month by month. SkyCargo's intention is to promote and facilitate total logistics solutions, together with efficient supply-chain management and customer service excellence.

A geographic split of business shows revenue coming from Europe and America (24.4%), Gulf, Middle East and Africa (21.1%), West Asia and Pacific Rim (54.5%).

In 2004, the first module of the Emirates SkyCargo Terminal Operations and Inventory Management System is scheduled to be launched.

Post Office mail revenues have increased by 46.6% as a result of initiatives undertaken with Emirates Post to introduce new product lines and services, together with the promotion of Dubai as a regional distribution centre for postal authorities world-wide.

Last but not least, SkyCargo again won a number of awards among its peers being voted Best Airline to the Middle East by readers of Air Cargo News for the 15th successive year, Best Air Cargo Carrier to the Middle East by Cargo News Asia for the 8th successive year and Best Airline to the Indian sub-continent by Air Cargo News for the 7th year.

Sheikh Ahmed with Ram Menen, Emirates Director Cargo and Emirates Cargo Manager, Shanghai.

Arabian Adventures' new GMC Yukon vehicles.

Destination and Leisure Management

Destination and Leisure Management registered a 22% growth capacity with over 208,000 clients and particularly strong outbound sales.

Sales revenue rose by 14% to US$ 132.7 million (Dhs 487 million) and staff productivity was increased with greater focus on cost control resulting in unit costs being reduced by 9%.

Emirates Holidays reported continued growth from the main markets of Dubai, Malaysia, UK, Egypt, Thailand, the Maldives, Lebanon, Japan, France and Italy.

Although Emirates started services to Mauritius only after the main summer outbound season, the island paradise has quickly become a favourite and exceeded all expectations.

Largest increase in business has been to:

Malaysia	(up 70%)
South Africa	(up 65%)
Egypt	(up 25%)
Turkey	(up 42%) and
Cyprus	(up 34%).

Destination Dubai saw an increase of 21% and there was a 5% improvement in business for the still relatively small markets for EK Holidays in Africa, Asia and Southern Europe. For the 2003/4 season, Emirates Holidays will release completely redesigned brochures also featuring the new destinations of Japan, China, Belgium, Austria and the Seychelles (in combination with Mauritius). There will be a greater choice of discovery safaris, cruises and fly-drive itineraries. A winter ski brochure is also planned.

A new sophisticated computerised system, Ocean, will go live in Spring 2003 providing user-friendly Internet access to all Emirates Holidays products with immediate confirmation of land arrangements and Emirates flights.

Arabian Adventures continues to develop its range of products with the new GMC Yukon vehicles, the first in the Middle East replacing the current 4-wheel drive fleet. This will greatly enhance the comfort for safaris in the desert.

During 2003 Arabian Adventures will develop over-night safaris which will open the "Empty Quarter" to visiting tourists.

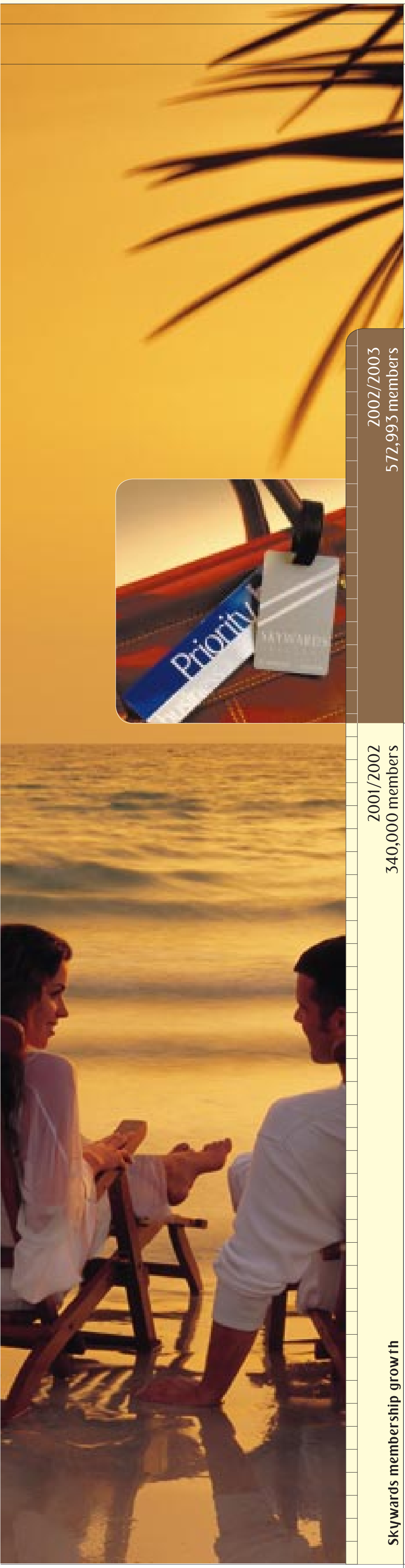
Arabian Adventures has launched a fully fledged operation in Fujairah based at the newly opened Le Meridien Al Aqah Beach Resort providing a choice of safaris, including wadi bashing in the Hajar mountains, sightseeing, shopping tours and cruises.

Arabian Adventures received appointments by the IMF 2003 organisers as Official Ground Handler, by Silverseas Cruise Company as Ground Agent for their calls at Dubai and other parts in the Gulf, by the US-based "Virtuoso" as "preferred-on-site" partner and has appointed dedicated representatives in Italy, Japan, UK, Germany, France, USA and Australia.

The Al Maha luxury desert resort, owned and managed by the Emirates Group, received a number of accolades including "Best Overseas Leisure Hotel 2002 (Africa and Middle East)" by readers of the Condé Nast Traveller (UK) magazine.

Despite a year with challenges for the leisure travel markets and for luxury hotel rooms, Al Maha maintained a high return on operational revenues. It was encouraging to see many overseas visitors often staying more nights than on their first visit.

Substantial work has been carried out to enhance the vast site of Al Maha in a



major conservation drive. There has been a significant improvement in vegetation of the reserve which has led to an abundance of naturally occurring wildlife in addition to the successful re-breeding programmes, with 60 Arabian oryx calves having been born in the last 12 months.

Mauritius has become a favourite... Cyprus business increased by 34%.

By 2003 the facilities at Al Maha will be enhanced including larger individual plunge pools for the current 27 suites and development of 10 new Bedouin (luxury) suites.

Several well known companies have conducted executive meetings at Al Maha. These include the CFO and Senior Management of Volkswagen launching their new luxury “Phaeton” car - to Wella, the hair company staging a major conference too.

Skywards

With membership now surpassing 500,000, Emirates frequent flyer programme made significant improvements to provide a round-the-clock service to its members.

A 24-hour Gold Desk hotline was launched at the Dubai service centre for Skywards Gold members.

Two service desks are now manned in the Business Class Lounge at Dubai International Airport on a 24-hour activity basis.

Other improvements included the establishment of a Skywards Service and Ticketing Desk in the New Airline Centre, Dubai, enabling members to have redemption tickets issued and queries handled.

There are now seven dedicated service centres worldwide in Manchester, Melbourne, New York, Colombo, Karachi, Dubai and Mumbai.

Skywards won a Freddies Award for the Best Bonus Promotion and readers of Business Traveller (Middle East) voted it the Best Frequent Flyer Programme in 2002.

New partners who came on board included Japan Airlines, Al Ahli Bank of Kuwait and Damas Jewellers.

The upgraded www.skywards.com website is now attracting 50% more visitors, helping members to manage their accounts and plan their journeys online.

Service Delivery

We are proud of the quality of our multi-national cabin crew who, once again, on and off duty showed their wide variety of skills. All our Senior Flight Pursers (21), Pursers (286) and Senior Flight Stewards and Stewardesses have been trained in the use of the defibrillators which are carried on all Emirates aircraft - and which have already saved lives. During the year some 3,300 cabin crew attended Safety and Emergency Procedures refresher courses - and we are pleased to report all our cabin crew are trained in First Aid.

Off duty a number of cabin crew achieved sporting distinction like Khuram Khan who played for the UAE national

The Airline

Barbara Hroudova - cabin crew and wakeboard champion.

cricket team, while Barbara Hroudova became the UAE Wakeboard Champion in 2002 and Natalie Daher was chosen to manage the UAE Women's Karate team.

The cabin crew, as well as in-flight service personnel, supported a number of charities like the Baby Home in Dhaka, Gulf for Good Charity and raised money for two young relatives of staff suffering from leukaemia and polio.

Fleet-wise the Service Delivery Department is preparing for the introduction into service of the A340-500, the very long-range aircraft in September 2003.

We will recruit approximately 600 cabin crew bringing the total number up to 4,403 as we take delivery of 11 passenger aircraft in the next 12 months.

This year we introduced a new non-stop flight between Osaka and Dubai on which we have six Japanese cabin crew in the total complement of 14. Special courses are held for our non-Japanese staff to train them in the traditions and habits of our Japanese guests. The menu on these flights has a strong Oriental flavour with a choice of Japanese and international cuisine.

A new Operations Building at Dubai International Airport is expected to be ready at the end of 2004 and the Service Delivery Department, including Cabin Crew briefing, will move into these new premises.

All in all, another superb contribution from the Service Delivery Department underlined by the 20-plus international awards which we won for quality of in-flight service, cabin crew and cuisine.

Customer Affairs and Service Audit

The collective activities of the Customer Affairs and Service Audit Department worldwide help to improve services and product standards. The service delivery products and procedures at the same time make sure the standard of customer services always remains at the highest level.

During this year some 1,500 individual service audits were undertaken when 400 Emirates flights were audited by our in-flight inspectors and 20 airports visited by the ground inspectors. The past year has also seen the introduction of our national management trainees undertaking service audits, so we can reflect the service needs of our Arabic speaking passengers.

The new strategy of the Department is to centralise customer relations and service regulatory activities and monitor Emirates overseas stations with a high passenger throughput such as Mumbai, Melbourne, and New York. Customer Affairs and Service Audit has already introduced a dedicated business unit in London taking care of customer concerns in the UK and Ireland. The focus of the product monitoring and service audit, on the ground and in the air, covers areas such as passenger and cargo reservations, Emirates Holidays, Dnata Baggage services, Passenger Airport check-in and on-board passenger experiences.

Planning, International and Industry Affairs

Ten new aircraft entered commercial service during the year. Seven Boeing 777-300s and three A330-200s while two aircraft were phased out of the fleet, namely one A310-300 and one A300-600 making the fleet size 46 passenger aircraft by the end of the year (as well as one 747-400F freighter). In all areas of the world

Emirates increased frequency and capacity.

International Affairs played an important role in improving traffic rights to the People's Republic of China, Thailand, India, Kenya, Nepal, Sri Lanka, Cyprus, Germany, Switzerland, Egypt, Saudi Arabia and Iran.

New codeshare agreements were concluded with Japan Airlines, Air India, Air Mauritius and SNCF French Railways. The Department continued to represent Emirates at the IATA Agency and Services Conference for passengers and cargo as well as at the Global Advisory Groups for Billing and Settlement Plans and Cargo Accounts Settlement Systems.

From an IATA/ICAO perspective, Industry Affairs also monitors industry policy matters involving:

- GATS (General Agreement on Trade and Services)
- Advance Passenger Information
- Denied Boarding Compensation Schemes
- Open Skies
- Aviation Insurance
- Slot Allocation
- Anti-Dumping (Airline Pricing)
- New Aviation Related issues from the EU/USA
- Aviation and the Environment.

The Market Research unit closely monitors customers' needs and requirements which helps in the continued development of new and existing products and services. During the year the Department has introduced numerous web-based surveys which have been successful in helping to improve the Group's websites and booking engines.

Group Safety

As part of the company-wide safety programme, Group Safety organised workshops involving 80 senior managers which introduced the concept and philosophy behind the Integrated Safety Management System and this was followed by one-on-one departmental briefings.

A Safety Day was held in November and there were regular meetings of the Management Safety Review Committee with important issues reviewed by the Group Managing Director and a senior management team.

The Group Safety Department continues to use the latest technology to monitor aircraft operations for optimal safety performance, and work is in progress for the development of a Safety Threat and Management Guide which is intended to assist line management in day-to-day safety issues.

Emirates actively participates and supports international safety bodies, being a member of IATA STEADES (Safety Trend Evaluation, Analysis & Data Exchange System) steering group and the Middle East representative for IOSA (IATA Operational Safety Audit) Advisory Group.

Engineering

During the year, approval was given for the construction of a new Technical Centre, on the north side of Dubai International Airport, covering an area three times the size of the present facility. The complex will be 1,200 metres by 500 metres in size and will include eight hangars. Each bay will occupy an area of 11,500 square metres for light and heavy maintenance with all hangars capable of accommodating the A380 double-decker aircraft, which will be delivered in 2006. All of the hangars will be equipped with state-of-the-art computerised docking systems to provide access to aircraft during heavy maintenance activities. An eighth hangar will be dedicated to the washing and painting of aircraft, taking into consideration all the environmental and health requirements and will be fitted with a roof-mounted telescopic platform to provide access for paint spraying.

Full module replacement on Rolls Royce Trent 700 and 800 engines.

The main store will cover an area of 16,000 square metres and there will be an engine run-up bay with a 25 metre high wall and doors to reduce noise to the surrounding area.

The Engineering administration offices and Training School will be located landside which will reduce the traffic flow at the Security Gate. The school will have its own workshops and 20 classrooms. There will also be a multi-storey car park providing 2,000 parking spaces linked to the main building with a covered bridge.

The installation of Airman, a maintenance data analysing tool, has helped to minimise the number of diversions and aircraft delays have been reduced. Airman helps the maintenance team to store, trace and manage technical data in a more accurate and efficient manner. Our 24-hour maintenance crews use the system to trouble-shoot flight defects and advise crew during the flight on any recommendations and planned work, resources or any material required at the next destination. Airman supports the Emirates' fleet of A330s and another system is being used to support the Boeing fleet.

Our engine module shop has the capability to assemble and disassemble engines, allowing the replacing of modules on engines and sending only the unserviceable modules to specialised repair agencies. This helps to cut down turnaround time resulting in lower engine spares requirements. The workshop celebrated the completion of its 150th "C" check performed on wide-body aircraft and has obtained approval to carry out full module replacements on the Rolls Royce Trent 700 and 800 engines, the first 800 engine replacement being carried out in May 2002.

Adel Al Redha, Director Engineering, said "It was a good solid year for the Engineering Department which once more underlined its international credentials, undergoing a successful USA FAA Audit, and being recommended for FAR 145 Certification. We already hold approvals from Bureau Veritas for ISO9002, UK CAA for JAR 145 and from the UAE GCAA".

Flight Operations

The Department was reorganised during the year to face the planned expansion to which the Chairman and Group Managing Director have referred.

Recruitment and training have been challenging but we continue to be able to attract and select experienced and capable pilots, no doubt helped by the poor shape of the aviation world at present. But we hope, too, that the reputation of Emirates as a good employer and Dubai as a pleasant place to live has also drawn this wide range of applicants.

With a modern fleet which offers opportunities to use technology to great effect, we have spent more time planning how best to work towards the introduction of the Airbus A380 and its systems. For

years to come, this aircraft will shape technical development cutting across aircraft types and manufacturers.

The advent of the Airbus A340-500 later this year and its long-range capability has focused our attention on some associated medical issues. Together with the Medical Department, we have been studying this aspect of flight and contributing to the global debate on how best to handle the effects of long sectors and big time changes.

When it comes to pilot recruitment, we chose 15 cadets for the foundation programme and another 13 cadets were sent to Adelaide to the BAE Systems Flight Training Centre. Of the many applications for direct entry we interviewed and examined 401 pilots, of which 218 were successful and now wear Emirates uniform.

If we measure the time involved in simulator training in “instructor days”, we invest 3,139 instructor days on the full flight and flight training devices and classroom for the Airbus A330, and 2,155 instructor days for similar training for the Boeing 777.

Airport Services

Another first for Emirates was the opening of the new dedicated First and Business Class check-in facility at Dubai International Airport. Passengers are greeted from their Emirates provided home-to-airport limousine by a unique concierge. The check-in terminal has its own separate First and Business Class desks, its own baggage check-in system and its own passport control ... all within the same lounge enabling our frequent business travellers to avoid any queues at the airport.

This is probably the only kerb-side departure facility for First and Business Class passengers in the world.

In the airside Departure Terminal, Emirates has expanded its Business Class Lounge from 250 to 450 seats with more space for enjoying the wide range of hot and cold meals, business centres with Internet stations - and bedrooms for those travellers who want to sleep between flights.

During the year Emirates assumed self-handling at Dubai International Airport for baggage services, transfer desks and special services, including medical cases.

The Department introduced an automated Unit Load Device management system called NOMAD which handles 6,500 units per year.

Emirates’ Airport Services were responsible for caring for 8.5 million passengers and nearly 12 million pieces of baggage throughout the network, which now links 64 stations online.

A unique First and Business Class check-in lounge.

Dnata has moved with the times. Originally the Dubai National Air Travel Agency, it was started in 1959 under the management of International Aeradio - but everything it did and the way it subsequently developed was directed by the late H. H. Sheikh Rashid bin Saeed Al-Maktoum, the visionary ruler of Dubai. When Dubai Airport opened in 1960, an Airport Section of the company was formed to handle all documentation and correspondence, as well as aircraft and passengers. It had three staff plus three porters and a messenger and also handled civil flights to Sharjah and Abu Dhabi.

Like most of Dubai, Dnata grew at a rate of 30% a year in real terms from 1970 to 1980, an astonishing tenfold growth in activity over those ten years. In 1970, Dnata had 200 staff and 200,000 passengers passed through Dubai airport. By 1980 the airport had two million passengers and Dnata staff numbered 2,000.

In the 1980's Dnata went high tech and also became the first travel agency between London and Hong Kong to operate a multi-access, common-language passenger reservation system, the first in the Gulf to have computerised check-in at the airport and then first in the world to apply multi-access common language principle to airport check-in.

Today Dnata remains the sole ground handling agency at Dubai International Airport responsible for processing 16,452,152 passengers per year - and Dnata Cargo takes care of 399,193 tonnes of cargo. Dnata Agencies remains the largest travel agency in the Middle East with a record number of airlines represented under one roof at its modern headquarters in Dubai.

During the year Dnata had an average of 6,253 employees in Dubai, a phenomenal growth for a company which has mirrored the growth of Dubai from a small pearling community to a global hub at the centre of the world's most dynamic commercial and vacation centre.

Dnata's contribution to the Emirates Group's results continues to be significant as its myriad activities maintain the highest standards of service (ISO 9001 accreditation) and market leading innovations like Marhaba, the Freezone Logistics Centre and e-commerce marketing.

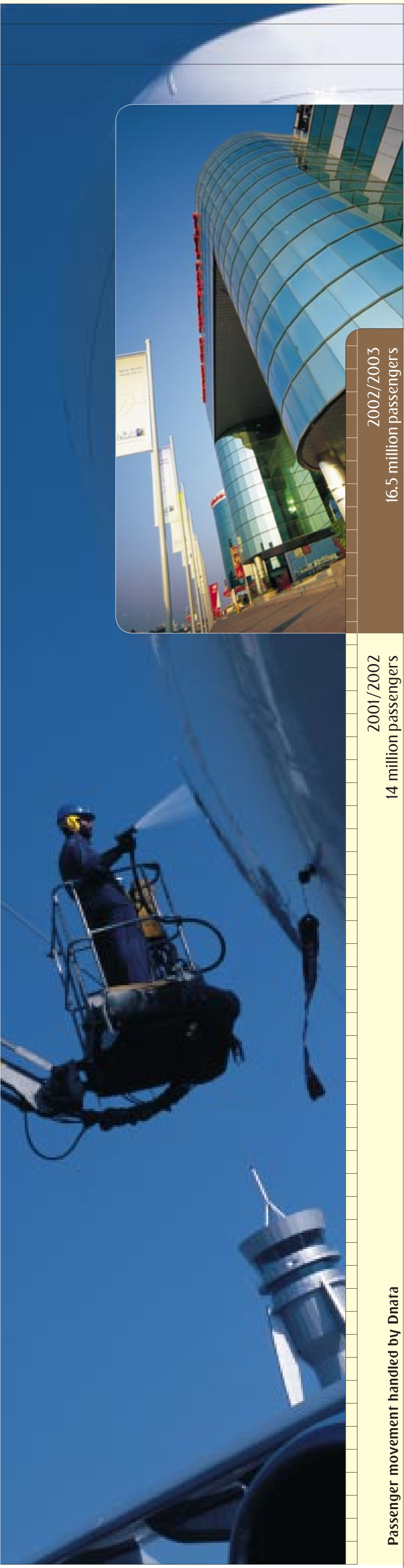
Dnata made major improvements over the previous years in a very competitive environment, providing an 18% increase in revenue compared with 2001/2002.

Dnata Airport Operations

With the expected growth of Emirates and other airlines, coupled with the expansion of the airport, there was a reorganisation creating special units for Terminal Two and the Freezone Logistics Cargo Centre as well as splitting Ground Services into three separate units for Operations, Ramp and Baggage Services. By March 2004, it is expected that staff numbers will rise from 4,300 to 5,700.

The Department began implementing a five-year Ground Support Equipment procurement plan aimed at concluding long-term deals with selected suppliers so that the procurement process would be more efficient and financially advantageous.

Following its ISO9001/2000 Quality Standard certification, Airport Operations was awarded the AHS1000 for its ground handling business, specifically relating to airline service level agreements now being concluded with many customers.



Increased traffic was registered at Terminal One, Dubai International Airport, from Indian Airlines, Ethiopian, Thai, Austrian and Oman Air and at Terminal Two from Aero Asia, Iran Asseman, Kish and Mahan.

Dnata Cargo handled 399, 193 tonnes of cargo during the year

Dnata Cargo

The division has again beaten all expectations achieving a net contribution increase in excess of 20% as compared to last year, despite Emirates taking over its own terminal handling business.

Dnata Cargo reached this solid result thanks to a mature Management System (encompassing ISO 9001/2000 Quality, ISO14001 - Environmental and OHAS 18001 - Health and Safety principles) embedded in its Total Quality Management culture which augurs well for the challenges ahead.

Some 400,000 tonnes of cargo were handled in the terminals at the Dubai Cargo Village, the Airport Freezone and the Jebel Ali freezone.

The main Cargo Terminal saw an 11% growth in volume which far exceeded the worldwide industry average of 5%. The Freezone Logistics Cargo Terminal (FLC) was doubled in size to 19,000 square metres from February 2003 to help meet the 173% growth, as several new carriers were attracted by the successful pricing and service formula. There are now 30 airlines under contract operating over 200 freighters monthly through the FLC.

The Freezone Air Cargo Terminal, located 50 kms from Dubai International Airport, at Jebel Ali, is serviced by Dnata's own RFS-RoadFeeder roller-bed trucking service and is gaining in popularity among the 1,800 companies established in the Freezone. A growth of 49% was recorded.

A brand new facililty, the Express and Mail Centre, was completed, boasting a fully automated online X-raying, weighing, volume measuring and barcode scanning system. It is linked to the new CAMSYS computer system, specially developed in-house, which provides real time between Dnata and the operators and allows cut-off times setting an industry record-breaking 45 minutes on import delivery (from aircraft arrival) and one hour on export acceptance (from aircraft departure). The facility became operational in February and was such a success that all spaces had been leased three months before its opening.

New Freezone Logistics Cargo Terminal opened at Dubai International Airport.

This was also the year of a unique agreement between Dnata and DHL, the express giant. Dnata provides specialised equipment and 20 dedicated staff, all in DHL uniforms and livery, thoroughly trained in the Company's systems and procedures.

CargoPartners, our Cargo General Sales Agency arm, now has 30 airlines in its portfolio. It has succeeded in capturing over 35% of the total export market from its sales territory covering Dubai and the Northern Emirates, an impressive export volume growth for its GSA partners of more than 30%.

CargoPartners also concluded a comprehensive agreement with British Airways World Cargo (BAWC) which transferred full sales responsibility to the Dnata sales team. The team substantially exceeding the BAWC-agreed sales target in its first full year of operation.

Our Customer Care Centre at Dubai International Airport now handles over 75,000 calls a month, while the sales and marketing team has made a substantial contribution to the business units' excellent results.

Finally, the major product in development for Dnata Cargo Planning is the new Cargo Operations Computer System, Chameleon, which will replace DACS (Dnata Air Cargo System) by the end of 2003. Working closely with Mercator, the planning team and four user specialists are ensuring that the system will be delivered as per specifications. Costing US$ 10 million (Dhs 36.7 million) with over 100 man-years of development, when implemented Chameleon will be the most comprehensive and up-to-date cargo system in the world.

Dnata Agencies

Operating in the very competitive environment of the UAE, Dnata had a good year registering a 7.8% increase in overall revenue, though this did not quite meet the ambitious target set by the travel agency.

But there was plenty to smile about: Dnata Agencies qualified for membership of the Dubai Service Excellence Award from the Department of Economic Development, the first travel agency to qualify for this initiative, and became a major shareholder in CompanionPoints, the largest multi-product loyalty programme in the UAE, as well as its marketing arm.

Dnata remained at the forefront of modern technology investing in a new customer relations management tool called Dnata Front Office which, among other tasks, simplifies the travel booking process - while www.dnata.com attracted more than 70,000 visitors per week.

The Dnata call centre averages 7,000 calls per day going up to 15,000 during peak periods.

Reflecting the innovative thinking of Dnata management, a strategic alliance was established with the Dubai Naturalisation and Residency Department (DNR) to promote and distribute their e-Gate smart card for easier departure and arrival at Dubai International Airport. This involves Dubai residents having their finger print electronically scanned by DNR before the cards can be issued.

Another new initiative was the 'Fly & Win Promotion' with over 50,000 raffle tickets issued and a Grand Draw resulting in three lucky Dnata customers each winning a luxury car, totalling nearly US$

275,000 (Dhs 1 million) the highest-value raffle prize ever awarded in a single day in Dubai.

On the airline front, Dnata Agencies was appointed by Kazakhstan's Air Astana to be their sole representative in the UAE and became General Sales Agent for Swiss, (in addition to Dubai), in Fujairah, Ras Al Khaimah, Umm Al Quwain and Ajman.

Axis launched its first-ever Spa Brochure in English and Arabic for people who value good health and a luxurious lifestyle. Other key activities were the publishing and distribution of Ski and Golf holiday brochures.

Another division, World of Events was officially appointed as the Travel Agent to market visits to the ICC Cricket World Cup in southern Africa through its network of international partners. It was also successful in being appointed by Dubai Strategy Forum to assist with the marketing and management of the forum.

Government Travel Services sold out its specially devised Haj and Umrah packages in record time and opened new implants at the Department of Health and the Rulers Court.

Business Travel International also added new implants while Dnata World Travel became the only travel agency in the world to open an office in a jail with the inauguration of its implant at Jumeirah jail! Obviously, prisoners serving time cannot pop out to visit a travel agency and Dnata now provides a service for them as they prepare to leave Dubai at the end of their sentences. Two other outlets were opened at Dubai Immigration where visitors pick up their visas and on the industrial estate of Al Quoz.

e-Gate Smart Card for easier departure and arrival at Dubai International Airport.

Finance, Information Technology and Services

Emirates has responded to the declared target of 15 million visitors to Dubai by 2010 by ordering a fleet of 58 new aircraft, in addition to the planes already in the pipeline, to help meet this objective.

In the coming financial year alone we will be making arrangements, for the purchase or lease of 12 aircraft involving amounts over US$ 1 billion (Dhs 3.67 billion), with a number of international banks and institutions. Our team of finance and legal experts has made a name for itself in the aviation industry for its innovative schemes for loans - and has even won awards.

At the same time, our Treasury Risk Management Department is continuing to keep its exposure to movement in interest rates and currency at manageable levels ... no easy task in an industry continually influenced by the socio-economic conditions of the world.

Dermot Mannion,
Chief Director Finance, IT and Services

Signing of the US$ 160 million financing agreement for two A330-200s.

In the IT arena, Mercator has been busy for the past two years replacing legacy systems in the service departments with the latest e-business technology like the Oracle systems - whilst at the same time developing programmes which have proved popular not only within the Emirates Group but also with other carriers.

Dnata Agencies continues to play an important role in the travel agency business in the UAE and its one-stop shop in the Dubai Airline Centre is probably the biggest retail travel outfit in the world with 29 airline sales offices under one roof.

Finance

During the financial year, US$ 350 million (Dhs 1,284.5 million) of financing was raised by Emirates, at an attractive all-in cost to finance four A330-200 aircraft. In addition, we used operating leases to finance seven B777-300 aircraft from Singapore Aircraft Leasing and US based International Lease Finance Corporation. Emirates continues to adopt a balanced portfolio approach to finance its fleet requirements, including the use of operating leases.

The highlight of the year was the award to Emirates of the "Aircraft Leasing Deal of the Year (Asia) for 2002" a major investment banking award, by Jane's Transport Finance magazine for the second year in succession. The award was given for one A330 financed for US$ 90 million (Dhs 330.3 million) on a ten-year Islamic Lease arranged by HSBC and co-arranged by Dubai Islamic Bank. The lease was the third A330 financed in this manner. Islamic financing has become a reliable and sustainable new source of funding for Emirates and will help finance some of our future fleet expansion programme.

Emirates' also won Euromoney's Air Finance Journal Deal of The Year for the Middle East/Africa for the third year in succession. The award was given for one A330 financed for US$ 100 million (Dhs 367 million) on a ten-year international operating lease with equity provided by Lloyds Bank TSB and debt arranged by Credit Agricole Indosuez. The international operating lease was the third A330 financed in this manner and this innovative lease provided very attractive low-cost funding for Emirates.

Towards the end of the year, Emirates financed two A330 aircraft for US$ 160 million (Dhs 587.2 million) arranged by Credit Agricole Indosuez and supported by local and international banks. The financing was raised at competitive terms and was specially notable as it was completed at a difficult time due to the

Dermot Mannion,
Chief Director Finance,
IT and Services

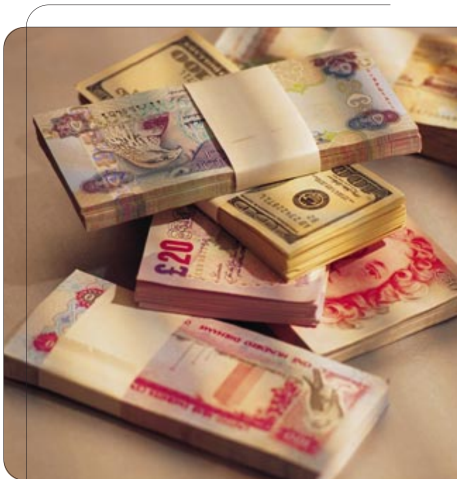
geo-political uncertainty prevailing. The financing signalled a clear vote of continued confidence from the international financing community.

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. This 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.

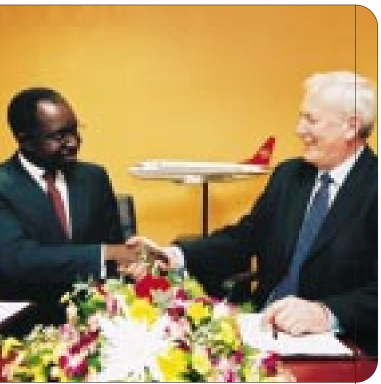
Emirates continues to adopt a balanced portfolio approach to finance its fleet requirements.

The financial year witnessed US dollar interest rates at a 41 year low, which provided us with an opportunity to swap some of our floating interest rate exposure into attractive long term fixed rates. The Emirates Group invested a majority of its cash surplus (circa US$ one billion (Dhs 3.67 billion)) with well diversified triple A rated liquidity funds, thereby securing superior credit quality for its cash surplus and at the same time enhancing interest income. In addition, some of the floating interest income was swapped into fixed rates on a medium term basis. These initiatives have improved the yield on our surplus funds during this financial year.

On the taxation front, Emirates continues to work with the Ministry of Finance of the United Arab Emirates (UAE) and tax officials of other countries on matters concerning Double Taxation Agreements (DTAs) and other bilateral agreements. So far, the UAE has concluded 32 DTAs and six reciprocal agreements which effectively exempt Emirates from corporate income tax in those countries. Further we have obtained tax exemption in eight destinations, including Gulf (GCC) countries, due to the excellent mutual relationship between the respective Governments and the UAE.



Finance, Information Technology and Services



Air Malawi signs up for FASTRAC.

In October 2002, Finance opened a new line of business to provide revenue accounting bureau services for the airline industry. In less than six months the bureau processed more than 15 million coupons! This bureau provides top of the line end-to-end airline revenue accounting services for passenger and cargo documents with functionality ranging from data capture and image scanning to interline pro-ration, fare auditing, under-collection processing and interline billing. Finance uses its own in-house revenue accounting system, RAPID, coupled with its very high speed image scanning facilities to achieve a level of productivity and functionality not paralleled in other airline bureau service companies. The ability to scale the system and the process to meet the requirements of large customers was proven when the bureau commenced services for a very large European carrier within two months of signing the contract.

The finance and accounting functions of all overseas stations of Emirates are now fully computerised with COMET, which is Emirates' in-house developed station accounting package. COMET is implemented as a standard at all overseas stations of Emirates in a totally decentralised manner. This system continues to be enhanced with the latest functionality being the much coveted transfer of the fare under-collections from the head office to the stations. Finance envisages doubling of the fare under-collection recovery rate using this new module. COMET includes state-of-the-art exception reporting tools which complement the controls required for decentralised accounting units.

Finance successfully implemented Oracle Financials in May 2002. This implementation was achieved in record time and set a new benchmark in terms of quality and cost.

On the Insurance front, Finance continues to negotiate in difficult trading conditions but has always achieved the objective of securing the Group's interests globally - at cost effective terms.

Information Technology – Mercator

In the last year, Mercator, the IT services division of the Emirates Group, successfully undertook the following three major initiatives - migrating Central Services to a new generation of computers and networks, strengthening the protective layer of security for corporate data and services, and generating increased revenue from sales of business solutions to other airlines.

For the Technology Services Unit, the continuing expansion of the Group required major upgrades throughout the corporate network. Taking advantage of the depressed trading conditions in the IT industry at the beginning of the year, Mercator made significant investments at its two data centres to increase the capacity and speed of its corporate computing. Consolidation of high-end servers provided significant price performance improvement as well as increased reliability of the service for critical business systems. The latest generation of mainframes and data storage systems were acquired under a three-year agreement with IBM, which will provide

incremental expansion of these facilities. Access to these systems through local and international networks was substantially enhanced through expansion of bandwidth and a migration to a Virtual Private Network which guarantees future capacity in the most cost-effective manner throughout the worldwide network. This transition will ensure there is incremental expansion according to demand, which will result in a continuing downward trend in operational unit costs.

Along with this upgrading of corporate infrastructure, Mercator's IS Security Unit initiated a major review of data and systems security during the year and formed a high level corporate body (the Information Systems Protection Committee) to manage policies, standards and procedures. Operating within the framework of BS7799 IS Standards, a programme of assessment and validation took place which focused on the confidentiality, integrity and availability of data stored on internal and external company systems. This has led to tighter controls on network access and use of corporate data, accompanied by a comprehensive awareness programme for all corporate users. With the increase in the scale and complexity of the network, the risk of service disruption through virus attack or malicious intrusion is being countered through the measures taken and through on-going investment in the latest protection software.

Meeting the demand for new business software is an ever-increasing challenge, with time-to-delivery being a critical factor. Proven products were sourced from the market in a number of business areas but the majority of the year's work programme was developed by Mercator through its Business Solutions and Software Services Units. The emphasis for the year was placed on building up business analysis, systems design and project management skills which will be a continuing focus in the coming year. Increasingly the software production and support itself is being outsourced. The two development centres in Colombo and Trivandrum are well established and deliver a low-cost, high-quality service under long-term agreements.

Mainframe based systems continue to provide the backbone of the airline passenger service and in spite of their vintage appear to be unbeatable in terms of price/performance. Mercator's reservations and departure control system is expected to serve the Emirates Passenger Service and Commercial Departments' needs for many years to come.

Finance, Information Technology and Services

Business and technical skills were boosted to meet the very large work programme during the year and delivered revenue-enhancing features, such as a new pricing system and point-of-sale control. A new Internet booking engine will also be acquired and is due to be launched into the market in the near future, with greatly improved customer features. These facilities, together with the enhancements that have been made to the Skywards frequent flyer programme, are expected to produce a significant increase in the proportion of bookings made online by passengers.

It is a different picture in the Cargo and Logistics world however. Initiatives have been taken by Mercator which will soon make mainframe systems a legacy of the past for cargo service users. A new server-based ground handling system, designed for both handling agent and airline, is currently under development. Code named Chameleon, this innovative state-of-the-art system will enable both Dnata and Emirates SkyCargo to increase their levels of quality and service. Mercator is now in the process of designing a replacement for SkyCargo's booking and capacity management systems which, together with Chameleon, will form a new generation of cargo and logistics products. Mercator's strength in the cargo field is being recognised by the industry in general through these initiatives and in sales of its cargo financial systems to major carriers including Singapore Airlines.

Mercator's external business grew strongly last year, reinforcing the Emirates Group as a leading supplier of airline business solutions.

In revenue accounting, RAPID continues to be the market leader with successful tenders won at Singapore Airlines and on the other side of the world in South America with Alianza Summa. Earlier in the year, Qantas successfully implemented the system with Mercator providing all necessary technical and business support for this major project. On a smaller scale, Air Pacific in Fiji implemented FASTRAC, a version which is customised for the small to medium sized carrier. Air Malawi and Yemenia have recently contracted for the same system.

During the year, Mercator also signed up two carriers for its revenue accounting bureau service which it offers in association with the Group Finance Department. AirTahiti Nui became the launch customer at the beginning of the year and Olympic Airways was successfully implemented in October 2002. These long-term contracts will provide the airlines with a comprehensive passenger and cargo revenue accounting service.

Mercator's experience in providing advanced financial, HR and procurement solutions based on the Oracle ERP suite of products has grown significantly over the last year. After successful cutovers of the

Oracle ERP products within the Emirates Group, Mercator managed an implementation at Air Malta and more recently, won the tender for implementations at Virgin Atlantic against strong competition.

The successful cutover of the frequent flyer system, CRIS, at Philippine Airlines completes the external sales story for the year - the most successful since the sales team were established in 1997. In this coming year, Mercator will be operating as a sales force for the first time in the North American market and this should deliver a valuable source of new revenue over the next few years.

As with the other business units in the Group, Mercator recovered quickly from the constraints and cutbacks of the previous year and was able to deliver one of its best performances in 2003. Mercator's strategic focus for the coming year will include advanced technical systems for Flight Operations, In-flight Services and Engineering and analytical systems for Planning and Revenue Management. With the new infrastructure and the new generation of business systems, Mercator expects another successful year ahead.

Galileo Emirates

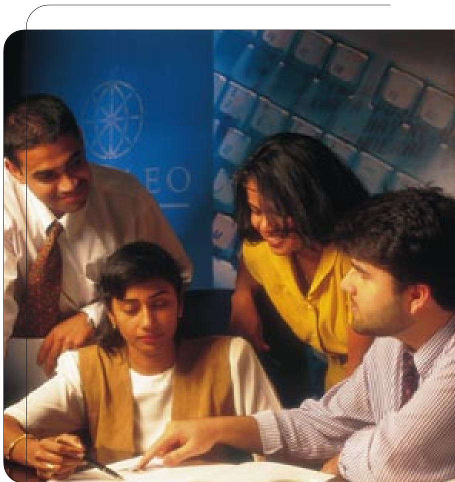
Dubai-based Galileo Emirates has been a success in the UAE for many years and now handles an estimated 86% of the Global Distribution System market in Dubai and the Northern Emirates and 38% in Abu Dhabi and Al Ain.

It is the national distribution company for the Galileo Global Distribution System for 10 countries namely UAE, Bahrain, Oman, Qatar, Pakistan, Iran, Sri Lanka, Sudan, Morocco and Tunisia.

Steadily gaining market share in all these countries, Galileo Emirates will formally launch its entry into the Moroccan market in April 2003.

The company has already established itself as a player in the Internet area with SafarEZ (Safar Easy), a web-based booking solution with a travel gateway and in 2003 introduced a new venture into the field of airline hosting, with ResEZ targeted at small and start-up airlines.

Galileo International today is represented in more than 100 countries and links some 45,000 travel agency locations to 500 airlines, 32 car rental companies, 50,000 hotel properties, 368 tour operators and all major cruise lines throughout the world.



Support and Development

Probably the main challenge for the Group, as we continue to expand, is to strive to maintain the family atmosphere as our team grows from 18,000 to a projected 35,000. At the same time we need to maintain the high productivity per employee which we have so successfully nurtured over the years. This goes, too, for the new companies which we have taken into the Group as we refine their business methodology to mesh with the Emirates Group's style and values.

Choosing the right people and retraining them remains a top priority as we mould many different nationalities from all parts of the world into a cohesive, award-winning organisation with the highest business ethics and a customer and community awareness.

We are proud of the loyalty of our management and staff but acutely aware that this is a two-way affair and does not come automatically. Our Medical Department, our special accommodation for junior staff, our investment in extra curriculum educational opportunities, are just some of the ways in which we try to repay this loyalty.

Gary Chapman, Chief Director
Support and Development

The new Emirates Group Career Centre.

Human Resources

At year end the Emirates Group had a total of 18,384 employees, an increase of 18.7% over the previous year, with Dnata's staff number averaging 6,253 and Emirates 10,507.

Commented Abdulaziz Al Ali, Director Human Resources "We really are the United Nations of the Air for we have no less than 100 different nationalities making up our staff in Emirates and Dnata, which also means that we have to make a significant investment in training and re-training, as well as building new facilities to help maintain the high standards of our personnel".

Human Resources faced the challenge of the Group's dynamic future plans to double the size of the workforce by moving to the forefront of available HR system technology. The new website, www.emiratesgroupcareers.com is expected to receive over 200,000 job applications by the year end while the Oracle ETHOS system went live in January 2003 as part of a full-scale Enterprise Resource Planning implementation.

Online applications now account for more than 90% of advertised jobs, a huge leap forward using Internet communication compared with only a year ago.

But, perhaps, the most visible sign of our recruitment maturity was the opening of a brand new Emirates Group Career Centre at Emirates Dubai Headquarters, where job hopefuls can be provided with information about the various departments in the company and applicants can be interviewed. Significantly the Department managed to reduce cost per hire by 15%.

The Business Support Unit reviewed the effectiveness of organisation structures during the year to help identify areas for improvement. Some 47 inductions welcoming new arrivals were held.

In order to develop senior managers, the company joined the London Business School Global Business Consortium, while the Group's MBA programme, in conjunction with the Bradford University School of Management, continued to grow with a further four companies joining the course.

But the statistics themselves tell the year's story:
200,000 job applications received; 15,000 Internal Vacancy Applications, 3,500 new joiners; 21,400 interviews for new candidates; 100,000 letters issued; 300,000 employee documents scanned and archived; 24,000 visas processed; 10,000 ID cards issued; 10,500 medical tests and health cards; 3,300 employee status changes.

Gary Chapman, Chief Director Support and Development

2002/2003 18,384 employees

2001/2002 15,486 employees

Group employee growth

Medical

This past year has been a major challenge to the Medical Department. The significant growth of the fleet and the resulting increase in staff means that the Clinic must cope with a huge increase in patient numbers. As usual the medical team has risen to the occasion and been able to provide the staff and their families with exceptional medical and dental care – and will continue to do so.

> Significantly we managed to reduce cost per hire by 15%

The Clinic has continued with its development and association with international Royal Colleges to maintain our standards, and we received visits from both the Royal College of General Practice and the Royal College of Surgeons this year. The feedback was most reassuring and complimentary, again confirming our belief in our professional staff.

The Royal College of Surgeons recently conducted further training for our Emergency Medical Technicians, including examining them. We remain the first and only airline to have full accreditation with them for the quality and standard of the training of our cabin crew. Furthermore the Emirates' example is being used by the College to develop similar standards elsewhere.

We also received visits and enjoyed informal medical workshops with several eminent visiting specialists from London this year.

The Department has been actively involved in setting up and researching the medical issues relevant to ultra longhaul flights in preparation for our North American operation and we delivered talks on this at the recent International Congress of Aerospace Medicine in Sydney, which Emirates also sponsored. The response was excellent and a further presentation is planned this year with the medical branch of the Royal Aeronautical Society.

With the continued growth and success of the airline, the Medical Department will have to be prepared for a number of changes, including a change in focus towards Aviation Medicine and Occupational Health – all planned for this year.

Another good year for us – the level of health amongst our staff is as good as the morale and the Medical Department is pleased to have been an integral part of that.

Group Training

All years have been demanding, but this was probably the most demanding of all for Training in the history of the company, with 2,200 courses delivered to 18,500 delegates.

A need for more specialised training resulted in 40 new programmes offering support to departments such as Emirates Baggage Services, the First and Business

The new Emirates Aviation College.

Support and Development

Part of the Group's 'off-airport' fleet.

Class check-in Lounge, Airport Services and SkyCargo in connection with the NOMAD software solution for ULD utilisation - and Commercial for the introduction of a new pricing system.

Training also supported the growth of the Emirates network and Galileo also benefitted with the development of facilitators in Oman, Iran, Pakistan and Sri Lanka.

The Aerospace and Academic Studies Department has had a successful year with 150 full time students on various courses. The incorporation into the Emirates Group has given a boost to the business with more opportunities for the graduates to gain work placement and job opportunities within the organisation.

The newly-built Emirates Aviation College will be opened in June. It houses classrooms, administration offices and simulator facilities with a multi-storey car park.

Performance Development

Performance Development has continued to lead a series of corporate initiatives and provide a range of valuable services to support the Group with performance improvement expertise.

The team has been instrumental, for instance, in the restructuring of Dnata Agencies to improve customer focus, led the wide ranging review of our procurement policies and procedures, driven efficiencies in Emirates Engineering, proposed alternative ways to manage direct sales, started a Balanced Scorecard project with Dnata Engineering, and continued to work with Emirates Airport Services on self-handling in Dubai.

The Department also operates several Group-wide projects.

The Customer Relationship Management programme has started several initiatives focused on the customer experience, data analysis and information sharing. With Skywards, In-flight Services and Airport Services all actively engaged in CRM-related projects, the programme will continue to enhance the customer experience at key touchpoints.

The eVentures Group has successfully re-launched the region's leading online travel portal, which is also in Arabic (a regional first) to take advantage of a new booking process that provides more choice, flexibility and speed to the user, and to exploit new partnerships in the travel and leisure industry.

We launched a group-wide project - the management development programme to support and enhance the project management capabilities of our managers in the Group. Over 150 staff were trained, and major projects have been supported with project management expertise.

During the year Performance Development introduced simulation as an analytical and decision support tool and used it on projects central to the expansion of the company, e.g. simulating traffic in and out of the new Operations Centre, and to model traffic through the First and Business Class check-in.

Fuel Risk Management

Emirates fuel price risk management programme is focused on achieving a level of control over jet fuel prices so that profitability is not adversely affected when fuel prices rise, nor is the business denied benefits when prices fall. By successfully managing and executing our programme we aim to lower our cost of jet fuel as well

as provide other benefits such as improved control over budgeting.

Crude prices have remained volatile with the creative, and so far very effective, policy of OPEC providing good support to prices. Our challenge has been to interpret the actions and reactions of OPEC to best position our risk management strategy, not only for the year under review but beyond that horizon too. In addition we have had to, of course, recognise the potential implications on oil prices of the various political uncertainties around the globe.

Through the use of a proactive risk management strategy we were able to make adjustments to the programme to successfully meet these challenges. We maintained a high percentage cover when crude prices were at the lower end of the US$ 20-US$ 30/bbl price range, and gradually reduced that cover as prices reached or exceeded the top of the range. This on-going and focused proactive strategy reduced Emirates jet fuel cost by US$ 76.7 million (Dhs 281.5 million) during this financial year.

Central Services

Working quietly behind the scenes, Central Services is responsible for managing each and every day transport for some 1,100 staff and 340 crew. Excluding the airside fleet there are over 350 vehicles involved. The Mailing Service section of Central Services handles 18,000 pieces of mail daily while the new automated EZ Post enables users to view "live" the movement of their package/mail. Then there is the Fulfilment Unit processing and despatching an average of 55,000 customer packs per month on behalf of our frequent flyer programme, Skywards.

Emirates-Abela Catering

A spectacular year for Emirates Flight Catering with all targets exceeded - some 12 million quality meals provided and in-flight services for the 95 airline customers at Dubai International Airport. Output was 21% higher than the previous year with an average daily production of 33,000 meals.

To meet this extraordinary demand, the company has substantially invested in recruitment of staff and round-the-clock training. In addition to the usual trade skills, a great deal of time and effort has been expounded in the maintenance and development of hygiene, safety and customer relations services involving 13,000 direct training hours and more than 6,000 lab tests. All of this contributes to a trouble-free service and the highest possible hygiene level for the company's products.

At present Emirates-Abela Catering employs 2,500 staff but by 2010 it is expected that the employee count will have reached 5,800.

Looking to the future, a dedicated catering facility is being built to meet the ever-growing demand of Emirates Airline, which now represents more than 60% of the gross sales. With an investment involving more than US$ 60 million (Dhs 220.2 million), the new unit will be completed by 2005 and will have a capacity of 20 million meals per year, initially intended for airlines but later for other market sectors like five-star hotels.

And finally, a chocolate-making plant has been added to the company (off Airport). It can now produce some 10 million tasty chocolate pieces annually.

As well as achieving ISO certification, the company won a number of accolades from its various customers including

Support and Development

awards from Cathay Pacific, Lufthansa, British Airways, Air France and Federal Express. More recently the company won the Dubai Quality Award 2002 in the "Service" sector.

Emirates-Abela Catering views the coming year with optimism and confidence and is well placed to meet the growing demands, not only of Dubai itself but also the carriers serving Dubai International Airport.

MMI

MMI has undergone both considerable growth and organisational change so as to strengthen its position in the market place and to enable it to take advantage of the business opportunities available. It has also embarked upon a programme of regional expansion successfully acquiring a 50% interest in Oman United Agencies (OUA) in May 2002. OUA is a market leader in travel, consumer and the beverage business in the Sultanate of Oman. Subsequently OUA bought a 51% interest in ONAS, another well established beverage retail organisation, thus significantly boosting market share in that country. MMI has a management agreement in place with OUA.

Restructurings involving the beverage department were important in supporting the introduction of new sales marketing systems and tools, as well as improving, still further, MMI's customer focus. This has helped to improve market share after a difficult and trying period.

There were also positive changes at Costa Coffee, MMI's franchise of premium branded coffee outlets, which led to enhancements of the brand image, greater customer satisfaction, and profitability. We are now looking forward to the opening of our flagship outlets in the main concourse at Dubai International Airport. This is scheduled for April 2003.

MMI Consumer was awarded the Chupa Chups agency selling a combination of small toys and confectionery which was a welcome addition to the portfolio of branded and packaged products.

MMI Logistics has taken a strategic decision to strengthen its business by securing its partnership to a Global Logistics operation while at the same time reviewing and enhancing MMI's core competence. Discussions have commenced with interested parties and it is expected to conclude a deal shortly.

Gulf Ventures, MMI's travel inbound handling and local tour operator, was relaunched at the end of 2001 and has secured back to back contracts from major tour operators in England and Germany. Gulf Ventures is poised to continue its expansion in the next financial year by tapping new markets such as Australia and the Far East.

Procurement and Logistics

Procurement and Logistics role is to manage our supply base and continuously improve the value which suppliers bring to the Emirates Group. As a majority of the Group's expenditure (excluding capital items) is spent with third party suppliers and service providers, the aggressive management of costs has played an important part in the Company's drive for a healthy profit margin.

We have worked closely with our business partners to ensure cost-effectiveness while maintaining the service standards for our passenger and cargo customers. In a volatile market, where mergers and financial crisis are common,

we have had to make sure that our suppliers are selected with extreme caution with strict pre-qualification criteria.

As part of the strategic Enterprise Resource and Planning Programme, Procurement and Logistics implemented Oracle Purchasing at the start of the financial year and has completed the rollout of iProcurement to several major departments.

"soft-opened" in Fujairah - an impressive 218-room hotel on the beach bringing much needed resort facilities to this emirate. The project required close co-ordination between Corporate Development, Le Meridien, as the operator, financial institutions and Emirates Group internal departments.

Negotiations are presently underway to set up ground handling operations at

Junior staff accommodation.

Corporate Development

Dnata gained entry into the Iranian ground handling market by setting up operations at Mehrabad International Airport, Tehran in July 2002. This was a long awaited entry and an important landmark for Dnata. Together with several international charter operators, Emirates became a launch customer.

The operations were built up as a "green field" project where the entire staff were recruited from the local Iranian market and trained to international standards. This was done in close co-ordination and support from Emirates Group Human Resources Division. Managed by Dnata, the operations are structured as a joint venture company between Safiran Airport Services, a leading company in Iran with a strong aviation background, holding 51% of the shares and Dnata with 49%.

In December 2003 the five-star Le Meridien Al Aqah Beach Resort was

Tripoli International Airport, Libya, with the Libyan Airport Authority and Libyan Arab Airlines and at Khartoum International Airport with the support of the Civil Aviation Authority of Sudan.

Group Psychology

An Employees' Assistance Centre was set up within the Group Psychology Department to provide support for pilots, engineers and cabin crew. Another innovation on the way is an Employee Assistance Programme providing a range of specialised social services. It is also responsible for the training and management of volunteers in the family assistance team and to ensure the social well-being of staff in Crisis Intervention Stress Management.

Corporate Communications

Creating a strong Emirates awareness across 64 destinations involves head office teams of specialists - and the creative personnel of no less than 100 Advertising, Public Relations and Audio Visual agencies around the world. Plus the support of suppliers of exhibition stands, printers, film studies, photo libraries and Internet software companies.

In the Gulf, Corporate Communications is also responsible for ensuring that Dnata is presented as a vibrant and exciting product, both at the airport and in the travel agency field.

Corporate Communications works closely with its internal departments and keeps our customers up to date with Group activities, in every medium imaginable ... from the web, to window displays, from tabloids to TV, from bus sides to plane sides, from soccer goals to golfer's hole-in-ones, from horse races to powerboat races ...

We continue to invest in EmPower - our intranet which powers our virtual agency network - allowing campaigns to be developed and shared at Internet speed.

At the same time, our Area Managers provide a local strategy to the global themes through their close relationships with these agencies which also work with them on tactical campaigns.

The new campaign drives trial of the airline.

Advertising

Emirates' biggest ever advertising campaign, 'Keep discovering', was launched at the Global Corporate Communications conference in Autumn 2002 and quickly rolled out to our key territories and across pan-European, Arab, African and Asian media. Leveraging Emirates' strong repeat purchase and our track record of innovation, this emotive and challenging campaign entices people to fly us for the first time and keep discovering our new products, services and experiences. On a tactical level, campaigns for new services to Japan, Perth, Mauritius and Cochin were complemented by product launch advertising for the Dubai Travel Hub, new premium check-in and Business Class lounges in Dubai, the new children's frequent flyer club called Skysurfers and our online booking product. A new Dubai stopover campaign was launched internationally and promotional collateral for the airline, Dnata, Emirates Holidays and Skywards was refreshed and expanded. We launched new corporate brand and tactical advertising campaigns for Emirates SkyCargo (taking an award from Air Transport World for the campaign it replaces) and developed new TV commercials for Emirates Holidays. We ran a major promotional campaign for Dnata Agencies entitled 'Fly and Win', which boosted sales across all UAE Dnata outlets. For Mercator, advertising in global airline publications helped drive strong interest in their wide range of IT products and services. To complement the virtual agency model, we continue to refine internal processes and relocate much of the briefing, budgeting, production, research and media planning online to reduce time to market as well as unit costs. Tracking studies continue to run across several key markets and help to monitor growth in awareness and affinity to the Emirates brand, providing valuable inputs into creative and media development as we aim to become a global airline brand.

Internet

The Internet Communications Unit supports 39 websites across the Group, manages traffic generation campaigns and plays a key role in leveraging the revenue, cost and service benefits of e-commerce. www.emirates.com has been completely redesigned, with additional functionality and industry-leading content. The new site is currently delivering up to 150,000 web pages a day to customers from all over the world, which includes regional sites for the UK, France, Germany, India, Singapore

Marketing partnership with Chelsea Football Club.

Richard Heathcote, Action Images

and Japan. Following the implementation of the Group's content management system, online content is being more efficiently shared across the company, internally and externally and www.emirates.com currently supports online booking in 22 markets. The hugely successful Group recruitment site www.emiratesgroupcareers.com now features an online corporate induction module which provides new recruits with information on the Group's history, brands and employee developments plans. www.skywards.com and www.skysurfers.skywards.com continue to be developed and help attract increasing numbers of people to the programmes, as well as online customer servicing. www.dnata.com was re-launched to reflect a new look with revised content and a flash home page and navigation. The new www.worldofevents.com site is already attracting enquiries from potential global partners and the new www.bti-uae.com site provides extensive information and service to the business travel community within the UAE. Several extensive acquisition campaigns, regular special offers, innovative online advertising plus Internet-only offers, now mean that the online medium is increasingly proving to be a cost effective and successful part of the Group advertising mix.

Promotions

Emirates continues to build its sponsorship portfolio through various sports around the world including horseracing in Mauritius, Ireland and Singapore, rugby in Dubai, South Africa, Wales and England, golf in Japan, Iran and Australia as well as in Australian Rules Football as the title sponsor for the Collingwood Football Club. The sponsorship paid off with the Melbourne Club, as the Magpies were Grand Finalists in the first of their new three-year contract.

One of our most high profile sponsorships is with the International Cricket Council (ICC) and the branding of the match umpires with the familiar "Fly Emirates" which has already been seen by millions of TV viewers world-wide.

Another major sponsorship announcement that helped seal Emirates' commitment to excellence throughout the world was that of the FIFA World Cup. His Highness Sheikh Ahmed announced in January that Emirates will be an Official Partner for the next FIFA World Cup to be held in Germany in 2006, which includes various events and tournaments over the next four years leading up to the Finals.

We renewed our commitment to several famous events including the world's richest horse race – the Dubai World Cup, Australia's Melbourne Cup Carnival and the PGA European Tour's Dubai Desert Classic which was broadcast to an estimated 50 million homes worldwide.

We are proud, too, to continue our partnership with the Chelsea Football Club in the English Premier League. "Fly Emirates" on the blues' strip is seen by an estimated 440 million viewers each time a Chelsea match is screened.

Corporate Communications

The new A380 stand at ITB Berlin.

But it was not all sports promotions, for Emirates as usual participated in the ITB fair in Berlin with a unique "see through" exhibition stand shaped like an Airbus A380, a triple decker, to replace the double decker which stole the show at the Arabian Travel Market.

On the cultural scene, Emirates continued to be a sponsor of the Dubai Concert Committee and concluded a headline-winning partnership with the three major symphony orchestras in Australia - Sydney, Melbourne and the West Australian.

Media Relations

Media Relations provided strong but carefully-targeted support. In 12 months of remarkable activity it helped grab worldwide headlines with stories and features on the whole spectrum of our business, contributing demonstrably to sales and carefully integrating its efforts to help build a truly solid and blossoming global brand.

The unit secured favourable business and leisure travel coverage for the Group and for Dubai and the UAE on TV and radio, in newspapers, magazines and on newswires like Reuters, CNN and Bloomberg. Topics ranged from in-flight catering to aircraft purchasing, and stories featured prominently included new aircraft orders, the expanding sponsorship programme, the launch of six new routes and a string of awards for high quality service.

Press conference to announce Emirates as Official Partner for 2006 FIFA World Cup.

Among scores of press conferences and hundreds of one-on-one interviews arranged to keep our name to the forefront on news agenda were: the record results, attended by some 200 journalists from Dubai and worldwide; a party of 150 German media persons visiting Dubai for the Thomas Cook brochure launch; 250 journalists who flew from, to or through Dubai putting it centre stage on the world map, and a new and sharper focus on niche publications and programmes covering golf, shopping and spa holidays. In total some 600 print, broadcast and electronic journalists were handled by the unit.

The latest independent research cites Emirates as one of the companies with the greatest improvement in favourabe ratings compared with companies in the London FTSE 100. Key brand values which showed particular growth included 'world class', 'innovative', 'rapid but solid growth' and 'committed to quality'.

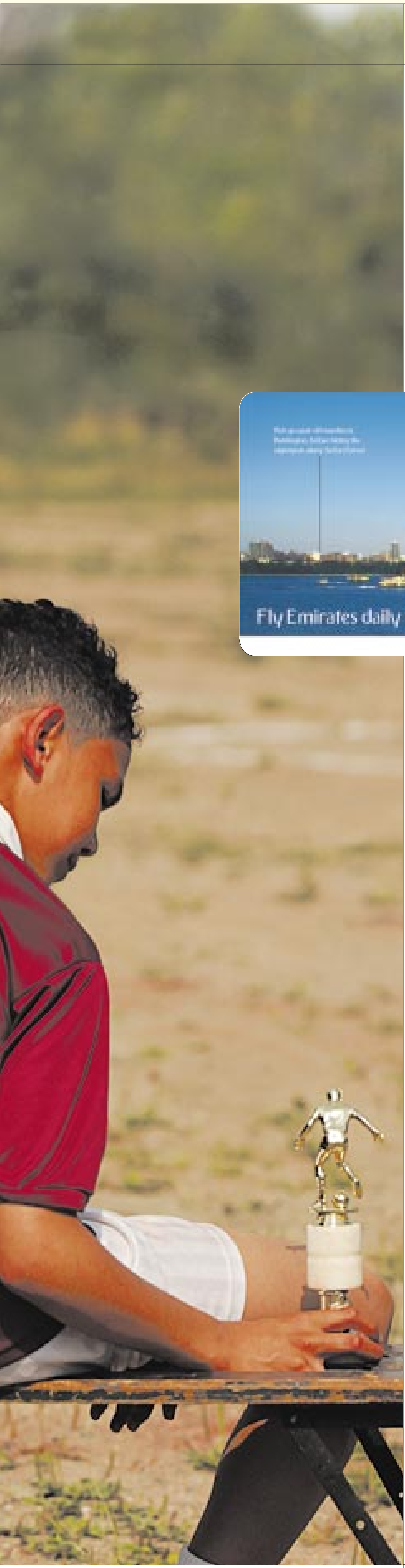
Integral to Media Relations is Internal Communications, both being elements of effective reputation management.

Our values are reinforced throughout the company by keeping staff informed on our business and policies. This was done throughout the year by a number of media - newsletters (both in printed and electronic form), the company's intranet Groupworld, and regular Product Bulletins and broadcast e-mail messages.

Passenger Communications and Visual Services

Emirates continues to be a market leader in in-flight entertainment with in-arm players in First and Business Class in our fleet of A330s and B777-300s. The video library offers 200 titles.

During the year we showed some 250 other films in all classes offering passengers a choice of Hollywood, Bollywood, Arabic, Chinese and Japanese movies, plus a wide selection of video games.




www.emirates.com
Fly Emirates daily to Sydney from the 30th March. Keep discovering.
Emirates
Airline of the Year 2002


Find yourself
Emirates Holidays

SriLankan

As the peace accord in Sri Lanka entered its second year, the trading position of SriLankan Airlines continue to improve.

One more Airbus A320 was added to the fleet to provide increased capacity into India, where two new destinations - Bangalore and Bodh Gaya were brought on-line. Services to Frankfurt were reintroduced and frequencies to other European destinations increased.

The airline continues to gain international recognition being voted Best Airline in Central Asia - Skytrax 2002, for the second consecutive year, Most Friendly Cabin Crew in the World - Skytrax 2002 and Best Airline in South Asia 2002, by leading travel magazine TTG (Asia).

SriLankan Airlines looks forward with confidence to the future and anticipates strong growth in all segments of inbound tourism, together with renewed interest from overseas investors as Sri Lanka's economy improves.

Internal Audit

Audit presence in the organisation increased through innovative audit programmes, automation tools developed in-house, and the selective use of local expertise at outstations.

A re-structuring of Emirates Group Internal Audit around the Group's business entities ensured a deeper engagement with unit-specific risks and controls and at the same time risk and control assessment training to line managers continued to be provided by Internal Audit.

Continued professional education has ensured that over 80% of the Department's staff possesses the highest professional credentials in their field (CA, CIA, CISA, CPA).

The Information Systems (IS) audit unit has made an important contribution to the Group's IS security policies. The Security Control Framework for Application Systems developed by the Department is now an integral part of IT application developments and acquisitions.

Emirates Group Internal Audit staff serve on the Standards Boards of the Information Systems Audit and Control Association (ISACA) and the Institute of Internal Auditors (IIA). The Group's Chief Internal Auditor has been nominated as Regional Director of the IIA for the Gulf-Middle East-Indian Ocean region.

Cash Management Centre, Transguard.

Group Security

Our extremely vigilant Airport Unit detected 3,112 improperly documented passengers and successfully dealt with the problem before the passengers boarded the flights. Our Ticket Fraud Prevention Unit was also on the ball recovering Dhs 1.4 million worth of ticket and card losses.

In addition to providing security training for Ground Crew and Security Personnel, the Aviation Security Training Unit fulfilled the requirements to obtain accreditation of its diploma in Security Management Courses from the Edith Cowan University of Western Australia. Our joint venture with Mont Pelier Security, the international security company, has contributed to big savings in cost and improved asset protection in our accommodation and building units.

The Transguard Unit, in association with M/S. Gisecke and Devrient, started the first ultra-modern automated Cash Process and Management Centre in the Gulf region. The Cash Management Centre has the capacity and capability of processing 250,000 bank notes in a single eight-hour shift and it presently offers this service to National Bank of Dubai and Emirates Bank. It also provides vault management services. Contracts with other leading international banks in the region are now being negotiated.

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
Director Human Resources	Abdulaziz Al Ali
Head of Corporate Development	Khaled Mohammed Al Kamda
Head of Group Safety	Michael Quinn
Head of Medical Services	Dr. Alasdair Beatton
Senior General Manager Customer Affairs and Service Audit	Richard Ng
Head of Procurement and Logistics	Shoaib Khoory
Chief Internal Auditor	M. A. Siddique
Chief of Group Security	Dr. Abdulla Al Hashmi
Head of Chairman's Office and Facilities Management	Ali Mubarak Al Soori
Head of Performance Development	Martin Tomlinson
Senior General Manager Finance	Joshua Koshy
Senior General Manager NDC Galileo Emirates	Naz Nizari
Corporate Treasurer	Riyaz Peermohamed
Senior Legal Advisor	Alistair Dunn

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 Emirates Engineering	Adel Jawad Al Redha
Director Service Delivery	Don Foster
Director Flight Operations	Chris Knowles
Director Cargo	Ram Menen
Director Destination and Leisure Management	Hans Haensel
Director EK Dubai Airport Services	Dale W. Griffith
Deputy Director EK Airport Services	Mohammed Mattar
Head of EK Dubai Airport Development	Terence Daly
Head of Planning, International & Industry Affairs	Tony Tayeh
Head of Revenue Optimisation	Scott McMahen
Senior General Managers:	
Commercial Operations (West Asia & Pacific Rim)	Keith Longstaff
Commercial Operations (Europe and North America)	Nigel Page
Senior General Manager EK Airport Services	Ahmed Khoory

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

	2002-03	2001-02	2000-01	1999-00	1998-99
Consolidated financial statements*					
Total revenue (AED'000)	9,607,279	7,274,658	6,417,372	5,113,875	4,442,987
Total expenditure (AED'000)	8,647,136	6,783,795	5,970,725	4,812,975	4,130,028
Operating profit (AED'000)	1,000,511	625,794	665,653	513,316	437,215
Net profit (AED'000)	906,747	468,231	421,825	300,900	312,959
Separate financial statements					
Revenue per employee (AED)	872,652	793,642	808,469	783,856	786,091
Value added per employee (AED)	315,835	286,484	299,539	303,596	306,973
Emirates operating statistics					
Performance indicators					
Yield (Fils per RTKM)	169	166	174	185	195
Unit cost (Fils per ATKM)	109	108	114	119	126
Breakeven load factor (%)	64.5	65.1	65.5	64.5	64.7
Fleet					
Number of aircraft	46	38	35	32	26
Average age (months)	36	37	36	48	59
Production					
Destination cities	64	57	55	50	47
Overall capacity (ATKM million)	7,350	5,718	4,761	3,824	3,111
Available seat kilometres (ASKM'000)	41,336,554	32,629,532	27,254,862	22,425,775	18,673,830
Aircraft departures (number)	45,452	38,914	35,310	32,482	28,677
Traffic					
Passengers carried (number)	8,502,894	6,765,113	5,718,818	4,775,478	4,252,759
Passenger seat kilometres (RPKM'000)	31,660,547	24,230,533	20,468,473	16,129,796	13,908,191
Average distance flown per pax (Kms)	3,724	3,582	3,579	3,378	3,270
Passenger seat factor (%)	76.6	74.3	75.1	71.9	74.5
Cargo carried (Kg'000)	525,188	400,569	335,194	269,919	214,215
Overall load carried (RTKM million)	5,145	3,908	3,310	2,613	2,158
Overall load factor (%)	70.0	68.3	69.5	68.3	69.4
Employee					
Average employee strength (number)	10,507	8,697	7,571	6,524	5,652
Capacity per employee (ATKM)	699,487	657,513	628,850	586,100	550,494
Load carried per employee (RTKM)	489,627	449,331	437,148	400,485	381,731

* 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

	2002-03	2001-02	2000-01	1999-00	1998-99
Consolidated financial statements					
Total revenue (AED'000)	959,965	820,131	740,988	673,390	564,096
Total expenditure (AED'000)	818,236	685,364	631,460	545,972	448,074
Operating profit (AED'000)	123,600	112,776	79,312	104,463	95,197
Net profit (AED'000)	141,729	134,767	109,528	127,418	116,022
Separate financial statements					
Revenue per employee (AED)	150,956	125,290	124,431	127,421	113,648
Value added per employee (AED)	112,787	98,133	96,068	99,659	92,440
Airport operating statistics					
Performance indicators					
Aircraft handled (number)	69,322	59,994	60,689	56,956	50,452
Passengers handled (number)	16,452,152	13,805,735	12,793,174	11,198,318	10,028,115
Cargo handled (Kg'000)	399,193	635,298	572,778	498,058	429,089
Employee					
Average employee strength (number)					
Airport operations	3,885	3,764	3,555	3,087	2,813
Cargo	811	1,161	1,027	940	981
Aircraft handled per employee (number)	18	16	17	18	18
Passengers handled per employee (number)	4,235	3,668	3,599	3,628	3,565
Cargo handled per employee (Kgs)	492,223	547,199	557,720	529,849	437,400

Financial statistics

		2002-03	2001-02	% Change
Group				
Total revenue*	AED (million)	10,240.1	7,814.5	31.0
Total costs*	AED (million)	9,138.3	7,188.9	27.1
Operating profit	AED (million)	1,124.1	738.6	52.2
Net profit	AED (million)	1,048.5	603.0	73.9
Group liquid funds	AED (million)	4,780.9	3,401.3	40.6
Shareholders' funds	AED (million)	4,429.7	3,549.2	24.8
Return on shareholders' funds	%	26.3	18.9	7.3 pts
Value added	AED (million)	4,203.2	3,246.2	29.5
Emirates				
Total revenue	AED (million)	9,607.3	7,274.7	32.1
Total costs	AED (million)	8,647.1	6,783.8	27.5
Operating profit	AED (million)	1,000.5	625.8	59.9
Net profit	AED (million)	906.7	468.2	93.7
Value added	AED (million)	3,493.8	2,615.6	33.6
Dnata				
Total revenue	AED (million)	960.0	820.1	17.1
Total costs	AED (million)	818.2	685.4	19.4
Operating profit	AED (million)	123.6	112.8	9.6
Net profit	AED (million)	141.7	134.8	5.2
Value added	AED (million)	710.4	633.0	12.2

*After eliminating inter company transactions of AED 327.1 million in 2002-03 (2001-02: AED 280.2 million), comprising operating income / expense of AED 326.1 million (2001-02: AED 277.8 million) and interest income / expense of AED 1.0 million (2001-02: AED 2.4 million).

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

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

Income

Group operating profit for 2002-03 posted a hefty increase of 52.2% at AED 1,124 million (2001-02: AED 739 million). Consequently, the Group operating margin is higher at 11.2% (2001-02: 9.6%).

Group profit net of minority interest and before tax increased significantly by AED 449 million (72.9%) to AED 1,066 million.

After provision for taxation payable to overseas governments, Group net profit registered a substantial increase of 73.9% to AED 1,048 million from AED 603 million last year.

Return on shareholders' funds reflected a noteworthy increase to 26.3% as compared with 18.9% in 2001-02.

At a company level, Emirates and Dnata achieved operating profit margins of 10.6% (AED 1,001 million) and 13.1% (AED 124 million) respectively.

Emirates' profit net of minority interest and before tax showed a momentous increase of AED 442 million (91.8%) to AED 924 million and net profit by AED 439 million (93.7%) to AED 907 million. Dnata's profit before and after tax increased by 5.2% to AED 142 million.

Emirates' cash profit from operations (or EBITDA) was up 30.9% to AED 1,474 million as compared with AED 1,126 million in 2001-02. Cash generated from operating activities increased substantially by AED 924 million and covered 67.5% (2001-02: 50.7%) of current liabilities.

Revenue

Total Group revenue in 2002-03 was AED 10,240 million, a considerable increase of AED 2,426 million (31.0%) over the previous year. Group revenue consisted of operating revenue of AED 9,917 million and other income of AED 323 million (2001-02: AED 7,453 million and AED 361 million).

All inter company transactions between Emirates and Dnata have been eliminated in computing Group revenue.

Emirates operating revenue rose by AED 2,377 million (34.2%) to AED 9,317 million reflecting the increase in yield and load factor. Other income for the year decreased to AED 290 million from AED 334 million in 2001-02.

Passenger revenue at AED 6,915 million was 31.4% higher than last year, while cargo and related revenue grew by 48.8% to AED 1,708 million. Passenger and cargo revenue (including courier, mail and excess baggage) constituted 93.4% of Emirates' total operating revenue.

Dnata's operating revenue increased by 17.2% over last year to AED 925 million. Other income for the year was AED 35 million as compared to AED 30 million in 2001-02.

Expenditure

Group operating costs at AED 8,903 million were AED 1,984 million (28.7%) up over last year.

Total Group expenditure including financing costs and taxation was AED 9,138 million, a rise of AED 1,949 million (27.1%) over last year growing at a lower pace than the increase in total Group revenue.

The increase in Emirates' costs came mainly from higher employee expenditure (up AED 458 million or 35.5%), sales and marketing costs (up AED 300 million or 36.9%), aircraft operating lease costs (up AED 236 million or 33.5%), fuel and oil (up AED 168 million or 20.2%) and corporate overheads (up AED 308 million or 45.4%).

Capital expenditure

Group capital expenditure for 2002-03 was AED 1,663 million, 14.5% lower than the previous year's level of AED 1,945 million on account of fewer aircraft taken on finance lease. Aircraft, spares and spare engines comprised 74% of the total capital spend. This included disbursements for aircraft deliveries during the year and progress payments for future deliveries.

Financial position

Group

At 31 March 2003, the Group's liquidity position improved significantly by 41% to AED 4,781 million (2001-02: AED 3,401 million). The improvement in liquidity was recorded even after funding Group capital outflows in excess of AED one billion comprising of pre-delivery payments, spare engines, rotables and other capital items.

Group shareholders' funds at 31 March 2003 were AED 4,430 million, up AED 881 million (25%) from 31 March 2002.

Financial position (continued)

Emirates

During the current financial year, AED 1.3 billion of financing was raised by Emirates at an attractive all-in cost to finance four A330-200 aircraft. In addition, we used operating leases to finance seven B777-300 aircraft from Singapore Aircraft Leasing Enterprise and International Lease Finance Corporation.

At 31 March 2003 the Emirates fleet numbered 46 aircraft of which 29 aircraft were on operating leases. Operating leases help Emirates diversify into new sources of financing as well as to provide fleet flexibility and provide a measure of protection against residual value risk. Emirates continues to adopt a balanced portfolio approach to finance its fleet requirements, including the use of operating leases.

Emirates cash balance at 31 March 2003 of AED 4,082 million (2001-02: AED 2,938 million), represents substantially more than one year's debt obligations and lease rentals. Thus Emirates cash balance more than adequately covers its benchmark of maintaining cash balances for 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.

Cash flow generated from operating activities were robust at AED 2,252 million for the year ended 31 March 2003, which covered around three times the annual amount of debt service (principal and interest payments on aircraft financing and bond issue). Cash profit from operations (EBITDA) was AED 1,474 million for the year ended 31 March 2003, which covered net interest costs more than eleven times.

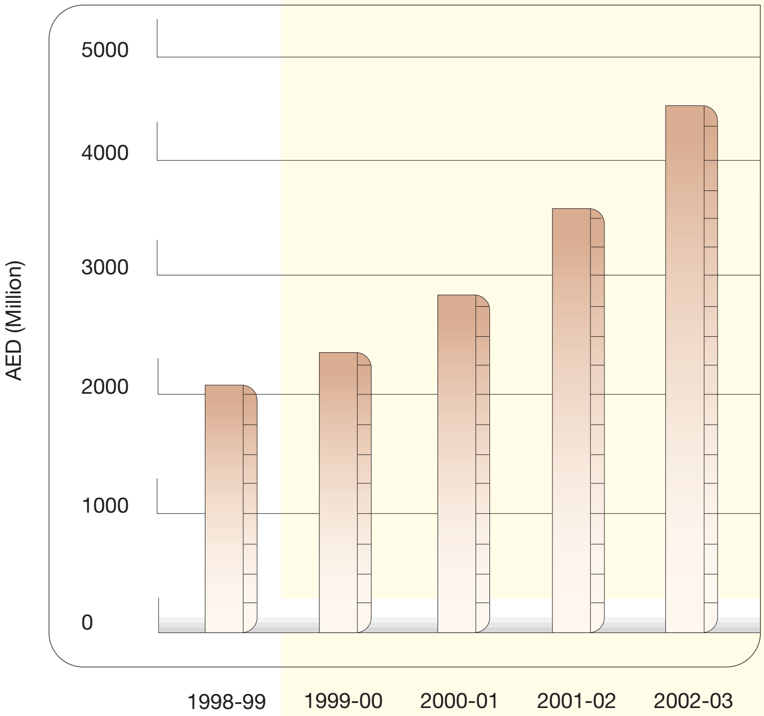
The financial year witnessed US Dollar interest rates at a 41 year low, which provided us with an opportunity to swap some of our floating interest rates exposure into attractive long term fixed rates. The Emirates Group invested the majority of its cash surplus with well diversified triple A rated liquidity funds, thereby securing superior credit quality for its cash surplus and at the same time enhancing interest income. In addition, some of the floating interest income on our surplus cash reserves was swapped into fixed rates on a medium term basis. These initiatives improved the yield on our surplus funds by an average of 72 bps during this financial year, which is creditable.

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.

As part of this strategy, Emirates has hedged an average of 66%(2001-02: 67%)of Sterling and Euro inflows at 31 March 2003. Emirates long term debt, as at 31 March 2003, is comprised of 45% on fixed interest rate basis with the balance 55% at floating interest rates. At 31 March 2003, Emirates long term debt (including bonds) carried a weighted average interest rate of 3.83% (2002 : 5.27%) per annum.

Emirates shareholders' funds at 31 March 2003 were AED 3,709 million, up AED 2,931 million (27%) from 31 March 2002. Emirates long term debt (net of cash) amounts to AED 1,344 million at 31 March 2003, a decrease of AED 825 million over 31 March 2002. While actual long term debt rose by AED 319 million during the year ended 31 March 2003, cash increased by a higher amount of AED 1,144 million during the same period. At 31 March 2003, Emirates long term debt (net of cash) / shareholders' funds ratio was 36 % (2002: 74%).

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.

	2002-03 AED'000	2001-02 AED'000	2000-01 AED'000	1999-00 AED'000	1998-99 AED'000
Group operating revenue	9,916,515	7,437,127	6,612,761	5,406,980	4,679,264
Less: Purchase of goods and services	6,036,941	4,568,328	3,970,290	3,078,810	2,643,568
	3,879,574	**2,868,799**	**2,642,471**	**2,328,170**	**2,035,696**
Add: Other operating income	110,642	220,458	224,019	123,075	51,672
Interest income	105,143	98,822	91,956	59,075	32,238
Profit on sale of investments	-	-	-	-	61,558
Share of profit / (loss) of associated companies	107,831	58,142	(7,325)	(8,159)	2,735
Total value added by the Group	**4,203,190**	**3,246,221**	**2,951,121**	**2,502,161**	**2,183,899**
Distribution of value added:					
To employees - salaries and other employee costs	2,251,121	1,724,489	1,537,339	1,305,537	1,117,199
To overseas governments - Corporation and other taxes	16,996	13,302	10,272	7,079	12,237
To suppliers of Capital -					
Dividends	240,000	140,000	140,000	40,000	40,000
Interest	218,217	256,602	263,149	233,298	187,725
Minority Interest	53,396	22,632	24,822	-	-
Retained for re-investment and future growth -					
Depreciation and amortisation	614,984	626,198	584,186	527,929	437,757
Retained profits	808,476	462,998	391,353	388,318	388,981
Total distribution of value added	**4,203,190**	**3,246,221**	**2,951,121**	**2,502,161**	**2,183,899**

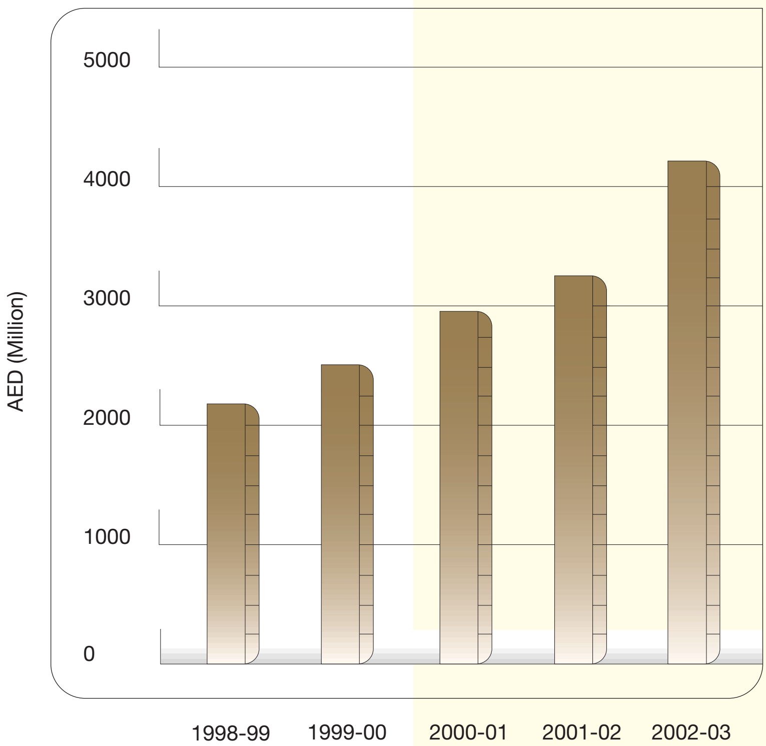
Value added (continued)

In 2002-03, the total 'value added' of the Group increased by AED 957 million (29.5%) to AED 4,203 million (2001-02: AED 3,246 million). The increase came mainly from increased operating revenue (AED 2,479 million) while the cost of purchases of goods and services increased by AED 1,469 million.

Employees received AED 2,251 million (53.6% of the total value added) in the form of salaries and other related costs including a profit share whilst distributions on account of taxation, interest, dividends and minority interest were AED 529 million (12.6%).

The amount retained in the business for future growth was AED 1,423 million (33.8%).

Value added

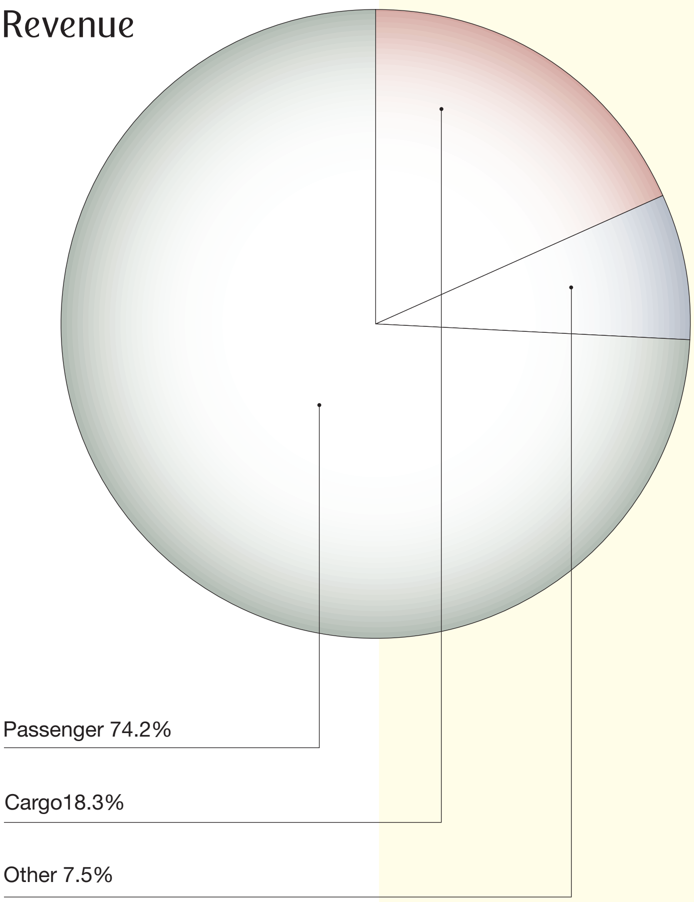


Revenue

	2002-03 AED million	%	2001-02 AED million	%
Passenger	6,915	74.2	5,261	75.8
Cargo	1,602	17.2	1,059	15.3
Excess baggage	84	0.9	68	1.0
Courier	78	0.8	69	0.9
Mail	28	0.3	19	0.3
Transport revenue	**8,707**	**93.4**	**6,476**	**93.3**
Sale of goods	471	5.1	340	4.9
Destination and leisure (see below)	90	1.0	78	1.1
Other	49	0.5	47	0.7
Total operating revenue	**9,317**	**100.0**	**6,941**	**100.0**

Destination and leisure revenue reflects the net income after removal of inter company transactions and direct operating costs. Total package sales achieved for 2002-03 were AED 464.5 million up 12.5% on the previous year (2001-02: AED 413 million).

Revenue

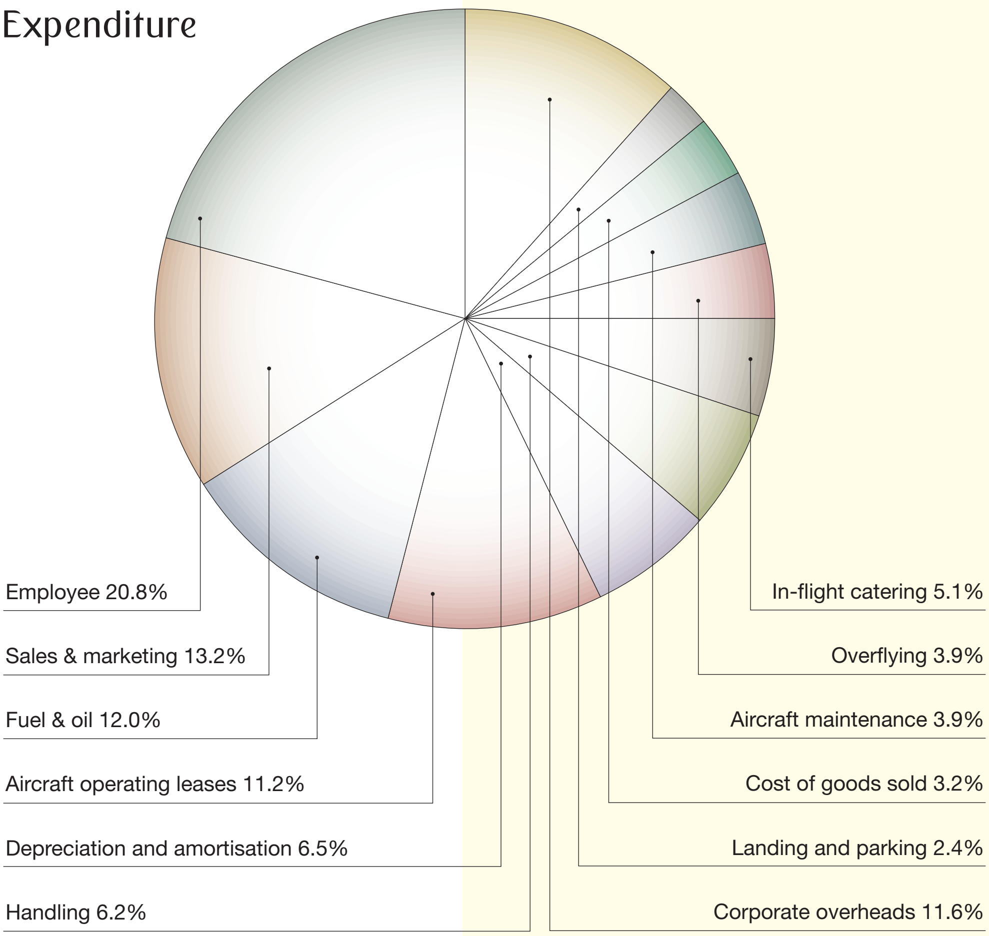


Expenditure

	2002-03 AED million	%	2001-02 AED million	%
Employee (see (a) below)	1,749	20.8	1,291	19.8
Sales and marketing	1,111	13.2	811	12.5
Fuel and oil	998	12.0	830	12.8
Aircraft operating leases	938	11.2	702	10.8
Depreciation and amortisation	548	6.5	562	8.6
Handling	525	6.2	445	6.8
In-flight catering	429	5.1	392	6.0
Overflying	332	3.9	233	3.6
Aircraft maintenance	325	3.9	197	3.0
Cost of goods sold	271	3.2	220	3.4
Landing and parking	199	2.4	149	2.3
Corporate overheads	986	11.6	679	10.4
Total operating costs (see (b) below)	**8,411**	**100.0**	**6,511**	**100.0**

(a) Includes in-house engineering employees.
(b) Excludes interest and financing costs.

Expenditure



Yield, unit cost and breakeven load factor

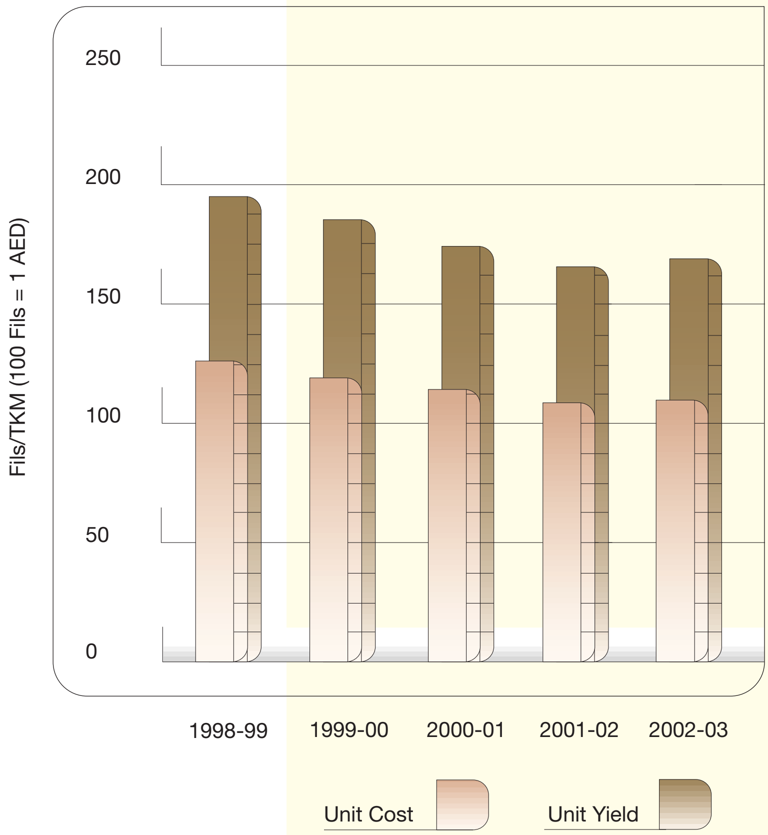
Overall yield increased by 2.1% to 169 fils per tonne-kilometre, benefiting from stronger currencies against the Dollar in UK and Euro countries, and reflecting price increases on account of higher insurance, security and fuel costs.

Passenger yield increased by 0.6% mainly on account of stronger currencies and an increase in premium class traffic. Cargo yield increased by 11.7% on account of stronger currencies and the collection of cargo security and fuel surcharges designed to cover higher operating costs.

Unit costs increased by 1.4 fils (1.3%) to 109 fils per capacity tonne-kilometre. The increase mainly reflects the adverse impact on direct operating costs of stronger currencies against the Dollar, the full year impact of increased insurance costs, and an increase in sales and marketing spend where activities were severely curtailed in the last financial year following the events of September 11. Cost of fuel and oil decreased significantly to US Cents 63.8 per US gallon (2001-02: US Cents 66.4) due to proactive risk management utilising financial instruments resulting in a decrease in costs by AED 281 million. Had the benefits from fuel risk management not been achieved, unit costs would have been higher at 113 fils.

The breakeven load factor has improved to 64.5 % from 65.1% last year benefiting from the overall net yield increase.

Yield and unit cost



Capacity, traffic and load factor

Traffic increased by 31.6% to 5,145 million tonne-kilometres, 3 percentage points higher than the capacity increase (28.5% to 7,350 million tonne-kilometres). Aircraft departures increased by 16.8% to 45,452, while aircraft utilisation remained one of the highest in the industry at 13 hours per day.

The increase in traffic came principally from:

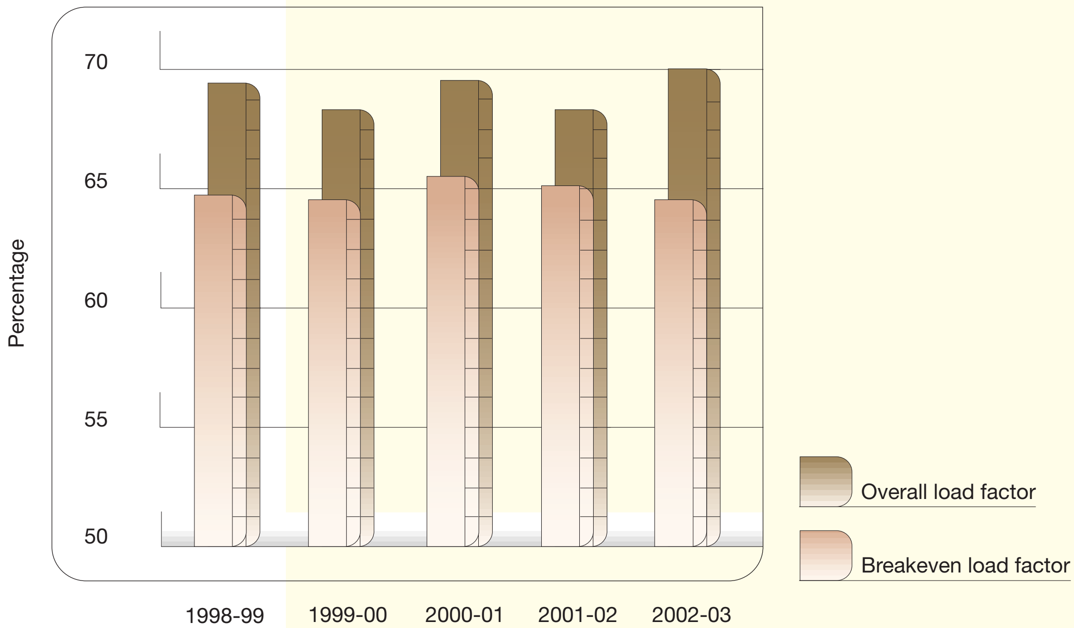
- the introduction of new passenger services to Khartoum, Perth, Mauritius, Osaka and Cochin
- the increase in frequencies to the United Kingdom, Germany, France, Qatar, Syria and Iran
- increased capacity to existing destinations with larger aircraft, mainly Sydney, Sanaa, Bahrain, Istanbul and Cairo
- increase in freighter operations (58% higher compared with the previous year) with the introduction of new cargo services to Shanghai and Liege and the operation of charters to various destinations.

Passenger seat factor improved by 2.3 percentage points to set a new record at 76.6%. Passengers uplifted reached 8.5 million in 2002-03, representing an increase of 25.7% over last year, despite a drop in seat factor during March on account of the situation in Iraq.

Cargo carried in 2002-03 improved by 31.1% to 525,188 tonnes (2001-02: 400,569 tonnes), recording strong growth across the entire network.

Overall load factor improved by 1.7 percentage points to 70.0%, reflecting a very strong performance considering the large increase in capacity.

Overall and breakeven load factor



Employee strength and productivity

In the year under review, the average workforce rose by 4,451 (48.6%) to 13,614. The average number of employees in the airline grew by 1,810 (20.8%) to 10,507 as a result of the significant growth in capacity.

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

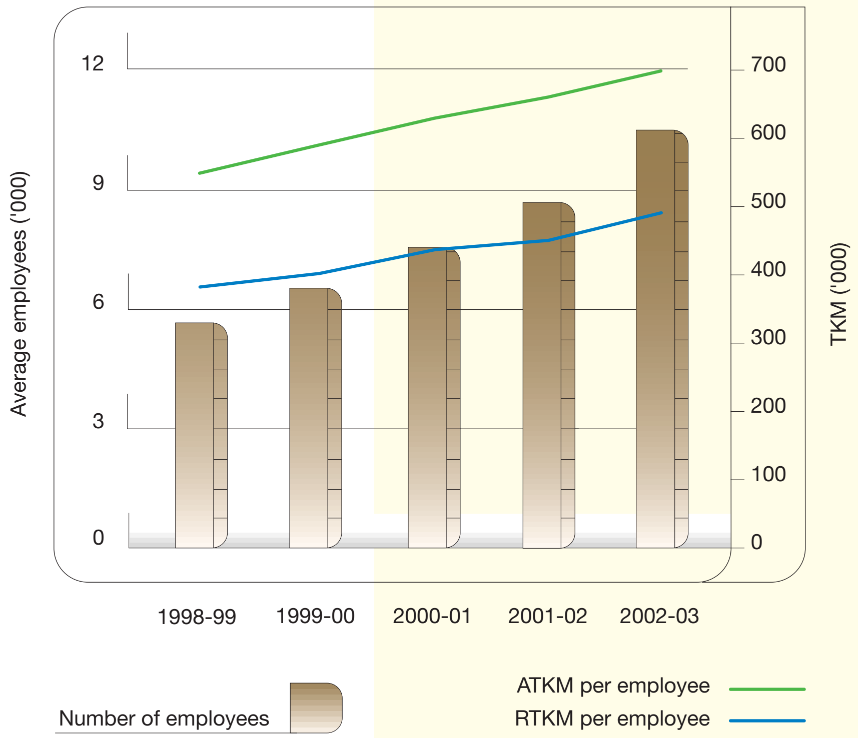
	2002-03	2001-02
UAE		
Cabin crew	3,355	2,719
Flight deck crew	672	556
Engineering	794	699
Other	3,712	2,971
	8,533	**6,945**
Overseas stations	1,974	1,752
Total Emirates	**10,507**	**8,697**
Subsidiary companies	**3,107**	**466**
Average employee strength	**13,614**	**9,163**

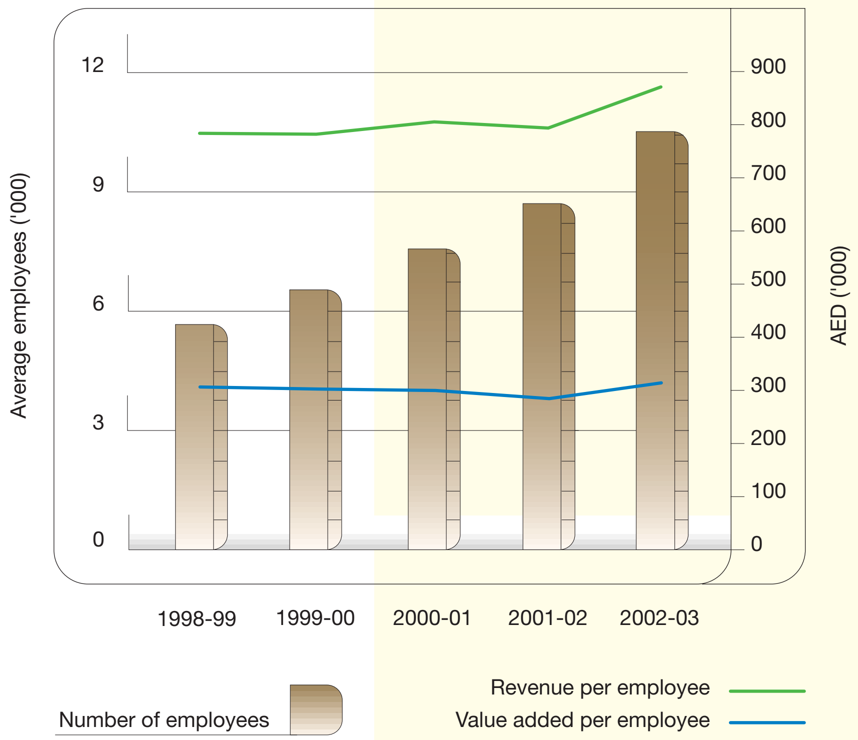
Employee productivity for the airline, measured in terms of revenue per employee was up by 10.0% at AED 872,652 compared with AED 793,642 in 2001-02.

Value added, which is a measure of wealth created by the airline was AED 3,318 million up 33.2% on last year (2001-02: AED 2,492 million). This is equivalent to AED 315,835 per employee, up 10.2% over the previous year (2001-02: AED 286,484).

Capacity per airline employee improved for the thirteenth year with a 6.4% increase in ATKM to 699,487 (2001-02: 657,513). In addition, load carried per airline employee increased 9.0% to RTKM 489,627 (2001-02: 449,331).

Employee strength and productivity





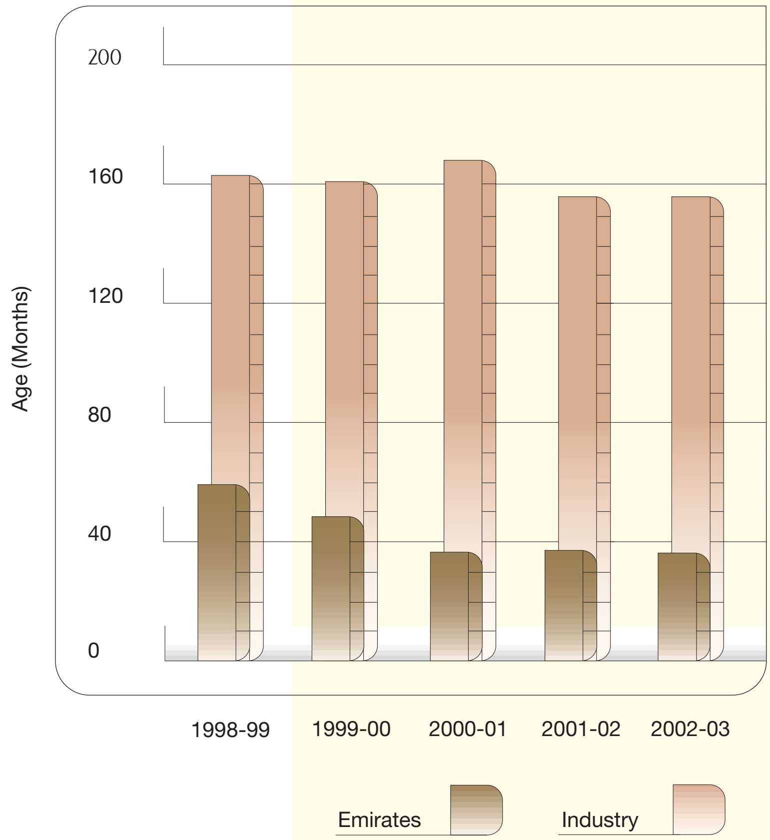
Fleet information

Aircraft	In operation	On firm order	On option
B777-200	9	-	-
B777-300	11	-	-
A310-300	1	-	-
A330-200	25	4	-
A340-500	-	6	10
A380-800	-	22	10
Total	**46**	**32**	**20**

In addition to the above, Emirates has entered into a contract with International Lease Finance Corporation in respect of one B777-300 aircraft to be delivered in June 2003.

Emirates operates the youngest fleet in the industry with an average age of 36 months as compared with an industry average of 156 months.

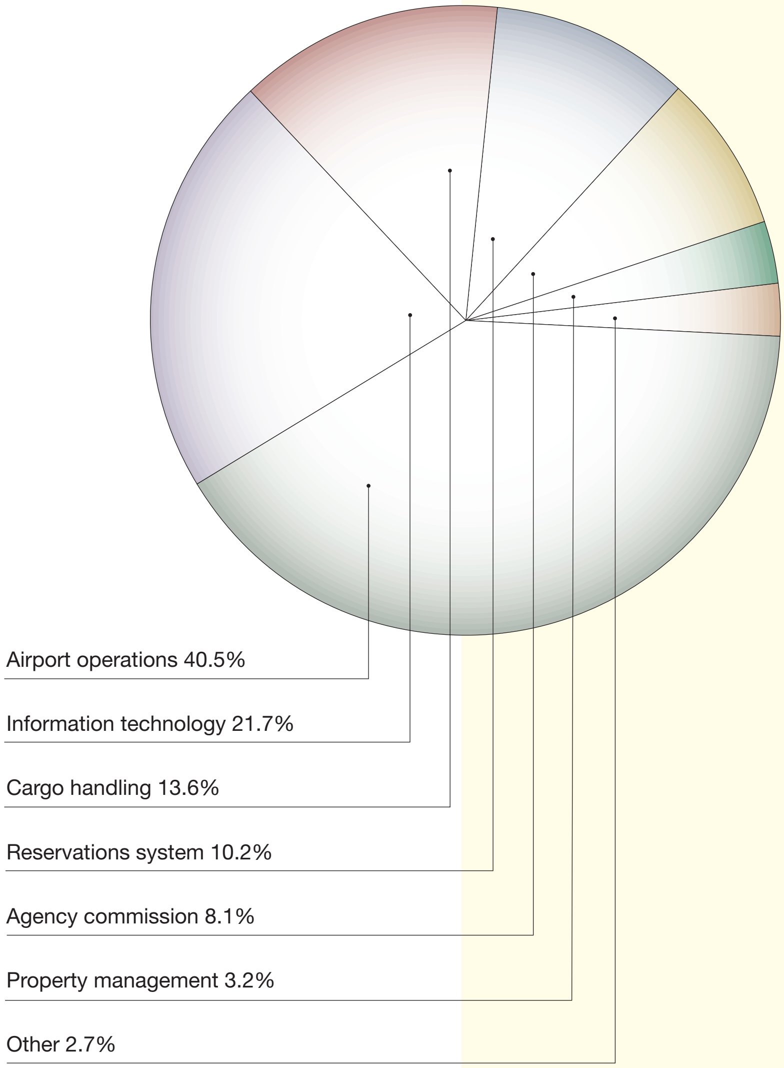
Average fleet age: Emirates and industry



Revenue

	2002-03 AED million	%	2001-02 AED million	%
Airport operations	374	40.5	300	38.0
Information technology	200	21.7	155	19.6
Cargo handling	126	13.6	133	16.9
Reservations system	95	10.2	86	10.9
Agency commission	75	8.1	70	8.8
Property management	30	3.2	24	3.0
Other	25	2.7	22	2.8
Total operating revenue	**925**	**100.0**	**790**	**100.0**

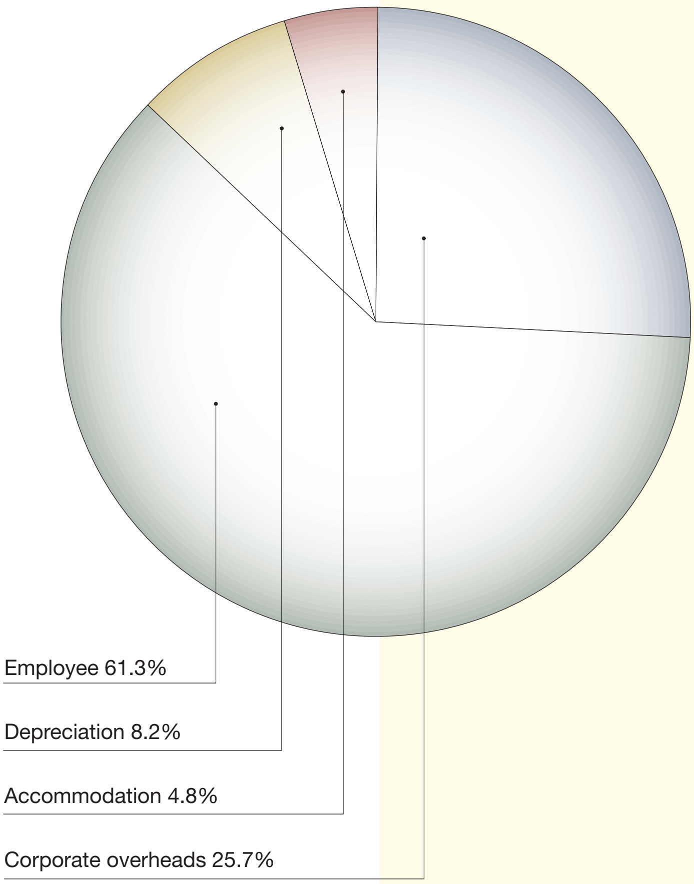
Revenue



Expenditure

	2002-03 AED million	%	2001-02 AED million	%
Employee	502	61.3	434	63.3
Depreciation	67	8.2	64	9.4
Accommodation	39	4.8	38	5.6
Corporate overheads	210	25.7	149	21.7
Total operating costs	**818**	**100.0**	**685**	**100.0**

Expenditure

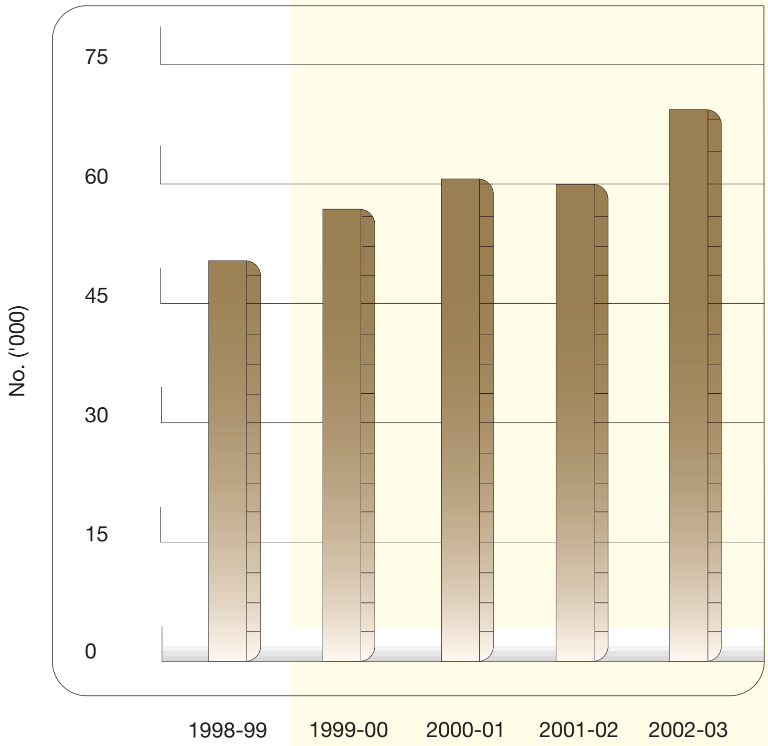


Aircraft, passengers and cargo handled

Dubai International Airport maintained its impressive growth on traffic volumes:

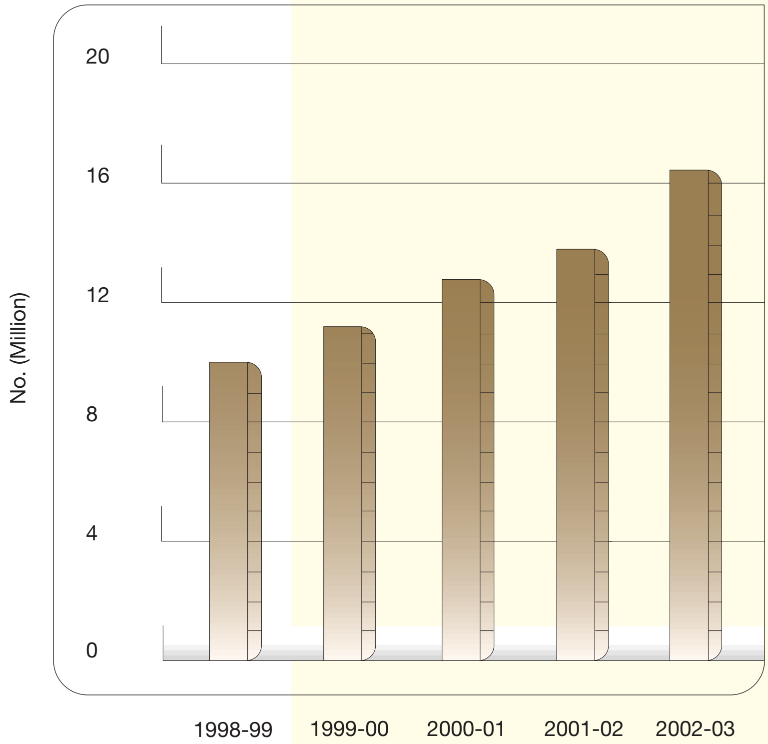
- the number of passengers handled were 16.5 million, an increase of 19.2% or 2.6 million over the previous year
- the volume of cargo handled was 399,193 tonnes. Total actual throughput of cargo including the Emirates dedicated facility was 806,681 tonnes, an increase of 27.0% (2001-02: 635,298 tonnes)
- Dnata handled 105 (2001-02:105) scheduled international airlines operating to Dubai International Airport
- the number of aircraft handled during the year increased by 15.6% to 69,322 as compared with 59,994 during 2001-02.

Aircraft handled

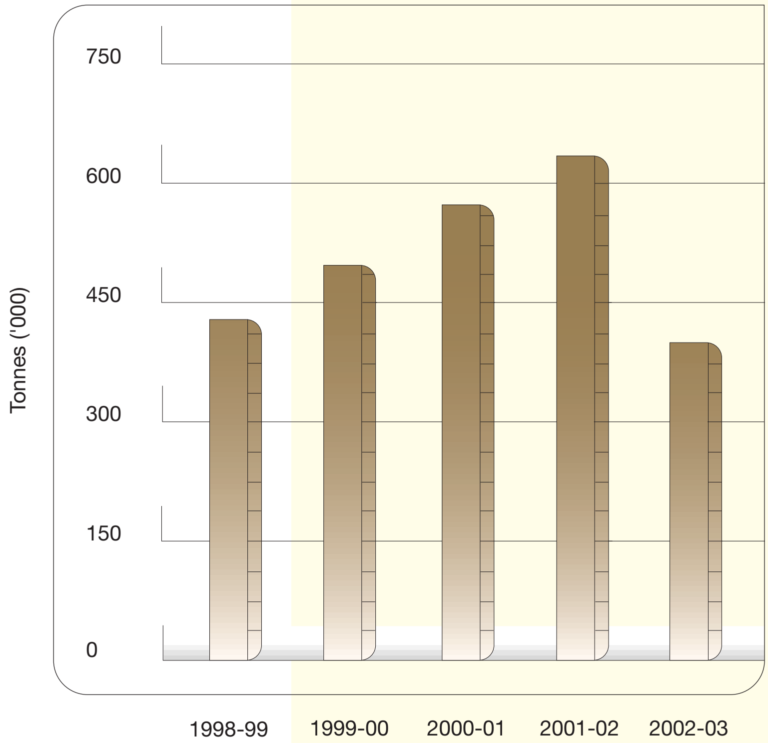


Aircraft, passengers and cargo handled

Passengers handled



Cargo handled



Employee strength and productivity

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

	2002-03	2001-02
Airport operations	3,885	3,764
Cargo handling	811	1,161
Dnata agencies	534	519
Other	1,023	945
Total Dnata	**6,253**	**6,389**
Subsidiary companies	**139**	**137**
Average employee strength	**6,392**	**6,526**

During the year under review, the average workforce decreased by 134 (2%) to 6,392 on account of the transfer of Emirates cargo handling function.

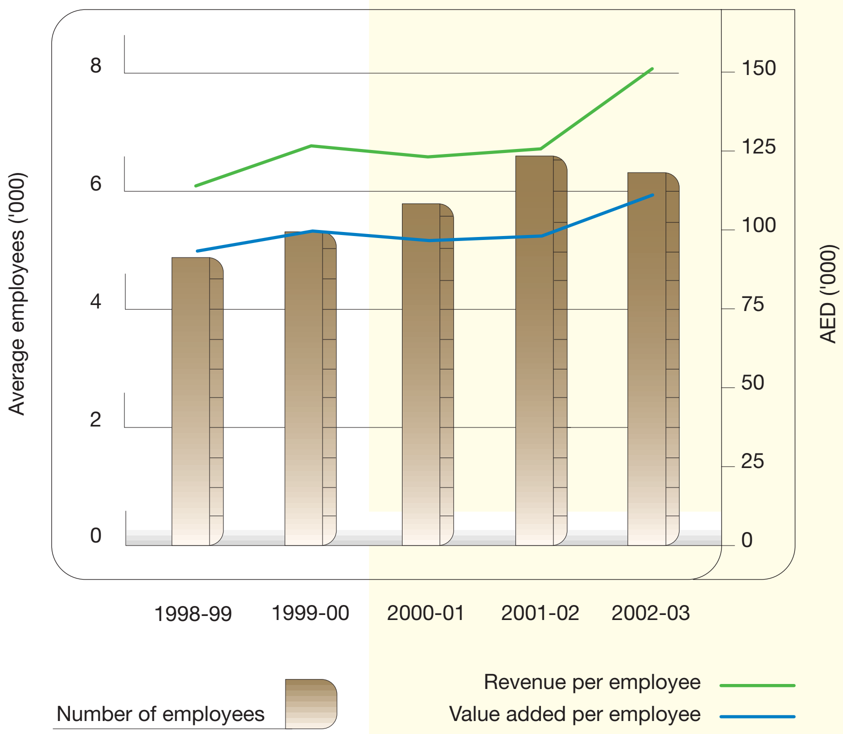
Revenue per employee for Dnata increased by 20.5% to AED 150,956 from AED 125,290 in 2001-02.

Value added which is a measure of wealth created by Dnata during the year, was up by 12.5% to AED 705 million (2001-02: AED 627 million). This is equivalent to AED 112,787 per employee an increase of 14.9% over the previous year (2001-02: AED 98,133).

During the year, aircraft handled per airport employee increased to 18 (2001-02: 16) while passengers handled per airport employee was up 15.4% to 4,235 (2001-02: 3,668) on account of larger aircraft handled.

Cargo handled per cargo handling employee was 492,223 kgs compared with 547,199 kgs in 2001-02. Overall employee productivity dropped on account of creating a dedicated cargo handling facility for Emirates Cargo. Although the volume related productivity improved, the creation of additional supervisory and support services caused the fall in overall productivity. In the longer term, Dnata is better placed to handle third party cargo. Consequently, cargo productivity is forecasted to show substantial improvements.

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 2003 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 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PRICEWATERHOUSECOOPERS
Chartered Accountants

Dubai
16 April 2003

Consolidated income statement for the year ended 31 March 2003

	Notes	2003 AED'000	2002 AED'000
Operating revenue	2	9,317,312	6,940,806
Other operating income	3	94,066	196,473
Operating costs	4	(8,410,867)	(6,511,485)
Operating profit		**1,000,511**	**625,794**
Net financing costs	5	(124,150)	(175,152)
Associated companies - share of results	10	100,778	53,523
Profit before taxation		**977,139**	**504,165**
Taxation	6	(16,996)	(13,302)
Profit after taxation and before minority interest		**960,143**	**490,863**
Minority interest	7	(53,396)	(22,632)
Profit for the year		**906,747**	**468,231**

The accounting policies on pages 64 to 68 and the notes on pages 69 to 82 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2003

	Notes	2003 AED'000	2002 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	7,029,496	6,227,987
Goodwill	9	227,766	164,894
Investments in associated companies	10	106,087	19,771
Available-for-sale investments	11	2,872	2,872
Held-to-maturity investments	11	36,730	-
Derivative financial instruments	27	82,058	135,828
		7,485,009	**6,551,352**
Current assets			
Inventories	12	406,383	377,410
Trade and other receivables	13	1,772,926	1,579,662
Held-for-trading investments	11	11,102	27,434
Cash and cash equivalents	25	4,213,091	3,124,392
Derivative financial instruments	27	190,931	124,075
		6,594,433	**5,232,973**
Total assets		**14,079,442**	**11,784,325**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	14	732,214	692,214
Reserves		2,976,360	2,238,777
		3,708,574	**2,930,991**
Minority interest	7	**109,461**	**54,834**
Non-current liabilities			
Borrowings and lease liabilities	15	5,495,704	5,176,433
Derivative financial instruments	27	56,532	29,536
End of service benefit provision	19	200,011	134,895
Deferred credits	20	618,662	678,597
		6,370,909	**6,019,461**
Current liabilities			
Trade and other payables	21	3,324,593	2,229,009
Taxation		11,530	3,664
Borrowings and lease liabilities	22	554,375	546,366
		3,890,498	**2,779,039**
Total liabilities		**10,261,407**	**8,798,500**
Total equity and liabilities		**14,079,442**	**11,784,325**

The consolidated financial statements were approved on the 16th day of April 2003 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Group Managing Director

The accounting policies on pages 64 to 68 and the notes on pages 69 to 82 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2003

	Capital AED'000	Translation reserve AED'000	Fair value reserves AED'000	Retained earnings AED'000	Total AED'000
1 April 2001	**652,214**	**(13,110)**	**-**	**1,653,289**	**2,292,393**
effect of adopting IFRS 39	-	-	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)
1 April 2002	**692,214**	**(13,110)**	**230,367**	**2,021,520**	**2,930,991**
Additions during the year	40,000	(69)	-	-	39,931
Gains due to changes in fair value	-	-	344,464	-	344,464
Transferred to income statement	-	-	(313,559)	-	(313,559)
Profit for the year	-	-	-	906,747	906,747
Dividend	-	-	-	(200,000)	(200,000)
31 March 2003	**732,214**	**(13,179)**	**261,272**	**2,728,267**	**3,708,574**

The accounting policies on pages 64 to 68 and the notes on pages 69 to 82 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 March 2003

	2003 AED'000	2002 AED'000
Operating activities		
Profit for the year before taxation and after minority interest	923,743	481,533
Adjustments for:		
Depreciation (Note 4)	535,476	509,729
Amortisation (Note 4)	12,899	51,934
Net financing costs (Note 5)	124,150	175,152
Amortisation of bond issue costs	1,125	-
Loss / (profit) on sale of property, plant and equipment	58,865	(377)
Associated companies - share of results (Note 10)	(100,778)	(53,523)
Fair value loss / (gain) on held-for-trading investments	5,103	(26,949)
Transfer to provident fund and end of service benefit provision	112,170	78,918
Deferred credits recognised (Note 20)	(75,206)	(61,623)
Operating cash flows before working capital changes	**1,597,547**	**1,154,794**
Contributions to provident fund and end of service benefit payments	(70,159)	(57,918)
Changes in working capital:		
Inventories	(28,973)	(14,108)
Trade and other receivables	(119,865)	(187,326)
Current liabilities and deferred accounts	882,259	444,377
Tax paid	(9,130)	(11,871)
Net cash provided from operating activities	**2,251,679**	**1,327,948**
Investing activities		
Proceeds from sale of property, plant and equipment	249,312	119,154
Capital expenditure (Note 26)	(947,028)	(833,966)
Investments in associates (Note 10)	(39,835)	-
Additional investment in subsidiary	-	(10,044)
Acquisitions (Note 28)	(12,477)	-
Held-to-maturity investments made during the year	(36,730)	-
Proceeds from sale of held-for-trading investments	11,229	-
Proceeds from sale of derivative instruments	44,815	-
Interest income	97,879	94,484
Dividend received from associated companies (Note 10)	14,132	48,868
Net cash used in investing activities	**(618,703)**	**(581,504)**
Financing activities		
Net proceeds from issue of bonds (Note 15)	-	1,495,188
Net loan drawdown / (repayments) (Note 16)	61,671	(40,205)
Aircraft financing costs	(161,627)	(211,258)
Other finance charges	(43,483)	(36,041)
Net lease liabilities	(315,521)	(306,572)
Dnata account	(13,775)	(2,969)
Capital introduced	40,000	40,000
Dividend paid	-	(100,000)
Dividend paid to minority shareholders (Note 7)	(56,096)	(24,826)
Net cash (used in) / provided from financing activities	**(488,831)**	**813,317**
Net increase in cash and cash equivalents	**1,144,145**	**1,559,761**
Cash and cash equivalents at beginning of year	2,938,018	1,378,257
Cash and cash equivalents at end of year (Note 25)	**4,082,163**	**2,938,018**

The accounting policies on pages 64 to 68 and the notes on pages 69 to 82 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 Financial Reporting Standards (“IFRS”). The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of available-for-sale investments, held-for-trading investments and derivative financial instruments.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Emirates, its subsidiaries and share of results of its associated companies.

Subsidiaries are those entities in which Emirates has an interest of more than one half of the voting rights or otherwise has the power to govern the entity's operating and financial policies. Subsidiaries are consolidated from the date on which control is transferred to Emirates and are no longer consolidated from the date that control ceases. Acquisition of subsidiaries is accounted for in accordance with the purchase method of accounting.

Associated companies are those entities in which Emirates has between 20% and 50% of the voting rights, or over which it has significant influence, but which it does not control. Investments in associated companies are accounted for in accordance with the equity method. Investments in associated companies include goodwill (net of accumulated amortisation) on acquisition.

All material inter-company transactions, balances and unrealised surpluses and deficits arising on transactions between Emirates and its subsidiaries and associated companies 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.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Principal accounting policies (continued)

Foreign currency translation

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 rates ruling on the balance sheet date. The resultant foreign exchange gains or losses, other than qualifying cash flow hedges deferred in equity, are recognised in the income statement.

Translation differences relating to investments in associated companies and subsidiaries are classified as equity until the disposal of the investment when the accumulated exchange differences are recognised in the income statement as part of the gain or loss on sale.

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.

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. 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.

Principal accounting policies (continued)

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 Emirates, they are treated as if they had been purchased outright and classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. 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 on a straight line basis over a period of two to twenty years. The carrying amount of goodwill is reviewed annually and written down for impairment.

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.

Unquoted investments in this category are stated at cost if fair values cannot be reliably measured.

At each balance sheet date a review is made for an indication of impairment and where necessary the carrying amount is written down through the income statement to the present value of expected future cash flows discounted at current market rates.

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.

Principal accounting policies (continued)

Held-to-maturity investments

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.

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. Such 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 of such investments 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 remeasured 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.

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 IFRS 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 consumer goods inventory which is determined on a first-in-first out basis.

Principal accounting policies (continued)

Trade receivables

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.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method.

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 participate in a defined contribution provident fund to which the employee and Emirates contribute a specified percentage of salary. Contributions to the provident fund are charged to the income statement in the period in which they fall due.

Frequent flyer programme

Emirates maintains a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on Emirates and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

Miles accrued through utilising the services of programme partners is paid for by the participating partners and the resulting revenue is recorded as other operating income.

The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is recognised as a current liability as programme members accrue miles.

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.

Notes to the consolidated financial statements for the year ended 31 March 2003

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 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 subsidiary company Emirates - Abela Catering Co. L.L.C.
- hotel operations through its subsidiary Emirates Hotel L.L.C. and through Al Maha which is the ecotourism resort owned by Emirates.

2. Operating revenue

	2003 AED'000	**2002** AED'000
Services		
Passenger	6,915,048	5,260,664
Cargo	1,601,789	1,059,366
Destination and leisure	90,266	77,684
Excess baggage	83,782	68,453
Courier	78,119	69,132
Mail	27,593	18,815
Training	19,817	15,529
Duty free income	15,700	13,669
Licensed engineering income	14,267	17,010
	8,846,381	**6,600,322**
Sale of goods	**470,931**	**340,484**
	9,317,312	**6,940,806**

2. Operating revenue (continued)

Segment information
Primary reporting format - geographical segments

	Middle East AED'000	Europe AED'000	Far East AED'000	Indian Sub-continent AED'000	Africa AED'000	Total AED'000
2003						
Segment revenue	1,914,994	3,062,178	2,489,076	1,210,698	734,432	9,411,378
Segment results	920,660	995,649	770,539	460,120	197,823	3,344,791
Unallocated costs						(2,344,280)
Operating profit						**1,000,511**
Associated companies - share of results	100,778	-	-	-	-	100,778
Net financing costs	(124,150)	-	-	-	-	(124,150)
Taxation	(6,485)	-	(10,511)	-	-	(16,996)
Minority interest	(53,396)	-	-	-	-	(53,396)
Profit for the year						**906,747**
2002						
Segment 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
Net financing costs	(175,152)	-	-	-	-	(175,152)
Taxation	(2,984)	-	(10,318)	-	-	(13,302)
Minority interest	(22,632)	-	-	-	-	(22,632)
Profit for the year						**468,231**

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 income and 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 deployed flexibly across the Emirates' route network, there is no suitable basis of allocating such assets and the related depreciation and liabilities to geographical segments.

2. Operating revenue (continued)

Secondary reporting format - business segments

	Airline related AED'000	**Consumer goods** AED'000	**Total** AED'000
2003			
Segment revenue	9,031,521	379,857	9,411,378
2002			
Segment revenue	6,796,795	340,484	7,137,279

Emirates operates predominantly in two industries, airline and consumer goods. The carrying amount of total assets at 31 March 2003 comprised airline related assets of AED 13,841.5 million (2002: AED 11,601.5 million) and assets deployed in the consumer goods segment of AED 237.9 million (2002: AED 182.8 million). The related segment capital expenditure for the year ended 31 March 2003 was AED 1,570.2 million (2002: AED 1,874.2 million) and AED 2.6 million (2002: AED 6 million) respectively.

3. Other operating income

Other operating income includes unrealised loss on held-for-trading investments amounting to AED 3.7 million (2002: gain of AED 26.9 million) and net surpluses from liquidated interest rate derivatives amounting to AED Nil (2002: AED 59.7 million).

4. Operating costs

	2003 AED'000	**2002** AED'000
Employee (see (a) below & (d) over)	1,749,017	1,290,796
Sales and marketing	1,110,585	810,979
Fuel and oil	997,822	830,135
Aircraft operating leases (see (b) over)	937,844	702,370
Depreciation (Note 8)	535,476	509,729
Handling (see (c) over)	525,442	444,986
In-flight catering	428,626	392,506
Overflying (see (c) over)	331,729	232,712
Aircraft maintenance	325,055	196,805
Cost of goods sold	270,992	220,627
Landing and parking (see (c) over)	198,645	149,246
Amortisation (Note 9)	12,899	51,934
Corporate overheads (see (e) over)	986,735	678,660
	8,410,867	**6,511,485**

(a) Employee costs include AED 48.1 million (2002: AED 27.4 million) in respect of end of service benefit provision, AED 64.1 million (2002: AED 51.5 million) in respect of provident fund contributions and AED 115.1 million (2002: AED 33 million) in respect of the employee profit share scheme.

4. Operating costs (continued)

(b) Aircraft operating lease charges include AED 729.9 million (2002: AED 571.8 million) in respect of twenty nine aircraft (2002: twenty three) and AED 207.9 million (2002: AED 130.6 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 15.8 million (2002: AED 24 million).

(d) Average employee strength during the year was 13,614 (2002: 9,163).

(e) Corporate overheads include a net gain from foreign currency transactions of AED 78.2 million (2002: net loss of AED 13 million).

5. Net financing costs

	2003 AED'000	2002 AED'000
Aircraft financing costs	(176,675)	(211,380)
Interest charges	(42,598)	(47,628)
Interest income	95,123	83,856
	(124,150)	**(175,152)**

Interest charges include interest on bonds (Note 15) of AED 40.4 million (2002: AED 45.2 million). The total interest income before impact of derivative financial instruments was AED 68.5 million (2002: AED 79 million).

6. Taxation

Taxation relates only to certain overseas stations where Emirates 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

	2003 AED'000	2002 AED'000
Balance brought forward	**54,834**	**49,027**
Investment during the year	57,327	8,001
Share of net profit	53,396	22,632
Dividend paid	(56,096)	(24,826)
Balance carried forward	**109,461**	**54,834**

8. Property, plant and equipment

	Aircraft AED'000	Aircraft engines and rotable spares AED'000	Buildings and leasehold property AED'000	Other property, plant and equipment AED'000	Capital projects AED'000	Total AED'000
Cost						
1 April 2002	5,307,337	1,049,688	784,528	810,534	458,094	8,410,181
Additions	-	233,453	10,192	138,304	1,190,824	1,572,773
Acquisitions (Note 28)	-	-	55,946	70,954	-	126,900
Transfers from capital projects	715,977	-	75,740	50,560	(842,277)	-
Net transfer from / (to) Dnata	-	-	18,295	(27,154)	824	(8,035)
Disposals	(510,018)	(117,817)	(5,558)	(41,965)	-	(675,358)
31 March 2003	**5,513,296**	**1,165,324**	**939,143**	**1,001,233**	**807,465**	**9,426,461**
Depreciation						
1 April 2002	1,159,003	338,600	219,596	464,995	-	2,182,194
Charge for the year	303,243	74,399	68,734	89,100	-	535,476
Acquisitions (Note 28)	-	-	30,699	36,237	-	66,936
Net transfer from / (to) Dnata	-	-	3,044	(23,504)	-	(20,460)
Disposals	(243,261)	(82,548)	(874)	(40,498)	-	(367,181)
31 March 2003	**1,218,985**	**330,451**	**321,199**	**526,330**	**-**	**2,396,965**
Net book value						
31 March 2003	**4,294,311**	**834,873**	**617,944**	**474,903**	**807,465**	**7,029,496**
31 March 2002	4,148,334	711,088	564,932	345,539	458,094	6,227,987

The net book value of aircraft includes an amount of AED 4,294.3 million (2002: AED 4,039.1 million) in respect of assets held under finance leases (Note 17).

Aircraft fleet

At 31 March 2003 the aircraft fleet comprised forty six aircraft (2002: thirty eight)

25	Airbus A330-200	(15 under operating lease)
9	Boeing B777-200	(3 under operating lease)
11	Boeing B777-300	(11 under operating lease)
1	Airbus A310-300	

Emirates has entered into contracts to purchase four 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 504.2 million (2002: AED 362.2 million) in respect of aircraft (Note 23) due for delivery between 2003 and 2010.

9. Goodwill

	2003 AED'000
Balance brought forward	**164,894**
Additions during the year (Note 28)	75,771
Amortisation for the year (Note 4)	(12,899)
Balance carried forward	**227,766**

	2003 AED'000	2002 AED'000
Original cost of goodwill not fully amortised	**258,379**	**182,608**
Accumulated amortisation	(30,613)	(17,714)
Net book value	**227,766**	**164,894**

10. Investments in subsidiaries and associated companies

The subsidiaries and associated companies are:

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Subsidiaries			
Maritime & Mercantile International L.L.C.	51.0	Wholesale and retail consumer goods	UAE
MMI Management (Fujairah) L.L.C.	49.0	Wholesale and retail consumer goods	UAE
Emirates Hotel L.L.C.	50.0	Hotel	UAE
Emirates - Abela Catering Co. L.L.C.	54.7	Catering services to airlines	UAE
Associated companies			
SriLankan Airlines Limited	43.6	Air transportation, aircraft handling and catering	Sri Lanka
Oman United Agencies L.L.C.	25.5	Wholesale and retail consumer goods	Sultanate of Oman

10. Investments in subsidiaries and associated companies (continued)

During the year, Emirates invested 49% in MMI Management (Fujairah) L.L.C. and also continued to make progressive investments in Emirates Hotel L.L.C. with the percentage of equity remaining unchanged.

Emirates - Abela Catering Co. L.L.C. became a subsidiary of Emirates, consequent to the acquisition of an additional 9.7% during the year.

During the year, Maritime & Mercantile International L.L.C. invested 50% in Oman United Agencies L.L.C. incorporated in the Sultanate of Oman. This translates into an effective ownership of 25.5% by Emirates.

Maritime & Mercantile International Management L.L.C. was restructured during the year. Consequent to the restructuring, Emirates' equity share continues unaltered in Maritime & Mercantile International L.L.C., the erstwhile subsidiary of Maritime & Mercantile International Management L.L.C.

There were no other changes during the year.

Movement of investments in associated companies

	2003 AED'000	**2002** AED'000
Balance brought forward	**19,771**	**15,116**
Investments during the year	39,835	-
Share of results	100,778	53,523
Dividend received	(14,132)	(48,868)
Net assets on conversion to subsidiary (Note 28)	(40,096)	-
Translation difference	(69)	-
Balance carried forward	**106,087**	**19,771**

The share of results includes a goodwill amortisation charge of AED 2.0 million (2002: Nil). At 31 March 2003, goodwill net of accumulated amortisation was AED 33.1million (2002: Nil) with an original cost of AED 35.1 million (2002: Nil).

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 the fair value cannot be reliably measured.

(b) Held-to-maturity investment represents floating rate notes with Emirates Bank International PJSC. Interest is earned based on LIBOR plus 35 basis points. The investment matures in July 2007 and consequently has been disclosed as a non-current asset. The effective interest rate during the year was 2%.

(c) Held-for-trading investments represent shares that management intends to sell in the short term.

12. Inventories

	2003 AED'000	2002 AED'000
Engineering	272,568	279,369
In-flight consumables	48,488	42,562
Consumer goods	60,120	42,160
Other	25,207	13,319
	406,383	**377,410**

13. Trade and other receivables

Trade receivables		
Airlines	65,574	51,020
Agents	617,598	578,287
Retail and consumer goods customers	161,751	127,356
	844,923	**756,663**
Other receivables		
Prepayments and deposits	358,244	336,268
Operating lease deposits	402,223	381,828
Other	167,536	104,903
	928,003	**822,999**
	1,772,926	**1,579,662**

There are no significant concentrations of credit risk.

14. Capital

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

15. Borrowings and lease liabilities - non-current

	2003 AED'000	2002 AED'000
Lease liabilities (Note 17)	3,821,763	3,570,994
Bonds (see (a) below and (b) over)	1,496,313	1,495,188
Term loans (Note 16)	108,049	40,378
Dnata account (Note 18)	69,579	69,873
	5,495,704	**5,176,433**
(a) Bonds at face value	1,500,000	1,500,000
Less: Unamortised transactions costs	(3,687)	(4,812)
	1,496,313	**1,495,188**

15. Borrowings and lease liabilities - non-current (continued)

(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

	2003 AED'000	2002 AED'000
Balance brought forward	**40,378**	**80,583**
Acquisitions (Note 28)	10,000	-
Net addition / (repayments) during the year	61,671	(40,205)
Balance carried forward	**112,049**	**40,378**
Loans are repayable as follows:		
Within one year (Note 22)	**4,000**	**-**
2-5 years	44,059	19,464
After 5 years	63,990	20,914
Total over one year (Note 15)	**108,049**	**40,378**

The outstanding term loan in the current year is secured on buildings in addition to a corporate guarantee of AED 50.0 million (2002: AED 48.8 million).

17. Lease liabilities

Finance leases

	2003 AED'000	2002 AED'000
Gross lease liabilities	5,685,999	5,361,556
Future interest	(1,144,713)	(1,145,485)
Term deposits	(300,076)	(285,085)
Net lease liabilities	**4,241,210**	**3,930,986**
Net lease liabilities are repayable as follows:		
Within one year (Note 22)	**419,447**	**359,992**
2-5 years	2,122,752	1,751,004
After 5 years	1,699,011	1,819,990
Total over one year (Note 15)	**3,821,763**	**3,570,994**

The lease liabilities 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 2003, the penalties would have been AED 196.3 million (2002: AED 133.5 million).

Operating leases

	2003 AED'000	2002 AED'000
Future minimum lease payments are as follows:		
Less than 1 year	1,000,770	695,566
2-5 years	4,129,080	2,214,209
After 5 years	3,692,812	3,844,657
	8,822,662	**6,754,432**

In the event of these leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2003, the penalties would have been AED 378.4 million (2002: AED 362.5 million).

Emirates is entitled to purchase fourteen of twenty nine 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.

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 profit for the year.

19. End of service benefit provision

	2003 AED'000
Balance brought forward	**134,895**
Acquisitions (Note 28)	23,105
Charge for the year	48,116
Payments made during the year	(6,105)
Balance carried forward	**200,011**

Senior employees who are based in the UAE and all UAE national employees participate in a defined contribution provident fund to which the employee and Emirates contribute a specified percentage of salary. The end of service benefit provision relates to employees who do not participate in the company provident fund.

In accordance with the provisions of IFRS 19, management has carried out an exercise to assess the net present value of its obligations at 31 March 2003, in respect of employees' end of service benefits payable under the relevant local regulations. The assessment assumed average expected salary increases between 0% and 5% and a discount rate of 4% per annum. The present values of the obligations at 31 March 2003, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with relevant local regulations.

20. Deferred credits

	2003 AED'000	2002 AED'000
Balance brought forward	**678,597**	**550,577**
Additions during the year	15,271	189,643
Recognised during the year	(75,206)	(61,623)
Balance carried forward	**618,662**	**678,597**

21. Trade and other payables

Trade payables and accruals	2,005,396	1,281,952
Passenger and cargo sales in advance	1,019,197	847,057
Dividend payable	300,000	100,000
	3,324,593	**2,229,009**

22. Borrowings and lease liabilities – current

Lease liabilities (Note 17)	419,447	359,992
Term loans (Note 16)	4,000	-
Bank overdrafts (Note 25)	130,928	186,374
	554,375	**546,366**

23. Commitments

Capital commitments

	2003 AED'000	2002 AED'000
Authorised and contracted	22,686,596	22,953,591
Authorised but not contracted	1,837,564	16,274,253
	24,524,160	**39,227,844**

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

Financial year	Aircraft
2003 - 2004	10
Beyond 2005 - 2006	22

In addition, options are held on twenty Airbus aircraft.

Operational commitments

	2003 AED'000	2002 AED'000
Letters of credit	36,675	35,767

The above were issued in the normal course of business.

24. Contingent liabilities

	2003 AED'000	2002 AED'000
Guarantees provided in the normal course of business	65,575	61,001

25. Cash and cash equivalents

	2003	2002
Short term bank deposits and liquid funds	3,950,146	2,944,628
Cash and bank	262,945	179,764
	4,213,091	**3,124,392**
Bank overdrafts (Note 22)	(130,928)	(186,374)
	4,082,163	**2,938,018**

Short term bank deposits and liquid funds bear an effective interest rate of 1.95% (2002: 3.89%) per annum.

26. Analysis of capital expenditure

For the purposes of the consolidated statement of cash flows, capital expenditure is analysed as under:

	2003 AED'000	2002 AED'000
Purchase of property, plant and equipment (Note 8)	1,572,773	1,880,172
Less: Assets acquired under finance leases	(625,745)	(1,046,206)
Capital expenditure	**947,028**	**833,966**

27. Financial instruments

(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 liabilities. 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 liabilities and by entering into interest rate swaps and options. A 1% increase in interest rates relating to the debt and operating lease liabilities will increase the charge to the income statement in the next financial year by AED 59.4 million (2002: AED 56.5 million). Aircraft related financing and term loans bear an effective interest rate of 4.24% (2002: 5.59%) per annum while the effective interest rate on bonds was 2.7% (2002: 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.

Description	Term	2003 AED'000
Interest rate swap liability	2003-2013	14,207

Inflows on account of liquidated interest rate derivatives amounting to AED 44.8 million will enter into the determination of profit between 2004 and 2006.

The notional principal amounts of the outstanding contracts at 31 March 2003 were AED 410.5 million (2002: AED 135.5 million).

(ii) Currency risk

Emirates is exposed to exchange rate fluctuations between the US Dollar and other currencies which are generated from its 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 positions in respect of an appropriate portion of its major foreign currency future cash inflows.

Exchange rate hedges

Description	Term	2003 AED'000
Currency swap liability	2003-2012	42,325

The notional principal amounts of the outstanding contracts at 31 March 2003 were AED 2,399.5 million (2002: AED 2,469.9 million).

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 futures and options to manage fuel costs.

Fuel price hedges

Description	Term	**2003** AED'000
Futures and options asset	2003-2004	190,931
Futures and options asset	2004-2006	82,058

The notional principal amounts of the outstanding contracts at 31 March 2003 were AED 747.6 million (2002: AED 1,863.1million).

(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.

(v) Fair values

The fair values of derivative financial instruments are disclosed in this note for interest rate swaps, currency swaps and fuel price futures and options. The carrying amounts of other financial assets and liabilities approximate to their fair value.

28. Acquisitions

The assets and liabilities arising from acquisition of subsidiaries are as follows:

	2003 AED'000
Cash and cash equivalents	66,478
Property, plant and equipment	59,964
Current assets	76,155
Current liabilities	(79,192)
Long term borrowings	(10,000)
End of service benefit provision	(23,105)
Minority interest	(47,020)
Fair value of net assets acquired	**43,280**
Goodwill	75,771
Less : Net assets on conversion to subsidiary	(40,096)
Total purchase consideration	**78,955**
Less : Cash and cash equivalents	(66,478)
Cash outflow on acquisitions	**12,477**

29. Comparatives

The comparative figures for operating revenue and other operating income amounting to AED 15.5 million have been reclassified to conform with the current year's presentation to make it more meaningful.

Independent auditors' report to the Owners

We have audited the accompanying consolidated balance sheet of Dnata ("the company") and its subsidiaries ("the group") as at 31 March 2003 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 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
16 April 2003

Consolidated income statement for the year ended 31 March 2003

	Notes	2003 AED'000	2002 AED'000
Operating revenue	2	925,260	789,684
Other operating income		16,576	8,456
Operating costs	3	(818,236)	(685,364)
Operating profit		**123,600**	**112,776**
Interest income		11,076	17,372
Associated companies - share of results	5	7,053	4,619
Profit for the year		**141,729**	**134,767**

The accounting policies on pages 88 and 89 and the notes on pages 90 to 95 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2003

	Notes	2003 AED'000	2002 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	178,563	168,256
Investments in associated companies	5	20,775	12,967
Long term receivable	6	69,579	69,873
		268,917	**251,096**
Current assets			
Inventories		8,220	8,827
Trade and other receivables	7	165,535	160,483
Held-to-maturity investments	8	-	73,460
Cash and cash equivalents	14	701,392	484,333
		875,147	**727,103**
Total assets		**1,144,064**	**978,199**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	11	62,615	62,615
Reserves		658,539	555,567
		721,154	**618,182**
Non-current liabilities			
End of service benefit provision	9	**123,526**	**106,533**
Current liabilities			
Trade and other payables	10	296,692	232,429
Bank overdrafts	14	2,692	21,055
		299,384	**253,484**
Total liabilities		**422,910**	**360,017**
Total equity and liabilities		**1,144,064**	**978,199**

The consolidated financial statements were approved on the 16th day of April 2003 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Group Managing Director

The accounting policies on pages 88 and 89 and the notes on pages 90 to 95 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2003

	Capital AED'000	Translation reserve AED'000	Retained earnings AED'000	Total AED'000
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)
1 April 2002	**62,615**	**(5,247)**	**560,814**	**618,182**
Profit for the year	-	-	141,729	141,729
Dividend	-	-	(40,000)	(40,000)
Additions during the year	-	1,243	-	1,243
31 March 2003	**62,615**	**(4,004)**	**662,543**	**721,154**

The accounting policies on pages 88 and 89 and the notes on pages 90 to 95 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 March 2003

	2003 AED'000	2002 AED'000
Operating activities		
Profit for the year	141,729	134,767
Adjustments for:		
Depreciation (Note 4)	66,609	64,535
Interest income	(11,076)	(17,372)
Transfer to provident fund and end of service benefit provision	31,582	24,757
Associated companies - share of results (Note 5)	(7,053)	(4,619)
Profit on sale of property, plant and equipment	(2,171)	(335)
Operating cash flows before working capital changes	**219,620**	**201,733**
Contributions to provident fund and end of service benefit payments	(14,589)	(11,374)
Changes in working capital:		
Inventories	607	1,125
Trade and other receivables	(5,095)	4,155
Trade and other payables	64,263	10,883
Net cash provided from operating activities	**264,806**	**206,522**
Investing activities		
Purchase of property, plant and equipment (Note 4)	(90,160)	(65,075)
Proceeds from sale of property, plant and equipment	2,990	405
Investments in associated companies (Note 5)	(1,013)	-
Emirates account	13,775	2,969
Interest income	10,063	15,910
Dividend received from associated companies (Note 5)	500	1,781
Maturity value of held-to-maturity investments	73,460	-
Net cash provided from / (used in) investing activities	**9,615**	**(44,010)**
Financing activities		
Dividend paid	(40,000)	(40,000)
Net increase in cash and cash equivalents	**234,421**	**122,512**
Cash and cash equivalents at beginning of year	463,278	341,539
Effects of exchange rate changes	1,001	(773)
Cash and cash equivalents at end of year (Note 14)	**698,700**	**463,278**

The accounting policies on pages 88 and 89 and the notes on pages 90 to 95 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 Financial Reporting Standards ("IFRS"). The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dnata, Dnata World Travel, its subsidiaries and share of results of its associated companies.

Subsidiaries are those entities in which Dnata has an interest of more than one half of the voting rights or has the power to govern the entity's operating and financial policies. Subsidiaries are consolidated from the date on which control is transferred to Dnata and are no longer consolidated from the date that control ceases. Acquisition of subsidiaries is accounted for in accordance with the purchase method of accounting.

Associated companies are those entities in which Dnata has between 20% and 50% of the voting rights, or over which it has significant influence, but which it does not control. Investments in associated companies are accounted for in accordance with the equity method. Investments in associated companies includes goodwill (net of accumulated amortisation) on acquisition.

All material inter-company transactions, balances and unrealised surpluses and deficits arising on transactions between Dnata and its subsidiaries and associates have been eliminated.

Revenue

Operating revenue is recognised on the performance of services and is stated net of discounts.

Information technology services are billed progressively and recognised as income on a systematic basis.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Foreign currency translation

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 rates ruling on the balance sheet date. The resultant foreign exchange gains or losses are recognised in the income statement.

Translation differences relating to investments in associated companies and subsidiaries are classified as equity until the disposal of the investment when the accumulated exchange differences are recognised in the income statement as part of the gain or loss on sale.

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:

Principal accounting policies (continued)

Property, plant and equipment (continued)

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the remaining useful life of the asset.

Capital projects

Capital projects are stated at cost together with financing costs incurred from the date of commencement of the project to the date 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 Dnata's policies.

Held-to-maturity investments

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.

Trade receivables

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.

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 participate in a defined contribution provident fund to which the employee and Dnata contribute a specified percentage of salary. 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.

Notes to the consolidated financial statements for the year ended 31 March 2003

1. Establishment and operations

Dnata comprises Dnata, Dnata World Travel and its subsidiaries and associated companies. 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 property
- information technology including accounting bureau services
- 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
- handling services at Mehrabad International Airport in Iran, through its associated company Safiran Dnata Airport Services PJSC, a company incorporated in Iran
- 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

	2003 AED'000	2002 AED'000
Airport operations	374,249	299,994
Information technology	200,248	154,954
Cargo	126,050	133,341
Reservations system	94,546	85,890
Agency commission	74,503	69,116
Property management	30,299	24,214
Other	25,365	22,175
	925,260	**789,684**

3. Operating costs

	2003 AED'000	2002 AED'000
Employee (see below)	502,104	433,693
Depreciation	66,609	64,535
Accommodation	39,024	38,125
Corporate overheads	210,499	149,011
	818,236	**685,364**

(a) Employee costs include AED 25.3 million (2002: AED 19.4 million) in respect of end of service benefit provision, AED 6.3 million (2002: AED 5.4 million) in respect of provident fund contributions and AED 35.7 million (2002: AED 11.5 million) in respect of the employee profit share scheme.

(b) Average employee strength during the year was 6,392 (2002: 6,526).

4. Property, plant and equipment

	Buildings AED'000	Airport plant and equipment AED'000	Office equipment and furniture AED'000	Motor vehicles AED'000	Capital projects AED'000	Total AED'000
Cost						
1 April 2002	21,793	174,273	335,074	13,293	8,739	553,172
Additions	-	38,810	44,247	1,057	6,046	90,160
Transfer from capital projects	-	-	1,628	-	(1,628)	-
Net transfer from / (to) Emirates	(18,295)	(5,735)	32,497	392	(824)	8,035
Disposals	-	(11,617)	(3,167)	(1,420)	-	(16,204)
31 March 2003	**3,498**	**195,731**	**410,279**	**13,322**	**12,333**	**635,163**
Depreciation						
1 April 2002	6,494	124,200	245,276	8,946	-	384,916
Charge for the year	-	20,023	45,045	1,541	-	66,609
Net transfer from / (to) Emirates	(3,044)	(1,869)	25,153	220	-	20,460
Disposals	-	(11,200)	(2,879)	(1,306)	-	(15,385)
31 March 2003	**3,450**	**131,154**	**312,595**	**9,401**	**-**	**456,600**
Net book value						
31 March 2003	**48**	**64,577**	**97,684**	**3,921**	**12,333**	**178,563**
31 March 2002	15,299	50,073	89,798	4,347	8,739	168,256

5. Investments in subsidiaries and associated companies

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
Safiran Dnata Airport Services PJSC	49	Ground handling services	Iran

The investment in Safiran Dnata Airport Services PJSC was made during the year. There were no other changes in the percentage of ownership interests during the year.

Movement of investments in associated companies

	2003 AED'000	2002 AED'000
Balance brought forward	**12,967**	**10,059**
Investment during the year	1,013	-
Share of results	7,053	4,619
Dividend received	(500)	(1,781)
Translation difference	242	70
Balance carried forward	**20,775**	**12,967**

6. Long term receivable

	2003 AED'000	2002 AED'000
Due from Emirates	69,579	69,873

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.

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. Trade and other receivables

	2003 AED'000	2002 AED'000
Trade receivables		
Travel agents	8,778	7,427
Airlines	24,221	21,954
Other	69,100	63,200
	102,099	**92,581**
Other receivables and prepayments		
Prepayments and deposits	18,825	25,857
Other	44,611	42,045
	63,436	**67,902**
	165,535	**160,483**

There are no significant concentrations of credit risk.

8. Held-to-maturity investments

Held-to-maturity investment represents guaranteed floating rate notes held with Wisma (S) Limited, a 100% owned subsidiary of Emirates Bank International PJSC. The notes were guaranteed for principal and interest by Emirates Bank International PJSC. Interest was earned based on LIBOR plus 90 basis points paid quarterly in arrears. The investment matured during this financial year.

9. End of service benefit provision

	2003 AED'000
Balance brought forward	**106,533**
Charge for the year	25,328
Payments during the year	(8,335)
Balance carried forward	**123,526**

Senior employees who are based in the UAE and all UAE national employees participate in a defined contribution provident fund to which the employee and Dnata contribute a specified percentage of salary. The end of service benefit provision relates to employees who do not participate in the company provident fund.

In accordance with the provisions of IFRS 19, management has carried out an exercise to assess the net present value of its obligations at 31 March 2003, in respect of employees' end of service benefits payable under the relevant local regulations. The assessment assumed average expected salary increases between 0% and 5% and a discount rate of 4% per annum. The present values of the obligations at 31 March 2003, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with relevant local regulations.

10. Trade and other payables

	2003 AED'000	2002 AED'000
Payables and accruals	187,674	135,579
Dividend payable	40,000	40,000
Employee leave pay	24,319	20,931
Airlines	44,699	35,919
	296,692	**232,429**

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

	2003 AED'000	2002 AED'000
Capital commitments		
Authorised and contracted	4,110	19,227
Authorised but not contracted	233,097	135,805
	237,207	**155,032**
Operational commitments		
Letters of credit	92	92

The above were issued in the normal course of business.

13. Contingent liabilities

	2003 AED'000	2002 AED'000
Guarantees provided in the normal course of business	24,236	10,358

14. Cash and cash equivalents

Short term bank deposits and liquid funds	689,280	475,546
Cash and bank	12,112	8,787
	701,392	**484,333**
Bank overdrafts	(2,692)	(21,055)
	698,700	**463,278**

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 1.73% (2002: 2.93%) 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.