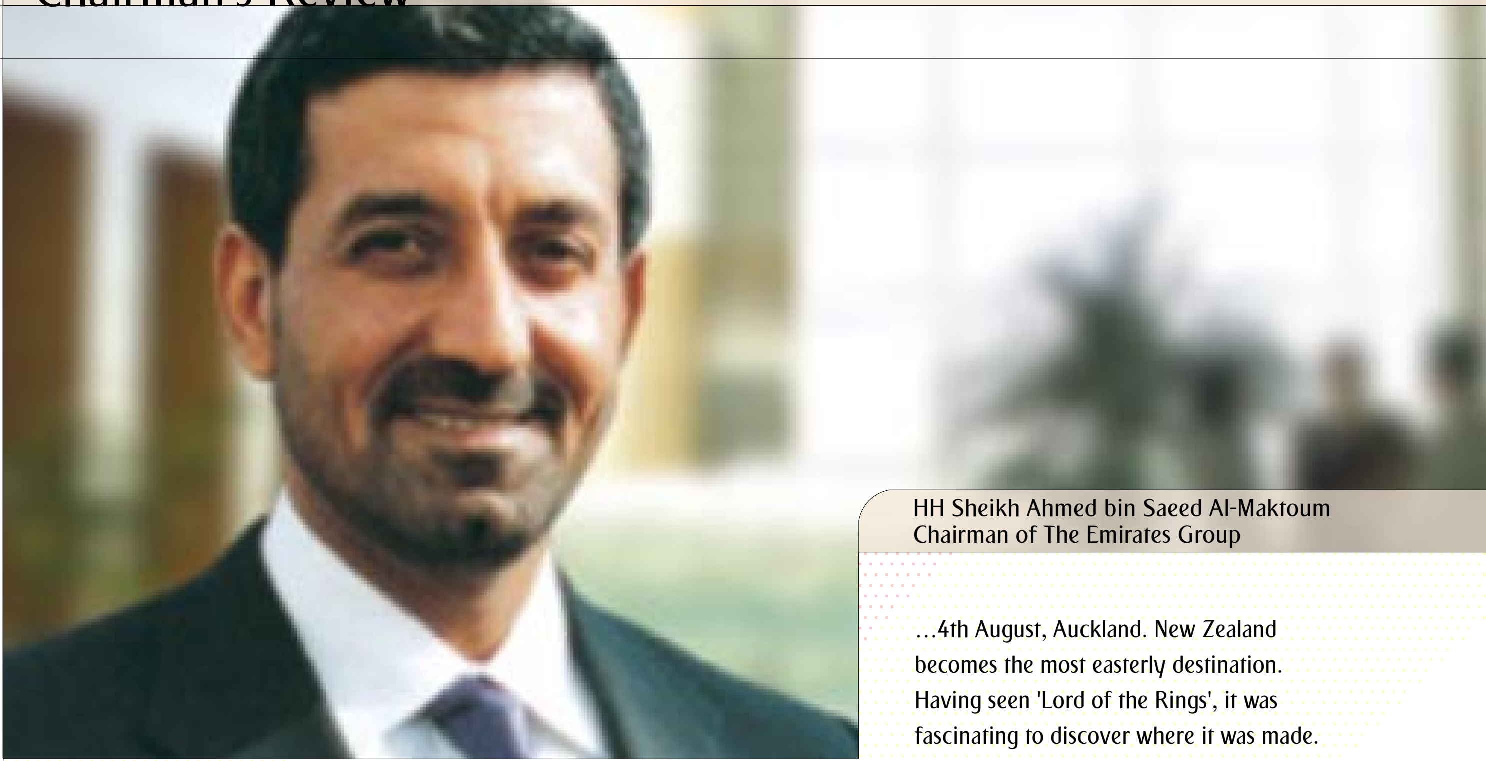
The Emirates Group
Report & Accounts

2003-2004

Emirates

Dnata

Chairman's Review



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

I am delighted to be able to announce another record year for the Group with a profit of US$ 476 million (Dhs 1.7 billion) on revenues of US$ 3.8 billion (Dhs 14 billion). Emirates' income amounted to US$ 3.6 billion (Dhs 13.3 billion) and Dnata's turnover was US$ 298 million (Dhs 1.1 billion).

Before we examine the statistics of this very healthy report, I would like to acknowledge the expertise and experience of our staff and management who have invested an enormous amount of creative time and been so innovative with their resources during the year. The Group now numbers over 22,500 and it has been my privilege to meet thousands of my colleagues both in Dubai and around the network during the year…one of the high spots of being the Chairman of this extraordinary company.

To give you an insight into the various activities around the world, here are a few jottings from my business diary.

…13th May, Canberra. Came to the Australian capital to underline our commitment to this beautiful country. I made a presentation to Cabinet Ministers and Members of Parliament. Big interest in Dubai.

…3rd June, Dubai. I was proud to present 22 MBAs to members of Dnata and Emirates staff.

…16th June, Paris. We stunned even the 'been-everywhere, read-the-book, community' of our media friends by announcing the biggest aircraft order in history. HH Sheikh Mohammed made a special visit to the Paris Air Show to be with us at the signings, in the Airbus and Boeing pavilions, of the orders for US$ 19 billion (Dhs 69.7 billion). This makes a total order book worth US$ 26 billion (Dhs 95.4 billion). The TV and press did us proud the next day with huge headlines.

…15th July, Moscow. The Russian capital is now our most northerly gateway…we celebrated the inaugural with a gala dinner and a concert by Leo Sayer…it's only five hours from Dubai.

…26th July, Dubai. Presented Mabrouk Awards, including one to Dnata Operations' cleaner, Gopinath Koovot, who returned a wallet containing Dhs 50,000 which he found in a locker while cleaning the aircraft.

…4th August, Auckland. New Zealand becomes the most easterly destination. Having seen 'Lord of the Rings', it was fascinating to discover where it was made. Unforgettable was a Maori haka-powhiri welcome at the airport for the double inauguration flights from Melbourne and Sydney. The New Zealand Prime Minister, Rt Hon Helen Clark, graciously came to greet us at the airport.

…16th October, Dubai. I opened the annual Emirates Commercial Conference. The theme was aptly 'On the threshold of a dream'...later in the week presented Chairman's Award for Sales Excellence to Maria Almeida.

…7th December, Dubai. HH Sheikh Mohammed opened the new Emirates Aviation College and the Emirates - CAE Flight Training Centre. It was a whistle-stop tour but we saw the 14 bays with the four full-flight simulators for third-party work already busy. These are outside the simulators exclusively used by Emirates.

…8th December, Dubai Air Show. Another big headline for us, the media turned out in force to hear me announce the choice of Engine Alliance as the power plants for our second order of A380s…they will now be the engines for the total A380 fleet of 45 aircraft.

…12th January 2004, Dubai, Mina A'Salam. Discussed soccer with Franz Beckenbauer at the lunch to announce the German football legend coming on board to be our spokesman for sport and soccer, during and including the run-up to FIFA

A Maori welcome at Auckland.

The financial year will see the airline increase its capacity by 26% and open new routes to the USA, China and Europe.

World Cup 2006, which Emirates is sponsoring.
…23rd January 2004, Brisbane. Started the year with another visit to Australia...this time Brisbane as we inaugurated a new daily service. Flew around Queensland and other states in a chopper to view this picturesque country, travelling over rain forests, coastal resorts and inland sites. We are looking for a suitable location for a new Al Maha type hotel. Returned from Sydney to try the new First Class product, with the mini suites, on our non-stop A340-500 service.

In last year's report I predicted "...the Group will continue its bullish ways for the 2003/4 financial year and I am expecting yet another record year".

I would not like to claim that my crystal ball is always as accurate as this, but I have learnt over the years that the recipe for our continued success remains the same: the exploitation of Dubai's location as a global hub, and equally the exploitation of the government's visionary development programme which is well on the way to establishing Dubai as the world's leading city state, for commerce and tourism, of this new century; our multi-billion dollar investment in new equipment and, crucially, the skill and dedication of our team.

It is rare for a Chairman in the volatile aviation industry to be able to retain the same senior management over a lengthy period, but in Dnata and Emirates most of my colleagues at divisional level have been with us for 10 years or more.

The exceptional growth of the airline means that we have many newcomers, particularly on the flight deck and among the cabin crew. It is indicative of the spirit of the Emirates Group and the friendliness of Dubai itself, that they have quickly become an integral part of our family.

But the Group does not stand still and our organisational structure was enhanced during the year to cope with future challenges. The restyled corporate management mirrors the airline's development into a global airline and Dnata's growing activities, and the advance of talented and highly-qualified UAE nationals into top management positions. In fact, UAE nationals now constitute 23% of our management at Vice President level and above.

As usual, we managed to buck the trend of a travel industry which stagnated, at best, for the first three to four months of 2003 with the aftermath of SARS, the conflict in Iraq and the weak global economy.

Thanks to a vigorous cost-cutting drive and robust marketing, by early summer we were back on track.

The Group has continued to prosper and we have not been tempted to compare ourselves with other airlines or travel organisations. We have not joined any alliances nor followed any 'guru's teachings' and have simply knuckled down to winning more supporters by offering them quality products.

The financial year ended on a high with the successful conclusion of our first international bond issue (listed in Luxembourg) which was oversubscribed by 25% and closed at US$ 500 million (Dhs 1.8 billion). This is the largest ever unrated Eurobond issue by an airline and we are very pleased to receive this major endorsement from the international investment community.

I note that IATA is forecasting worldwide growth of 7 to 8% in passenger traffic in 2004 and a number of major carriers reported a definite pick-up in business in the third and fourth quarters… which augurs well for the future of the industry.

For the Emirates Group, the financial year will see the airline increase its capacity by 26% and open new routes to the USA, China and Europe, while Dnata will continue its winning ways with a new lease of life to boost services to customers. The Group as a whole has contributed to the Dubai economy, US$ 1.5 billion (Dhs 5.5 billion) in direct expenditure and another US$ 2.2 billion (Dhs 8.1 billion) in indirect expenditure.

I am pleased to announce a bonus for all our employees and a dividend of US$ 90 million (Dhs 329 million) to be paid to the ownership.

As always, I would like to end this review by thanking our staff for their unstinting efforts to build Emirates into a global airline and to retain the excellent reputations of Dnata and our Associated Companies.

Ahmed bin Saeed Al-Maktoum

Vice-Chairman and Group President's Review

Maurice Flanagan CBE, Vice-Chairman and Group President

Allow me the indulgence of a personal note, but one which I know comes on behalf of all of us in the Emirates Group. We are particularly blessed to have as our Chairman His Highness Sheikh Ahmed, for whose hands-on leadership I am - we are - truly grateful every day that passes. Sheikh Ahmed not only directs the world's fastest growing airline group but is also President of the Department of Civil Aviation with direct responsibility for developing the world's most advanced and visually exciting complex of airport facilities, opening in 2007 and raising the airport's capacity from the present 25 million to 70 million passengers a year. I was, therefore, proud to be present when the French Minister of Transport and Tourism, Monsieur Gilles de Robien, installed His Highness as Commandeur de l'Ordre de la Légion d'Honneur in recognition of his role in strengthening ties between France and the UAE.

The Airbus A380.

This year has been a serious qualifier for the Chinese curse - May you live in interesting times. A year ago our average seat factors fell to 64% as a result of SARS, which had been blown out of all proportion by the media (yes, of course it was serious but not remotely as lethal or widespread as many other diseases which continuously plague the world), and the conflict in Iraq had started. In the previous, just as 'interesting', few years we had seen off the Iran-Iraq war, the first Gulf War, a plague in India, Afghanistan ...and the sorry state of the global economy. Could we continue to cope i.e. remain profitable and sustain quality? Well, why not? We had done it before, but it would require a positive, aggressive response to costs, a freeze on recruitment (but not pay) and a bold approach to the future. Therefore in June, Emirates announced the biggest-ever aircraft order of US$ 19 billion (Dhs 69.7 billion) which many of my colleagues in other airlines considered incomprehensible. They did not know what we know. That secret is Dubai, with current and projected mega-plans, all self-sustaining Dubai-style, which act and will increasingly act, as powerful magnets for tourism and all forms of business traffic. Sustained strong expansion, which has now relieved Dubai of dependence on its declining oil income, has been running for over two decades, resulting in an average annual growth of passenger traffic through Dubai International Airport of 16% a year. That rate will be sustainable for many years - look around Dubai and you will see the reason why. There are more cranes in Dubai than in the whole of Canada.

Moreover, with Dubai in the forefront, the Gulf states in general are developing economies and only visitors to the region can appreciate the enormous investments in commercial and tourism infrastructure. Billions of dollars have been placed on the table to show that this is not just talk, and visionary dreams are becoming realities. To serve what will be the biggest surge in

Dnata has had a good year.

In June 2003, Emirates announced the biggest-ever aircraft order of US$ 19 billion (Dhs 69.7 billion).

Our staff reflect the spirit of the company.

tourism in any region of the world, airlines like Emirates are re-equipping and enlarging their fleets.

Responding to Dubai's growth, and its ideal location as the global hub of this century, we are having to add further fleet expansion. In addition to the 45 A380s, 20 A340-600s, 26 Boeing 777-300s and 10 A340-500s on order, we have now leased eight A340-300s to meet current demand, which are now joining the fleet.

After ordering the aircraft and persuading international and regional banks we are a good investment, we then have to find the best staff to operate and service the aircraft - and that's another story.

In the context of our recent bond issue, I am very pleased to say that the quality of our financial reporting has drawn loud praise from investors particularly in Europe and Asia who purchased 25% of the issue. We were also both honoured and delighted to be named 'Airline of the Year - 2003' by Airfinance Journal for the quality of our financial and business management.

Dnata, too, in its 45th year has faced the same socio-economic challenges plus intense competition within Dubai and the Northern Emirates, and the ground handling, travel agency, and IT businesses have had a robust year.

I have been associated with Dnata for 26 years and value the high standards which we have managed to maintain, in all the diverse activities carried out under the Dnata label. This year we broke more records, handling more than 19 million passengers and over 970,000 tonnes of cargo. At the same time we have been audited by professional bodies measuring the standards of service quality, with Dnata Cargo being awarded the ISO 9001:2000 and similar accreditations. Dnata too has been subject to the same demanding expansion as the airline side of our business, with the same pressure on numbers and continuous need to recruit.

For the Group as a whole, this entails sifting the 20,000 applications each month which we receive from our website www.emiratesgroupcareers.com, advertising and roadshows. If we pick the wrong people, it is our fault because we cannot re-programme them, so rigorous selection procedures are amongst the highest of our priorities.

There can be no doubt that one of the main reasons for the high level of retention of staff (as mentioned by Sheikh Ahmed) is directly linked to the time and effort invested in the recruitment process.

When you read this report I hope it will give you some idea of what makes the Emirates Group tick.

Again, I am in the happy position of being able to thank our wonderful staff for their efforts which have resulted in yet another profitable year.

Maurice Flanagan

Tim Clark, President Emirates Airline

When the history of commercial aviation is written at the end of this decade, it will be noted that there has never been an airline quite like Emirates ...from many points of view. From the passengers and cargo customers who we always place on a pedestal...quite rightly...to the aircraft manufacturers who have recognised a carrier which understands the enormous investment which is made in producing new aircraft like the B777-300 and Airbus A380 and A340-500.

They appreciate an airline like Emirates which deposits millions of dollars to say "we're certain you've got it right"...and then sits with them at the drawing board stage to suggest changes which benefit Emirates and airlines in general. From the bankers who look at the way we manage the company and give their confidence and seal of approval by lending us billions of dollars, to the tourist industries of countries like Australia, Sri Lanka and Mauritius who see us transform their destinations by linking them to Dubai.

History will also show, in my opinion, that the multi-national blend of management and staff, linked by a common cause - the triumphant emergence of Emirates as a global airline - is probably the main reason for our positioning among the top airlines.

When we were a regional carrier, the major airlines of the world welcomed us with open arms, for which we were grateful, but today as we create a global network, many of the homelands protect the national carriers at the expense of their tourism industry. We take this as an accolade though sympathising with the hotels, sightseeing and other businesses which would benefit from our services.

It's been a ding-dong year, with challenge after challenge, and I am pleasantly surprised again to see Emirates in the top five places when it comes to profitability, and in the top 20 when size is measured in RPKs (revenue per passenger kilometre).

As this report goes to press we have been named 'Best Economy Class Airline', 'Best Airline to the Middle East' and 'Runner-up Best Airline' (to Singapore Airlines) in the 10 million web-poll by Skytrax.

Tim Clark,
President Emirates Airline

Commercial

Emirates' success, contrary to the opinions of some of our competitors, does not come automatically, nor is it fuelled by tax-free fuel. Once again the sales teams out in the field and the support staff in Dubai, have toiled very hard to tell the world about the advantages of flying Emirates. Roadshows, seminars, personal visits, PR and advertising campaigns have all been utilised to spread the word. The vision is being fulfilled by increasing capacity, opening new routes and thereby improving Emirates' share in the global marketplace. As a result we carried a record number of passengers during the year – more than 10 million.

New offices were opened and others upgraded for the introduction of new routes, including Moscow, Auckland, Brisbane, Accra and Lagos.

But, perhaps the most significant route launch was the new non-stop service between Sydney and Dubai, introducing the unique A340-500, the world's longest range aircraft. The Emirates A340-500 made world headlines with the first-ever mini suites in First Class, jetlag-beating galaxy mood lighting, and inflight entertainment with 500 channels of film and music in all classes.

Additional capacity and more services were also introduced throughout the year

The Emirates A340-500 has the world's first-ever mini suites in First Class.

We carried a record number of passengers during the year – more than 10 million.

The Dubai Stopover programme was further enhanced.

to London Gatwick, Frankfurt, Manchester, Munich, Paris, Istanbul, Perth, Jeddah, Dhahran, Doha, Muscat, Kuwait, Tehran, Sanaa and Khartoum.

The centralised USA and Canada call centre moved to new premises in Minneola, Long Island, just outside New York City. Using the latest telephone technology, the office provides an around-the-clock service to all our customers in North America. The Dubai call centre, which includes 'Dial-a-Ticket' also moved to new premises, close to Dubai International Airport. In India, the Mumbai call centre has been expanded and handles calls from all cities within India, in addition to handling out-of-hours' overseas calls from several points across the network.

CRIS, an electronic customer database, was upgraded with improved functionality to enable more efficient customer service recovery.

For the first time, electronic ticketing was introduced on the Australia-New Zealand route. e-ticketing will be expanded to a total of 29 stations and for routes where e-tickets are not supported, the Automated Ticket and Boarding Pass (ATB) was introduced in November.

A new Internet Booking Engine (IBE) was launched, developed jointly by the Commercial Operations division, Mercator (the IT division of the Emirates Group) and Datalex (an IT development company). The new IBE has more friendly features, resulting in a significant increase in online bookings, particularly from the UAE, the United Kingdom, Germany and Australia. In support of local infrastructure, the new Emirates IBE is hosted at Dubai Internet City.

The IBE gives online customers the ability to book different cabin classes for each segment of their journey, search for fares and flight availability across a range of dates, automatically calculate Skywards Miles, save itineraries for future repeat bookings, choose First and Business Class seats, reserve Chauffeur-Drive service where available and a host of other benefits.

Emirates currently offers online booking in 24 countries, the latest addition being the USA, with China coming online over the coming months. A number of local consumer websites have also been developed in English, French, German, Italian, Russian, Chinese and Japanese.

In support of Commercial's strategic objective to grow passenger traffic to Dubai, a number of tactical products were developed in partnership with Dubai's leading hotels, generating sales in excess of 120,000 hotel room nights. Meetings, trade fairs, conventions and conferences were supported by special fares and promotions and for passengers wanting a short break in Dubai, the successful Dubai Stopover programme was further enhanced. It now covers a wider range of hotels from self-catering to five-star properties, catering for all budgets. Packages were also produced to support the Dubai Shopping Festival, Dubai Summer Surprises, FIFA World Youth Championship, Dubai Rugby Sevens, Dubai World Cup and other events.

Highlight of the year for our Skywards frequent flyer programme was being awarded 'International Frequent Flyer Programme of the Year', winning six Freddie Awards from Inside Flyer magazine. Membership grew to more than 880,000 members, a growth of 55% over last year.

There were several innovations in the customer service area, including global call routing, improving service levels by allowing calls to be answered quicker where Skywards staff are available in the six service centres worldwide. An innovation on www.skywards.com was the introduction of a Virtual Assistant for members to

An Emirates A330 aircraft being refurbished.

Ghaith Al Ghaith at the Lagos inaugural.

interact with while seeing a picture of the electronic agent of their choice, a first for any airline. An additional benefit for Skywards' members is the introduction of self check-in kiosks at Dubai International Airport.

Commented Ghaith Al Ghaith, Executive Vice President, Commercial Operations Worldwide, "Wherever I have travelled around the network, I have been impressed by the dedication of the Emirates staff – all of them 24/7 people."

Customer Affairs and Service Audit

Around the network Inflight Service Inspectors, travelling incognito, are constantly checking service standards and monitoring passengers' feedback.

Competitor analysis continues as an important activity to ensure Emirates does not become complacent, by continually keeping abreast and ahead of what our major rivals do.

CRIS, the department's electronic customer database, has been enhanced with improved functionalities to speed up customer service recovery when things go wrong, so that the response is fast and efficient across the network.

CRIS' recent innovations have made the system marketable and it is now being sold to other airlines across the globe to help them handle customer relations' issues more effectively.

Decentralisation of Customer Affairs and Service Audit into regional Business Units across key geographical locations in the Emirates network (USA/Canada, UK, Middle East, Indian Subcontinent and Australia / New Zealand) remains an important strategic business objective. As Emirates rapidly expands around the world, it is important for the department to have an infrastructure that can act fast, efficiently, responsively and with high professionalism by having on-the-spot 'solutions' orchestrators' able to cut across time zones and culture. We already have offices in London and Melbourne with others planned for New York and more to come.

Engineering and Flight Operations

Adel Al Redha, Executive Vice President Engineering and Flight Operations stated, "Our engineers continue to display the highest standards in the industry – and our pilots are a credit to the airline and team members in the true sense of the word".

Engineering

The maturity and development of Emirates Engineering was illustrated by the department being given the highly-skilled and mammoth task of installing the mini

Emirates Operations Centre,
Dubai International Airport.

Emirates SkyCargo's new destinations include Taipei, Bangalore, Gothenburg, New York, Dalian, Moscow, Auckland, Accra and Lagos.

suites for the A340-500 First Class product.

In addition, this coming-of-age was emphasised as the major cabin conversions on three of the eight leased A340-300s are also being carried out in the Engineering facility.

To comply with recommendations for cockpit security, Engineering completed modifications of the cockpit doors on the B777 and A330s, in addition to the installation of surveillance cameras.

And to underline the capabilities of the Engineering facility, six 'C' checks were completed on B777s and 18 'C' checks on the A330, varying from C1 to C4 maintenance applications.

The final A330-200 aircraft of the order of 29 was delivered and accepted and we took delivery of the first four aircraft of the current order of 10 A340-500s.

Lease agreements were also finalised with aircraft manufacturers and lessors for 75 additional aircraft to be delivered between 2005 and 2010.

Mirroring the quality of the facility, improved certification approvals were achieved including FAR 145, enhancement to ISO 9001 version 2000 and an extension for a further two years of JAA 145.

Another initiative was the implementation of a fully-automated aircraft tracking and monitoring system which provides engineers and operations personnel with 24-hour live information and status of aircraft movements and technical matters.

Flight Operations

As the fleet expanded with additions of four A330-200s, four A340-500s, six A340-300s and one B777-300, Flight Operations were required to raise the Pilot workforce from 758 to 978, an increase of 29%.

Therefore recruitment and training have been major activities. As the availability of suitable First Officers for upgrade to Captains dwindled, we have inducted Direct Entry Captains for the first time in many years. The advent of experienced Pilots from other organisations offer much potential as they work alongside First Officer recruits, most of whom come with relatively high experience, too.

At the same time, we have recruited 19 UAE Pilot cadets for training on the foundation course which prepares them for the technical challenges ahead and we have seen the first graduation of local Pilots from the ab-initio training school in Adelaide.

The impending arrival of the A340-500 meant that the Operations Department and Medical Services worked together intensively studying the effects of fatigue and its management on ultra long-haul flights. We have now developed new understanding and rules to accompany flights up to 18 hours, which are possible due to the provision of on-board crew rest facilities.

Coordinating global efforts with both Airbus and Boeing, Flight Operations has continued the quest for better use of information technology, especially for ground-based briefings and control systems in a digital age.

Emirates SkyCargo

Cargo made a contribution of 20% to the airline's transport revenue – which was a record for the airline and probably the highest freight contribution of any carrier in the world with a similar fleet make-up. Revenue rose by 42% to US$ 653 million (Dhs 2.4 billion), tonnage increased by 26% to 660,000 tonnes and yield increased by 8%.

Using the bellies of our wide-bodied passenger aircraft and five leased freighters, SkyCargo's team of dedicated professionals opened new destinations to Taipei, Bangalore, Gothenburg, New York, Dalian (freighter only) and Moscow, Auckland, Accra, and Lagos (passengers and freight). Eight cargo-only destinations are now served by the three Boeing 747-400Fs and two Boeing 747-200Fs carrying a mind-boggling variety of shipments as diverse as racing cars and race horses, aircraft engines and software engines, flowers and cauliflowers, boats and coats, microfilms and microlights. The freighters now

Cargo made a contribution of 20% to Emirates' transport revenue.

contribute 30% of the total cargo revenue.

Business came from four major regions of the world, about 40% from the Asia Pacific Rim, 23% Europe and Americas, 19% Indian Subcontinent and 18% from the GCC, Middle East and Africa. Paradoxically, as passenger traffic dipped during the SARS crisis, cargo uplifts increased with the extra capacity made available in the holds of the aircraft.

SkyCargo won six more awards, again being named 'Best Airline to the Middle East' by Air Cargo News for the 15th consecutive year and from STMicro 'Logistics Service Provider of the Year Award - 2003'.

Dubai's expansion as a pivotal freight centre in the Middle East continued, with 25% more throughputs registered at the Emirates SkyCargo Centre with peak daily volumes exceeding 2,200 tonnes and a total for the year of 570,000 tonnes. To cope with the increase, terminal infrastructure was upgraded with flexible workstations and more Unit Load Device storage locations. A new controlled environment unit for perishables was commissioned and SkyCargo is pleased to see the Mega Terminal, with its capacity of 1.2 million tonnes, is on schedule for its 2006 opening.

On the IT front, SkyCargo continues to invest in staff and material resources to provide quality customer information and services. The SkyChain system will soon cut over to SkyLog, a state-of-the-art warehouse and inventory management system. Approval has been given for the design and building of a new multi-million dollar core module for SkyChain, providing a speedier chain management and logistic administration support. Value-added product lines for SkyCargo Priority Plus and Priority Cargo were introduced throughout the network.

SkyCargo Post Office mail revenue grew by some 19%, principally due to Emirates Post's efforts to promote Dubai as a Post Office Mail Distribution and Consolidation Centre.

The Dubai Floral Logistics Centre is on schedule and will be opened this year for business with flowers imported from Africa, including carnations from Kenya, chrysanthemums from South Africa, sunflowers from Nigeria, plus roses from India, and later from Australia and New Zealand. Initially, Dubai will be promoted as a floral re-distribution centre but is expected to hold auctions and become a key player in the global flower trade.

The Dubai Floral Logistics Centre will be opened this year.

Destination & Leisure Management

There was a 17% increase in clients served with over 241,000 clients and a

The Destination & Leisure Management team.

Joint marketing campaigns with National Tourist offices helped to promote destinations in our source markets.

sustained growth, both in the outbound traffic (24%) and inbound business (14%).

Sales revenue again grew by 26% to US$ 160 million (Dhs 586 million) whilst at the same time, the department managed to achieve a 8% reduction in unit costs.

Mauritius has become the star of the Emirates Holidays' destinations, quickly establishing itself among the most-wanted holiday vacations.

Largest increase in business has been to:

1. Dubai	2. Malaysia
3. UK	4. Egypt
5. Thailand	6. Maldives
7. Mauritius	8. Lebanon
9. India	10. Turkey

The success of Emirates Holidays from a sales viewpoint was directly linked with the efforts to source fresh vacation opportunities, develop new regions and improve the web offers to provide faster access to pricing, product information and bookings. The department cut over to a new unique Leisure System, with an up-to-date technical platform and comprehensive database, enabling customers to book flights, hotels and tours within minutes of contacting Emirates Holidays.

Brochures were re-designed, based on factual information from on-the-spot representatives researching and evaluating the packages before offering them to our customers.

Based on key customer demand, Ski Holidays for the first time were included in the wider range of products – and proved an instant hit.

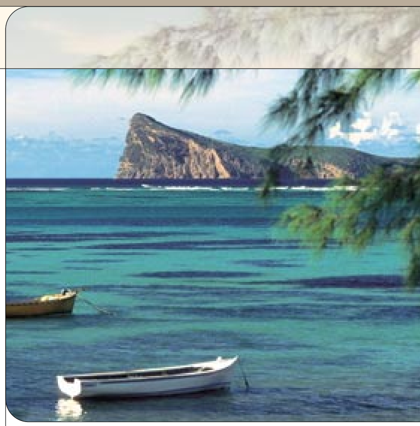
Joint marketing campaigns with National Tourist offices helped to promote destinations in our source markets.

Arabian Adventures

Arabian Adventures recorded another landmark in its history when as Official Ground Handler it organised the ground logistics for the 15,000 delegates to the Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group in September 2003. The 50 team leaders conducted 5,000 interviews to produce a pool of 1,800 temporary staff for the two-week event. These staff were responsible for meeting and assisting the delegates on arrival at the airport, manning 24-hour hospitality desks in 40 different hotels and acting as guides on board all the official coaches.

Arabian Adventures is now involved in management training for Dubai-based companies and published its first brochure to highlight its competencies in team building, ground logistics, spouse programmes and relaxing fun activities.

The Al Maha Desert Resort & Spa was expanded during the year to include a spa, gymnasium, conference centre, a new restaurant, as well as 10 additional suites with personal swimming pools.



Mauritius, Emirates Holidays' star destination.

The Projects Section continued its work with the Dubai Desert Conservation Reserve, a 225 sq km site making up 5% of the area of Dubai.

Sponsored by Emirates, the reserve's security and conservation measures were put in place and partnerships cemented with several Government departments providing infrastructure and service support.

The whole of this pristine desert region will soon enjoy the presence of the Al Maha herd of legendary Arabian Oryx now numbering 200, as well as other indigenous animal species.

A two-month study was also made of the Australian regional hospitality industry, which included the inspection of 39 sites suggested by the tourism organisations in New South Wales, Victoria, Queensland and Western Australia.

10 new suites were added to the Al Maha Desert Resort & Spa.

We are proud of the quality, skills and experience of our 5,000 cabin crew.

There was a 26% growth in tourism to Dubai with approximately six million hotel guests – and 130,000 tourists using Arabian Adventures' services.

Planning, International and Industry Affairs

A total of 15 aircraft were delivered with 10 entering into service in the financial year – four A330-200s, one B777-300, four A340-500s and six A340-300s. This resulted in a fleet of 61 passenger aircraft of which 56 were in service by March 31st. We also operated five leased B747 freighters.

In all areas of the world, Emirates increased frequency and capacity.

In Europe, a second daily service was introduced to Manchester, a third daily service to London Gatwick and the services to Munich were increased to 14 per week.

In West Asia and the Pacific Rim, flights to Sydney, Perth and Osaka became daily while triple daily flights were commenced to Auckland and to Karachi. The introduction of the A340-500 was heralded with the first non-stop service between Sydney and Dubai.

In the GCC and Yemen, a second daily flight to Muscat was introduced and the weekly flights to Sanaa went from three to five. New five times weekly services were started to Moscow.

In the Middle East and Africa, daily services were launched to Nairobi and Dar es Salaam, weekly services to Casablanca rose from three to five and new flights were launched to Lagos and Accra (four times per week).

International Affairs played an important role in improving traffic rights to Japan, Philippines, Australia, Tanzania, Nigeria, Malta, Iran and Qatar. New codeshare agreements were concluded with Royal Air Maroc and Continental Airlines.

To secure the benefits of participating in the IATA Settlement Systems, the department continues to represent the airline at the IATA Agency and Services Conference for Passenger and Cargo and the Global Advisory and Policy Groups for Billing and Settlement Plan and Cargo Accounts Settlement System.

From an IATA / ICAO perspective, Industry Affairs continued to monitor industry policy matters including advance passenger information; anti-dumping; aviation and the environment; aviation insurance; denied boarding compensation schemes; open skies and slot allocation.

To gauge whether the airline is meeting the personal requirements and wishes of our passengers, Market Research uses a variety of quantitative and qualitative surveys coordinating with

The Emirates Airport Services' management team at the Chaffeur-Drive lounge, Dubai.

A new market-leading Chauffeur-Drive lounge was opened in the Arrivals Terminal at Dubai International Airport.

partner agencies around the network.

To build on the web-based surveys introduced over the past few years, surveys through the Emirates in-flight entertainment system are now under review.

Service Delivery

We are proud of the quality, skills and experience of our 5,000 cabin crew – whether they are helping to deliver a baby boy as one of our aircraft landed in Colombo, helping to save a life by using the defibrillators which are available on all flights or operating the new tablet PCs, now being introduced for better customer relationship management.

As the airline has pushed on to greater glory, we have understood that we are only as good as the last flight of our passengers and the growth and development has been intrinsically linked with training and more training. In this connection, the introduction of e-learning is helping to reduce classroom time.

Our integrated Cabin Crew Performance Management System tracks crew from training through probation and via the various stages of promotion to enable us to monitor the development of each individual.

The various courses attended by our cabin crew included Leadership Development Training, as well as specialised A340-500 training featuring the product innovations in First Class where a dine-as-you-please concept was introduced for the first time. Some 1,000 crew have attended this programme.

We have also enlisted the help and support of the Fairmont Hotel in Dubai to help our on-board leaders focus on the principles of consistency and personal interaction on our flights.

Supporting the Emirates Flight Catering operations, our logistics team supplies 360 tonnes a month of equipment to the kitchen such as trays, napkins and children's meal boxes.

It was another good year for our Duty Free Sales unit with Emirates gaining the title of 'Overall Winner for the Best Duty-free Brochure' by The Airline Book. A new deal was concluded with Mont Blanc to have an assortment of exclusive products on board, not available anywhere else in the world. Sales for the year were up by 35% compared to the previous year.

Emirates Airport Services

It was a year of spectacular firsts for Airport Services which in two years has grown from zero to 600 staff at Dubai International Airport. A new market-leading Chauffeur-Drive lounge was opened in the Arrivals Terminal at Dubai International Airport, providing a convivial, cosy location for passengers to relax while their Emirates-supplied airport to home/hotel cars are driven to the nearby entrance.

Bringing the future to the present, we installed self-service check-in kiosks in First, Business and Economy Class areas at the airport to better serve our passengers and have installed bluetooth wireless capabilities in our First and Business Class lounges, allowing passengers access to the Internet from any seat in the house.

To match the Emirates' expansion we are currently opening exclusive Emirates lounges in Auckland, Brisbane, Melbourne, Sydney, London Gatwick and London Heathrow.

In Dubai, in close cooperation with Dubai Civil Aviation, Airport Services has enlarged the Business Class lounge and added more security positions and immigration e-Gate capability in our First and Business Class check-in areas.

Emirates Airport Services ended the year by being awarded the prestigious ISO 9001:2000 certification by the Bureau Veritas Quality International.

Dnata

Gary Chapman, President Dnata & Associated Companies

When you've been around as long as Dnata (45 years), it's important to continuously reinvent yourself while keeping the solid reputation which has been created over the years.

Dnata is in the middle of such reinvention as it constantly endeavours, at the airport and in the travel agency world, to meet the daily demands for reliability and high-standard service. It's a long way from the small room in Deira Square, distributing tickets to agents queuing on the stairway, to the rows of Dnata and GSA ticket desks in the swanky Dubai Airline Centre on the Dubai - Abu Dhabi road.

Dnata and Associated Companies are now looking beyond the borders of the UAE for further expansion, while Gerry's Dnata, our first such joint venture, celebrated its 10th anniversary this year. Dnata still stands for dependability and trustworthiness.

We are now incorporating the Emirates Group style into the management of our Associated Companies with the same tenacity and ambition which are our hallmarks.

In particular, MMI and Emirates Flight Catering had a good year but the best is yet to come. As MMI continues its regional expansion it will be widening its product range while growing the franchises it has attained. The growth of Emirates and other airlines at Dubai International Airport, means a new state-of-the-art, Flight Kitchen (indeed one of the biggest in the world) is necessary to keep the company at the forefront of aircraft catering in the Gulf.

Gary Chapman,
President Dnata & Associated Companies

Dnata Airport Operations

There have been two major challenges for Dnata Airport Operations during the year: an upsurge in traffic at the airport led by Emirates' relentless expansion; and the massive building operations of Terminal III.

With its around-the-clock commitment to punctuality and reliability for all airlines serving Dubai International Airport, Dnata Airport Services has responded by employing 1,200 extra staff and acquiring an additional 817 pieces of equipment. This 33% increase in ground equipment includes pushback tugs, towing tugs, main deck loaders, lower deck loaders, mobile conveyor belts, air-conditioning units and ground power units.

Dnata has also paid attention to its other airline customers by introducing common-use terminal equipment (Imuse from Airinc). This provides them with direct access into their Departure Control Systems, enabling still better service for their passengers at check-in.

In the departure lounge at Sheikh Rashid Terminal, Dnata is enlarging the Marhaba lounge to meet the increased demand, a popular facility with Marhaba service clients and the First and Business Class passengers of client airlines.

Behind the scenes a new Baggage Reconciliation System (ULTRA) has been introduced to further improve the secure handling of outbound and transfer baggage, plus the launch of a Baggage Control Centre to manage and monitor the process.

To cope efficiently with the aircraft that are parked away from the concourse

Dnata's new Express Mail Centre in Dubai.

Dnata Cargo handled 405,906 tonnes, which represented a healthy 16% growth over last year.

Dnata Airport Services have acquired 817 additional pieces of equipment.

during the construction phase of the new Terminal, a satellite Dispatch and Load Control office has been established.

In addition, an updated control and information system for Movement Control is helping to cope with the increasing volumes.

Yet another new award was the IATA Quality Certification AHM 804.

Dnata Cargo

Dnata Cargo continued to build on the impressive gains made in previous years; a total of 405,906 tonnes being handled which represented a healthy 16% growth.

One of the success stories of Dnata Cargo, is the Freezone Logistics Centre (FLC), based at the Dubai International Airport Free Zone, providing alternative cargo terminal facilities which, in less than four years, have attracted over 40 airlines, gaining 10 new customers in the past year alone. Its meteoric growth resulted in the FLC being responsible for 74,033 tonnes and 4,128 touchdowns which represents an awesome 80% increase in business.

The Freezone Air Cargo Terminal (FACT), in the Jebel Ali Free Zone, has also contributed handsomely by achieving a 38% growth. FACT offers Jebel Ali clients direct access to Dubai International Airport, being serviced by the Dnata Roadfeeder Services.

Another key factor contributing to the impressive figures was the opening in December of the Express Mail Centre, a new facility based in the Cargo Village, catering exclusively to Express Media products. With all space already taken up by courier companies, the Express Mail Centre offers operators top-of-the-range service, including inline scanning, weighing and reading of consignments.

CargoPartners, the cargo General Sales Agency arm of Dnata, now counts 31 airlines in its service portfolio and is maintaining a market share of 35% of the total export market covering Dubai and the Northern Emirates. There was a spectacular growth in revenue of 42% as a result of improving the yield.

The Customer Care Centre handled over 780,000 calls and is the one-stop shop for all customer enquiries. The highly successful bi-monthly 'Afternoon on Dnata' is organised by the Centre and has become one of the most sought-after functions on the cargo calendar.

Cargo Planning was responsible for progressing the department through the implementation of OHSAS 18001, which makes Dnata Cargo the only such unit in the Middle East to have obtained certification in all three standards: ISO 9001:2000, ISO 14001 - Environmental and OHSAS 18001 and one of only a select few in the world. Cargo Planning also worked on various upgrades for Dnata Cargo including document archiving, enhancing the main cargo terminal and FLC's capacity and flexibility to improve efficiency and introduce new simulation software to better understand peak-hour deployment of resources. This has helped to optimise equipment and manpower planning. The department has also introduced the multi-skilling concept using contracted staff. All of these initiatives have assisted Dnata Cargo to reduce costs, improve operational efficiency and, of course, increase the bottom line.

Dnata

Dnata Agencies' year on year revenue rose by 12%.

Dnata Agencies

Competition in the travel agency business remains fierce. The need to offer 'value-added' services is paramount. Dnata has responded well to the challenges with its strong focus on continuing improvement in customer service levels. Year on year revenue rose by 12% and tickets issued rose by over 12%, too.

Dnata has contributed significantly to the success of the 2003 Annual Meetings of the Boards of Governors of the International Monetary Fund (IMF) and the World Bank Group held in Dubai – one of the most prestigious international meetings for the UAE. In this connection World of Events also managed the inventory of 10,000 hotel rooms.

Trained, professional staff were seconded to the Dubai 2003 office in key areas such as accommodation and functions, social events, spouse activity programmes, and registration to effectively manage these areas.

The Accommodation and Events Bureau was entirely managed by Dnata and supported by our event management software, as was the International Transport Office. The 24-hour call centre was a Dnata initiative, much appreciated by the meeting organisers, which allowed the delegates to arrange their travel requirements in a seamless and professional manner.

Dnata was given the responsibility to independently manage the frontline hosts and hostesses. This involved the setting up of a complete unit to interview, recruit and train over 2,500 staff and monitor the final delivery while maintaining high service level standards.

Dnata World Travel has opened a new sales office at Wafi Mall and another at the Dubai International Convention Centre. Both outlets are at strategic locations and the only travel agency in their respective areas. Another outlet is planned for Sharjah Industrial area.

Dnata Agencies has launched a staff e-newsletter called 'In Focus' providing staff with information on airlines, hotels, special deals and includes self enhancement articles. This e-newsletter is part of Dnata's efforts to create effective internal communication among the staff.

Royal Jet, the Abu Dhabi-based air charter service, has appointed Dnata as its General Sales Agent for Dubai and the Northern Emirates. With Royal Jet's new 42-seat Boeing Business Jet, Dnata will

The 24-hour call centre at IMF Dubai 2003 was a Dnata initiative.

Gerry's Dnata celebrated its 10th anniversary.

Dnata Agencies embarked on a regional development plan and established Dnata in Kuwait as a part of its first new-market initiative.

offer luxury charter flight services to all its corporate clients. Dnata Agencies also signed a marketing management and representation joint-venture with Air Partners, a leading private jet charter company in the UK.

CompanionPoints recently incorporated air travel into its portfolio of participating partners by joining forces with Dnata. The partnership with Dnata has opened the doors to a world of high flying opportunities in air travel of the 100-plus carriers handled by Dnata.

In Government Travel Services, our partnership with Dubai Immigration was enhanced and 8,000 e-Gate cards were issued from the Dubai Airline Centre to frequent travellers and key corporate customers. With the addition of Hajj and Umrah specialists to the holidays' section, this year more seats were sold from this section during the holy month of Ramadan, for Hajj and Umrah. This initiative contributed to the increase in total sales during 2003/4 compared to the previous years.

Business Travel International has added three new implants at the offices of multinational companies such as Microsoft, Gulf Agency Company and Pepsi.

Dnata Agencies embarked on a regional development plan and established Dnata in Kuwait as a part of its first new-market initiative. An innovative business management and franchising model was developed and implemented by Dnata to franchise its brand and business in Kuwait. This provides Dnata with the opportunity to expand its revenue base as well as increase market penetration and awareness of the Dnata Travel Agency management brand in the GCC and the region.

Overseas

Meanwhile outside of the GCC, Safiran Dnata in its first year geared up to meet the expanding Emirates operation to Tehran.

Gerry's Dnata celebrating its 10th anniversary, signed up new airlines as its growth pattern is maintained. More ground support equipment was purchased to support this operation.

The management contract of Qatar Aviation Services in Doha was renewed for a further year.

Dnata Wings maintained a steady course in Manila with a number of opportunities being developed. A highlight was its selection to handle the Air Force on the Asian Presidents' visit to Manila.


Le Meridien Al Aqah Beach Resort, Fujairah.

Said Ismail Ali Albanna, Executive Vice President Dnata, "The ingenuity of my colleagues has to be seen to be believed as we keep the airport running 24 hours a day, while Dnata Agencies is continuing to serve the citizens of Dubai and the Northern Emirates with its usual zeal".

Corporate Development

After 20 months, Dnata's ground operations venture in Tehran is now planning to be expanded to the new Imam Khomeini International Airport. Other ground-handling opportunities are being seriously explored in the Middle East, North Africa and the Indian Subcontinent. The five-star Le Meridien Al Aqah Beach Resort was opened in Fujairah and has established itself as a landmark in the emirate.

Seasons, MMI's new restaurant-bistro concept.

Costa Coffee shops offer contemporary and efficient service.

Galileo Emirates

With changes taking place to the traditional Global Distribution System model, Galileo Emirates has sought new ways to retain existing customers and attract a new client base.

SafarEZ, the B2B2C, Internet Booking Engine and travel news gateway for the Middle East, provides travel agents with the flexibility of a global 24/7 travel service for their corporate and walk-in customers. This product is continuously enhanced and it will soon provide travel vendors with the added flexibility of being able to promote and manage travel services with full inventory control.

A new innovative venture is resEZ, a total airline solution for smallish and startup airlines who want a 360-degree view of their business at all times. Already keen interest has been shown by a number of carriers, especially regional airlines. User-friendly functions handle everything from schedule creation and update to inventory management and pricing, reservations, ticketing and check-in.

Galileo Emirates is upgrading its travel agency network to an Internet platform which will provide its customers with the latest Graphics User Interface products from Galileo International and create the basis for web-based customer care.

To enable Galileo Emirates customers to maintain a competitive edge, an exclusive database of Agency Private Fares has been deployed. This is another web-based product which enables users to load their private fare data and yet have the contracts available for automated distribution in the Galileo system.

MMI

An encouragingly positive year of achievements from MMI with close attention being given to the awareness of the brands and products in the marketplace.

During the year, the MMI third party logistics business was sold and MMI has subsequently negotiated a new logistics agreement to service its own activities. Such an arrangement is financially advantageous and reflects more accurately MMI's business needs.

The Beverage Division was further strengthened by additions to the on-trade sales force and the appointment of a Sales Manager for the diplomatic channel. These initiatives have been positively received by the trade with independent customer service audits reflecting a significant

Flight training simulator.

The MMI Consumer Division pioneered the new Market Execution Survey - an industry first.

improvement in performance. MMI is clearly the preferred supplier to the trade.

Revenues reached record levels with strong performances across all channels, particularly in the on-trade and diplomatic. On-trade sales grew by 16% with high market shares benefiting from the new hotel openings, while the diplomatic sales doubled with the new markets opened in Afghanistan, Bangladesh and Kenya.

Beverage Retail showed its first growth in five years with innovative promotions and the opening of a new and well-located store on Sheikh Zayed road, helping to boost market share.

The Dubai International Wine Fair, sponsored and organised by MMI, was a big success and is now an annual event.

The Consumer Division pioneered the new Market Execution Survey. This is an industry first, to accurately measure the width and depth of in-market execution of business priorities.

Innovative marketing techniques were introduced through the implementation of the 'Feet on the Street' campaign to heighten consumer and customer awareness. This was a one-day sales blitz targeting small, family-owned trading businesses.

The Travel Division grew corporate business travel in a year which saw the travel segment heavily affected by the Iraq war and the SARS crisis. This was helped by the strong new business with the addition of the accounts of DUGAS, Sharp ME, Abbott ME and the Dubai Executive Office.

The Retail Division opened three new branded 'Costa Coffee' stores in Dubai including two flagship outlets in the Sheikh Rashid Concourse of Dubai International Airport.

All the UAE outlets were rebranded in line with the new international Costa brand imagery, producing contemporary and efficient coffee shops in an increasingly competitive environment.

Our franchise agreement with Costa International remains secure with MMI establishing a Costa brand image, synonymous with both quality and an 'Italian coffee experience'.

The Leisure Retail Division introduced its own brand concept 'Seasons' which has opened at two locations in Dubai. This concept has been positioned as a restaurant/bistro, focusing on a light, healthy meal menu and value-for-money offerings.

In Oman, even with the difficult market conditions, Oman United Agencies has managed a credible 13% growth. During 2003, OUA expanded its sales and distribution business commencing operations in Salalah. OUA was voted '5th Best Place to Work in Oman' in 2003.

Emirates - CAE Flight Training

HH General Sheikh Mohammed bin Rashid Al-Maktoum, Crown Prince of Dubai and Minister of Defence of the UAE, together with Mr Derek Burney, the Chief Executive Officer of CAE, officially opened the new Emirates - CAE Flight Training facility in December.

Today six simulators are operating almost around-the-clock, contributing towards our aim of creating a centre of excellence in aviation training in Dubai. Since August 2002, both commercial and corporate jet operators have been using the A320 and B737 simulators based at the facility at Dubai International Airport Free Zone.

In the newly inaugurated building there are 14 simulator bays. Simulators for A330/340, Hawker 800, Gulfstream IV and Gulfstream V are already in place and operational. An additional B737 and Bell 412 simulator will be delivered in 2005.

Emirates - CAE Flight Training has

14 million meals were delivered by Emirates Flight Catering, to 95 airline customers.

Emirates Flight Catering kitchen.

already achieved FAR Part 142 accreditation from the FAA and is a JAA approved type rating Training Organisation.

Dubai has proved an attractive location for pilot training and these ultra-modern installations are expected to encourage more airlines and commercial operators both regionally and wider afar to use the facility.

The client list, now numbering some 50, includes Air Seychelles, Olympic Airways, Iran Air, Kuwait Airways, My Travel (Denmark), Tarom, Yemen Air, SriLankan, Jet Aviation (Switzerland), Royal Brunei and the Swedish Air Force.

Emirates Flight Catering

Another solid year of progress with more records achieved in revenue and meal production as a total of 14 million meals were delivered to 95 airline customers. Some 58,000 flights were catered during the year, averaging 160 flights per day with an average daily meal uplift of 37,000.

It is expected that during 2004 the average daily meal uplift will be 43,500.

But, despite the huge number of meals produced, a strong emphasis has been on the personal touch and compliance with the individual menu needs of our clients.

This has also meant 2,300 staff being given intensive training to maintain stringent standards, in particular in catering and hygiene. The Training Department conducted and organised 251 programmes of 46 different types in categories such as safety, first-aid, hygiene, quality, English language, fire-fighting, as well as management and supervisory courses.

To help cope with the rising number of flights, a multi-million dollar order was placed for 40 hi-loaders and these are now under delivery.

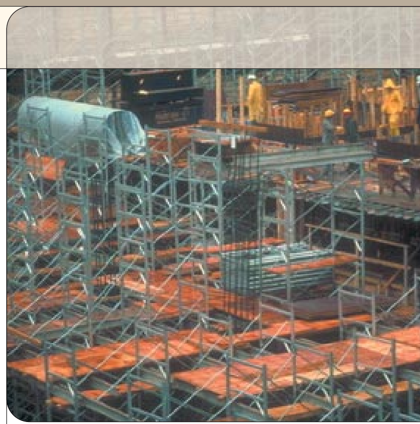
Emirates Flight Catering is committed to investing in the latest technology and is currently working with major business application developers to create new software which can be applied to the core business needs, as well as an ERP for the back office functions.

Looking to the future, the expansion of Dubai International Airport and the Emirates fleet requires Emirates Flight Catering to launch a major expansion and investment programme of US$ 112.5 million (Dhs 413 million).

There are three separate building projects under construction:

2,300 staff were given intensive training to maintain stringent standards in catering and hygiene.

Emirates Flight Catering will launch a major expansion programme of US$ 112.5 million (Dhs 413 million).



Three new facilities are planned for Emirates Flight Catering.

(1) A new flight catering facility dedicated to Emirates which will handle 90,000 meals per day and will be completed mid-2006. Costing US$ 90 million (Dhs 330 million), it will be the largest and most modern facility of its type in the world.

(2) An off-airport food production facility located in the Dubai Investment Park, capable of producing 20 million meals per year at a cost of US$ 16 million (Dhs 59 million).

(3) An off-airport laundry costing US$ 6.5 million (Dhs 24 million), also located in the Dubai Investment Park, featuring high-tech equipment in place of more conventional washing machines.

Jet Fuel Risk Management

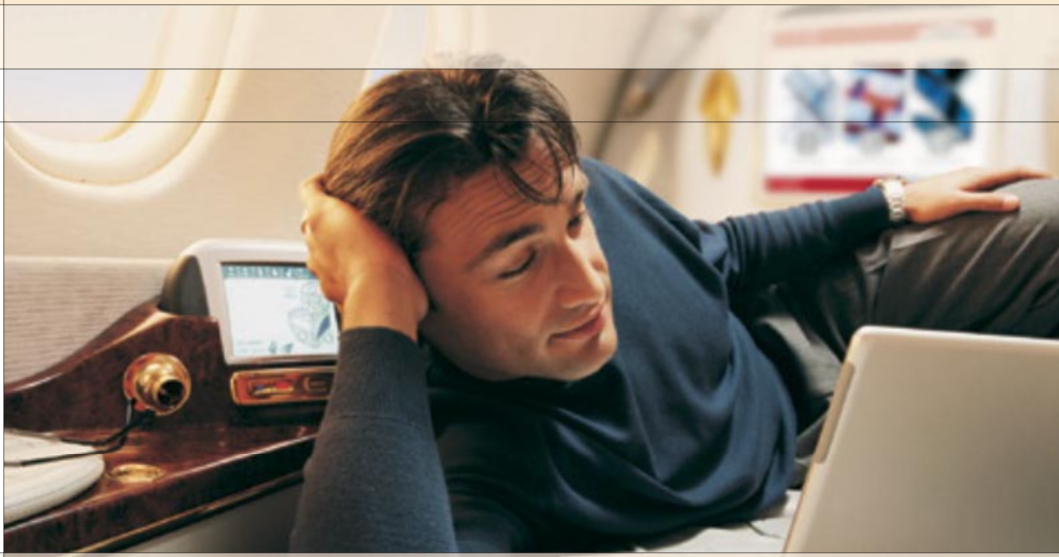
We continued to focus on achieving a comprehensive level of control over fuel prices during the year, but were faced by new challenges brought about by the war in Iraq, and the aftermath. This required that we adjust our approach.

The oil market was more volatile than ever, and what began as a period of low price expectations due to the perception in the market about supply and demand, developed into a year of rising prices due to much higher demand than expected and smart production management by OPEC.

We were able to reduce the cost of fuel in this environment by continuing to use a proactive approach to the market, and by using all the tools available. This was made possible by a continuous effort to effectively forecast the range of prices we expect to see in the market, considering the elements of supply, demand, and increasingly large positions held by speculators.

The combination of an effective plan, crisp execution of that plan, and the quality communication we maintain between the members of the Risk Management Committee, resulted in our successfully reducing the cost of fuel by US$ 84 million (Dhs 308 million).

Corporate Communications



The A340-500 flagship product was launched with an international media campaign.

For Emirates, Corporate Communications' main job is to provide information about our products to help develop the brand into one of the company's biggest assets. For Dnata, too, our task is to remind our loyal customers and introduce new ones to the 40-year plus reputation of this high quality organisation.

We do this by investing in innovative systems like our EmPower extranet and a 'cluster' system of advertising agencies, combined with fresh, out-of-the-box creative concepts...along the way winning a number of awards which could indicate that we are pressing the right buttons. On the Media Relations' front we have managed to ensure the world's media headlined our global news and published our other news stories regularly to such an extent that surveys show we dominated many markets.

At the same time we have promoted Dubai as a destination throughout the network bringing in no less than 400 journalists to experience its new lifestyle.

We pushed Emirates towards the ambition of being a global brand by also sponsoring major events such as the FIFA World Cup 2006, the International Cricket Council's elite panel of umpires, the Dubai World Cup horse race and many other prestigious sports' competitions.

Our In-flight Entertainment unit bested the world of aviation with its unique 500-channel ICE system (information, communications, entertainment) introduced on the Airbus A340-500.

Advertising

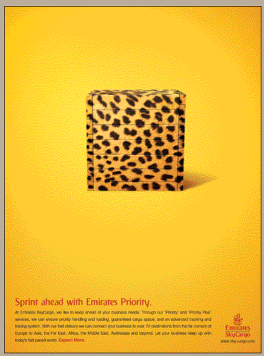
The Advertising team has been instrumental in packaging and communicating a fantastic array of leading edge products, new destinations and additional services this year.

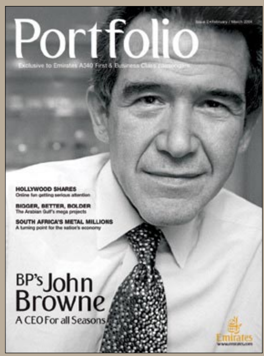
The A340-500 flagship product was launched via our biggest and most integrated multi-media international campaign ever. The new aircraft was brought to life via a range of stunning print ads, an engaging website, giveaways, direct mailing, trade support and radio advertising. The route network expansion was supported with aggressive launch campaigns to develop inbound traffic and to introduce the Emirates brand in Moscow, Auckland, Brisbane, Lagos and Accra. The 'Keep discovering' corporate brand platform was strengthened via internal media channels and new campaign segments were developed for key products and services. Advertising opportunities were exploited through our expanding sponsorship portfolio.

The expansion of the Emirates Holidays brand was complemented with ever-wider advertising and promotional campaigns, often in collaboration with the national tourist offices. The new Ski product was supported by highly creative, web-based advertising in the Middle East and a whole new range of sales collateral was introduced for Al Maha Desert Resort & Spa and Arabian Adventures. Emirates SkyCargo's box campaign continued to impact the cargo market strongly and the ever popular direct-mail pieces won distinction at the New York Festivals Awards.

The in-flight magazine was redesigned and renamed 'Open Skies' and an exclusive First and Business Class magazine, 'Portfolio', was launched. Skywards introduced a new look and feel, creating consistency across all communications and introduced a newsletter. New graphics at Dnata's striking Arabian Travel Market stand linked business strengths to qualities inspired from great explorers whilst Dnata Cargo's new advertising campaign used unconventional imagery to emphasise key product advantages.

The 'cluster' approach means that agencies are increasingly managing the Emirates brand regionally, helping us to better balance local and global messages,





absorb campaign administration and exploit media and creative synergies. The 'cluster' strategy was rolled out in mainland Europe, West Asia, North East Asia and Australasia. We held the first of a series of Regional Advertising Conferences, to complement the annual Global Advertising and PR Conference. The increased availability of advertising production services means we continue to outsource to best-placed agency partners, using low-cost regions to drive down the total cost of production.

EmPower, the global brand management tool and node for the virtual advertising agency concept has experienced a tripling of traffic in the last year. The site is now a critical business tool for Corporate Communications and our global agency network. The system is helping to absorb and simplify administration of campaigns, share knowledge and content more effectively and is increasingly resembling an online creative marketplace.

Through a global media partner and local planners we are gaining economies of scale from our expanding marketing communication reach. Through better media precision and a focus on 'Return On Investment', we are succeeding in outsmarting, if not outspending, our competitive set although much remains to be done. As our brand presence in key markets and in pan-national media matures, we are focusing heavily on channel efficiency, driving down cost per thousand, creative media buys and advertising effectiveness. We expanded the brand tracking research, which now encompasses the US, UK, Germany, UAE, India, Singapore, Hong Kong, Japan and Australia.

Internet

The Internet Communications unit has worked with our commercial teams to ensure record traffic to www.emirates.com, which now boasts over 20 local variants for our key territories and is being viewed by an average of 100,000 visitors per day. Sites now exist in English, French, Russian, German, Italian, Japanese and Chinese. Emirates SkyCargo's online presence continues to lead the industry with a 300% increase in site visits. The latest online advertising technologies are used for all route launch and tactical online campaigns including eye blasters, space banners, flash banners and targeted e-mail campaigns. The Group's recruitment site www.emiratesgroupcareers.com has been a continued success, ensuring the majority of applications are online and helping minimise cost per hire. The newly completed Emirates Aviation College now has a dedicated website www.emiratesaviationcollege.com promoting the range of courses and programmes available in Leadership Development, as well as Aerospace and Academic studies. The web is also increasingly being used as a timely tool for internal communications, boosting brand engagement in a cost-effective manner.

Promotions

Sponsorship and Promotions helped Emirates increase brand awareness through support of some of the world's leading events.

There is no greater example of Emirates investment in sport and the ongoing drive to develop into a global brand, than our commitment to be an Official Partner of the 2006 FIFA World Cup, Germany.

It adds to our growing football portfolio which also includes Chelsea F.C. in the English Premier League, the Asian Football Confederation and our most recent addition, the appointment of Franz Beckenbauer as Emirates' Global Ambassador for sport and social activities.

In terms of global brand awareness, the Dubai World Cup has become synonymous with the Emirates name. The airline's involvement in horse racing has extended far beyond Dubai through our sponsorship of races at the Melbourne Cup Carnival, the Australian Jockey Carnival in Sydney and the FEI European Endurance Championship.

In golf, Emirates secured maximum coverage at the PGA European Tour's Dubai Desert Classic which featured the world's leading golfers including Tiger Woods, Mark O'Meara and Ernie Els. This year Emirates' support of the sport has seen us extend our golf portfolio through sponsorship of the BMW International in Munich and the Holden Open in Auckland, New Zealand.

Emirates maximises its support of

Corporate Communications

Advertising opportunities were exploited through our expanding sponsorship portfolio.

The Emirates A340-500 website.

Thomas Bjorn is joined by Frankie Dettori and Franz Beckenbauer for Emirates' Pro-Am Desert Classic team.

international rugby by actively supporting Sevens tournaments in Dubai, South Africa, England and France in addition to shirt sponsorship of both the England and Samoan Sevens rugby teams.

On the performing arts front, Emirates continues to sponsor three Australian Symphony Orchestras, which organise various musical concerts in Melbourne, Sydney and Western Australia.

The launch of several new routes in the 2003/4 financial year was supported by various trade shows in key cities, promoting the Emirates product and helping to create awareness. Elaborate inaugural gala dinners also were held in cities such as Moscow, Auckland and Brisbane.

Media Relations

Media Relations targets both an external audience - the regional and global news media - and an internal one, the Group's own ranks.

Outwardly, the mission of Media Relations is to foster positive media coverage of the Group's activities and to promote recognition of Emirates as one of the world's leading airlines, by publicising the company's initiatives and corporate messages through its network of 30 Public Relations Agencies.

The Internal Awareness unit oversees the production of 15 publications for employees, ranging from the all-points monthly Safar to bi-monthlies such as Crew Chat, Spotlight and Commercial News, as well as quarterlies like Outer Marker and ad hoc publications like Commercial Brief and Emirates SkyCargo Bulletin.

Emirates' opening headline-grabbing salvo came early in the 2003/4 year when it rated front-row media treatment by disclosing a near doubling of net profits in the previous financial year.

Less than two months later, at the Paris Air Show, Emirates was limelight material again with the largest order ever in civil aviation. It has become part of Emirates lore.

During the second quarter of 2003, with editorial rooms swept by the Iraq war and the SARS epidemic, Media Relations was besieged by queries about the potential harmful impact of those developments on Emirates' bottom line.

The Group's disclosure of record half-year profits through the end of September - 51% higher than for the same period the year before - put an end to those questions.

It helped us to drive home once more to aviation and business writers the airline's sure-footed performance, its ability to overcome unfavourable developments and its steady delivery of solid results.

In early December, during the 8th International Aerospace Exhibition in Dubai, Emirates was back to re-asserting itself as one of today's biggest aviation newsmakers.

It stole the show by signing a US$ 1.5 billion (Dhs 5.5 billion) deal with GE-P&W

Engine Alliance for the purchase of 101 advanced jet engines to power its latest additional order of 23 Airbus A380s - another big story that rated top-gun coverage.

Media Relations has adopted a combination of methods to spread the word about Emirates' success.

It combed the Group's plans and activities for ideas that sourced a barrage of about 300 news releases during the year, for worldwide, regional or local distribution, from Dubai and its global network.

Emirates' news covered developments as diverse as the world premiere of the ultra-long haul Airbus A340-500, the launch of a US$ 500 million (Dhs 1.8 billion) Eurobond issue and the roll-out of a multinational recruiting campaign to expand cabin crew by the thousands.

Examples of other stories were the world's first on-board wireless e-mail system, the opening of Emirates SkyCargo services to New York and codeshare agreements with Continental and Royal Air Maroc.

The incessant news release activity has been interspersed with custom-tailored media programmes such as the hosting of numerous international editors in Dubai, who heard first-hand from senior management about Emirates' plans - some 400 journalists visited the UAE as Emirates' guests during the year.

Another key component of the communications plan has been the participation of Dubai-based journalists in the launch of new services to Auckland, Moscow, Brisbane, Lagos and Accra, to help achieve a sustained media buzz, about Emirates.

We distributed press releases highlighting Dnata Agencies' summer promotion with weekly stories building up to the draw and coverage for Dnata Cargo in local and overseas publications through interviews and media visits. We also highlighted the success of Dnata Cargo's Freezone Logistics Centre with coverage on the opening of the new extension.

Passenger Communications and Visual Services

Passenger Communications and Visual Services makes an important contribution to product development and presentation. The introduction of the A340-500 aircraft heralded the reveal of Emirates state-of-the-art new inflight passenger entertainment system. Named ICE, for Information, Communications, Entertainment, the system offers over 500 channels of entertainment ensuring there's something for everyone to enjoy. Passengers also have the ability to send and receive e-mails and sms messages direct from their seatback screen - a first for any commercial airline. Plans are now afoot to introduce a laptop e-mail service, allowing passengers to connect to their own e-mail accounts via wireless 802.11 - again a first for commercial aviation.

In December 2003, Emirates started satellite broadcasting the BBC World news, business and sport headlines to the fleet through a unique piece of software developed by The Emirates Group IT division, Mercator. Further enhancements to the existing in-flight product continue, and some of the 'older' aircraft are now due to be retrofitted with the new ICE system to enhance customer satisfaction. Emirates also manages SriLankan Airlines inflight entertainment and it was pleasing for SriLankan to win 'Best Overall Inflight Entertainment in the Small Airline Category' at the recent World Airline Entertainment Association Awards.

Visual Services produced a large number of media items throughout the year including Emirates World, a DVD that included interviews with Group management, thus helping communicate Group plans and vision to all staff. Further editions are planned. As the Group grows there is an increased demand for high quality visual media and the unit keeps fully abreast of all the latest tools and techniques.

Transguard expanded its fleet with 20 new armoured vehicles.

Facilities Management

As the company grows, the infrastructure to accommodate staff and equipment also grows. The Emirates Aviation College costing US$ 30 million (Dhs 110 million) was completed in July as well as the Emirates - CAE Training Centre with a capacity for 14 simulators.

The Al Maha Desert Resort & Spa's new expansion includes 10 guest units and one Emirates Suite but the major development was the construction of a state-of-the-art spa with gymnasium, sauna, steam room, swimming pool, jacuzzi and rasool treatments plus a conference centre accommodating 100.

On the northern side of the Dubai International Airport, construction has begun on the new Emirates Engineering Workshop which will include four buildings at a cost of US$ 353 million (Dhs 1.3 billion). There will be eight hangars with an area of 100,000 square metres, one of which will be built to accommodate the double-decker Airbus A380, an administration building covering 40,000 square metres and a car park for 2,200 cars. The first phase of the project is expected to be completed in June 2005.

Also added to the Engineering facilities will be the new Engine Test Cell at Dubai, which is being jointly developed by General Electric and Emirates. Other projects planned include the Group Security building on the airside of the airport covering 200,000 square metres, a warehouse for the Procurement department, and an extension to the original Training College Simulator unit which will now also house a new data centre, plus extension to the Emirates Holidays building on the Dubai-Abu Dhabi road. Next year will also see the start of construction of a multi-purpose tower of 36 floors located on the Sheikh Zayed road, Dubai, which will provide accommodation and office space for Emirates.

Work also started on the 100,000 square metres Operations Centre, located opposite to the existing Engineering Workshop, which will have 11 storeys and is expected to be completed by August 2005.

The new Abu Dhabi sales office was completed. This will be the model to be followed for the refurbishment of all sales offices throughout the network.

For the first time, Emirates will have an exclusive Emirates lounge outside Dubai at the Brisbane International Airport which will be completed shortly. Emirates lounges at other airports are also planned.

Emirates Engineering Workshop.

Group Safety

We were flattered to be highlighted in the IATA Safety Report published in 2003

Emirates' First Class Lounge at Dubai International Airport.

Being one step ahead is vital in the safety business and our Integrated Safety Management System contributes to letting us know where potential deficiencies may lie.

which stated "There is no better example of an airline safety management system than that prepared by Emirates".

Certainly, the Emirates Group has invested heavily in time and resources to improve its overall safety health and awareness, championing, for example, the following initiatives:

'Caring for Crew', a cabin crew workplace safety campaign; a number of Fire Safety and First Aid Awareness Days, held in conjunction with CIHTU and the production of a variety of educational videos supporting ramp safety, loading procedures, cabin crew tasks and passenger emergency briefings.

But investment in safety also helps to reduce the company's costs and several technical fire safety enhancements were introduced which yielded significant cost savings, as well as improving training capabilities, protection and life safety. Group Safety also developed a novel and thorough means of analysing ground damage incidents to aircraft to recognise the costs associated with such events.

Being one step ahead is vital in the safety business and our Integrated Safety Management System contributes to letting us know where potential deficiencies may lie. We enjoy a very healthy safety reporting culture which allows management and other staff members to rectify and continuously monitor the safety challenges of our airline operation.

We are developing cross-skilling opportunities to improve the overall safety awareness of the Group. This is achieved by seconding talented and highly motivated staff from other departments as part-time safety auditors and encouraging Safety department members to adopt a multi-disciplinary approach, to become experts outside their normal functional areas.

Group Security

The experience and skills of our vigilant Airport Unit resulted in over 4,600 improperly-documented passengers being prevented from boarding our flights, saving the company US$ 24 million (Dhs 87 million) worth of immigration fines.

The Aviation Security Training unit ran courses for air crew and ground personnel and started the third batch of the Group's staff in the accredited Diploma in Security Management course from the Edith Cowan University of Western Australia. This course has been extremely well-supported.

Transguard continued its profitable ways and made a useful contribution to the Group's revenue from its own activities in cash management, armoured security and the Transguard Patrol.

The unit generated a total revenue of US$ 11 million (Dhs 40 million), which was an 82% growth over the previous year.

Internal Audit

Internal Audit's presence on diverse major projects in IT and Finance in particular, has assisted the business in identifying risks and devising controls upfront.

An online reference point for audit reports has been created on the Group's intranet, backed by an interactive issue tracking mechanism. This has enabled an ongoing dialogue with business managers. An audit automation tool developed in-house enables speedier querying and extraction of data. Half the department's staff, are now certified advanced users of the state-of-the-art analysis software.

In association with SriLankan Airlines, Singapore Airlines and South African Airways, and drawing from the experiences of airlines worldwide, the Emirates Group Internal Audit developed an inventory of risks and controls for use by auditors and line management in managing exposures in customer loyalty programmes. The exercise was extended into a full-fledged audit programme which was adopted by the airline Internal Audit community.

In October 2003, Emirates hosted the annual conference of the International Association of Airline Internal Auditors, the first time this event was held in the Gulf and Middle East.

SriLankan continues to perform impressively.

SriLankan

SriLankan continues to perform impressively on all fronts.

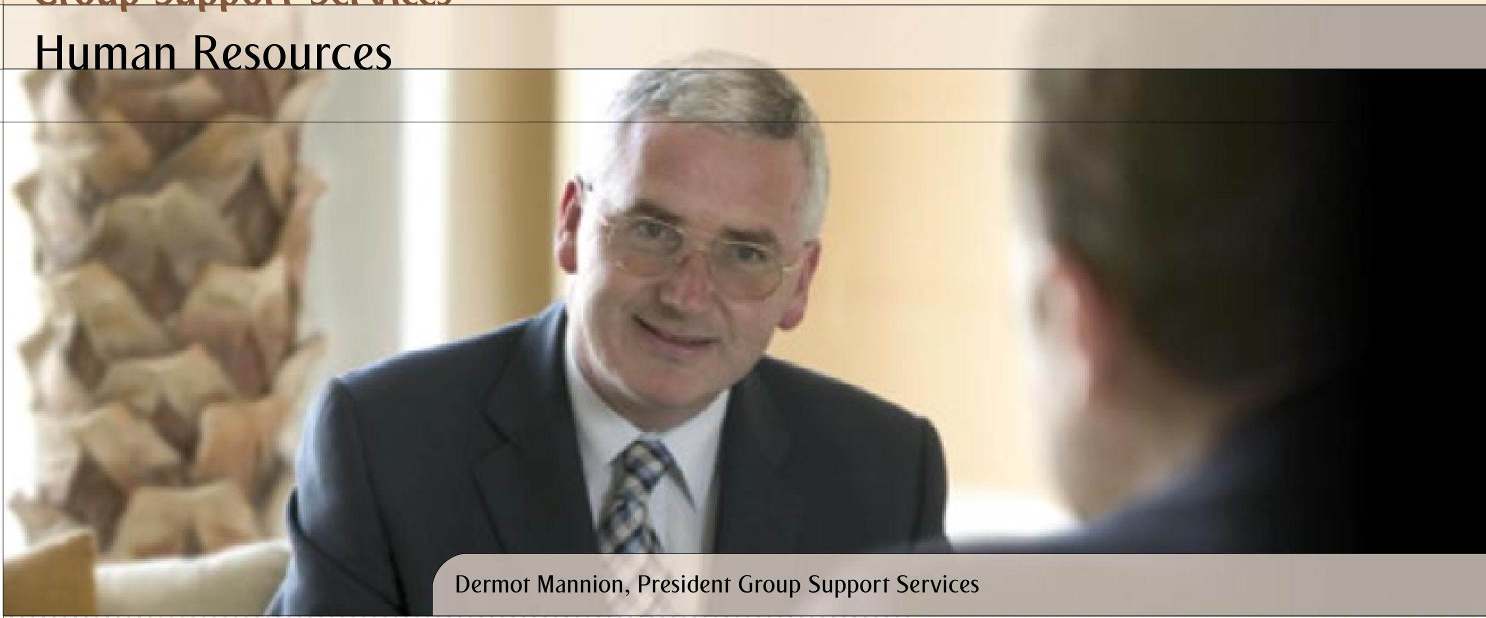
Further expansion of the mainline fleet, with the acquisition of two Airbus A340s and one A320 has enabled new destinations of Karachi, Kochi and Hyderabad to be added together with frequency increases to points in Europe and the Far East. A domestic Air Taxi service has been launched which is already proving popular with both leisure and business travelers seeking a time-saving solution to Sri Lanka's overcrowded highways.

Further international recognition has been achieved with the airline being voted 'Best Airline in Central Asia - Skytrax 2003', for the third consecutive year, 'Runner-Up for the Best Cabin Staff in the World - Skytrax 2003' and 'Best In-flight Entertainment (fleet size of 20 or less)- Avion 2003'.

With the recent liberalisation of the skies between India and Sri Lanka, together with the continuing peaceful situation in Sri Lanka, the future for the company looks very bright indeed.

Award-winning in-flight service.

Human Resources



Dermot Mannion, President Group Support Services

The orders for US$ 26 billion (Dhs 95.4 billion) worth of aircraft will keep our team of finance and legal experts busy for a number of years as they work on innovative schemes for these loans.

However, we are delighted that 38 of our new fleet additions already have committed financing from operating lessors. This is a major vote of confidence in Emirates at this early stage of our expansion programme.

Building up the fleet also puts pressure on our Human Resources Department and I have been impressed by the professional manner in which they have sought to find and employ the people to operate and service these additions to an already growing fleet.

Our Information Technology department (Mercator) too, has responded by managing to upgrade the group infrastructure and introducing a new generation of business systems. In addition, our Information Systems Protection Unit is extremely vigilant to protect our business systems from the constant worldwide threat of viruses.

The Emirates Group now employs over 22,500, the population of a medium-sized town in Europe. To service this community we have an Aviation Training College with no less than 375 instructors and teachers, our own medical clinic with doctors, dentists and nurses, our housing department providing accommodation for employees, a transportation department managing 422 vehicles and an internal post office.

Sometimes the staff providing essential support services can be forgotten as we admire the trophies which we are receiving, but they too play a very significant role in our success.

Dermot Mannion,
President Group Support Services

Human Resources

At the year end the Emirates Group had more than 90 different nationalities among its 22,500 employees, which represented an increase of 22% over the previous year as a result of 4,000 new joiners.

Dnata's staff now numbers 7,361 and Emirates 15,173. But it is tough joining the Group with a range of 47 tools now used for psychometric testing purposes before the candidates are shortlisted.

Commented Abdulaziz Al Ali, Executive Vice President, Human Resources, "We attract highly qualified people from all over the world – approximately 60% of them men and 40% women. Again this year the cost per hire has been significantly reduced".

Keeping pace with the growth of the Emirates Group has meant strengthening Human Resources e-Recruitment strategy and the www.emiratesgroupcareers.com website has played an important role with 138,000 online applications and 1.8 million visitors per year. In total we received 265,000 applications (a 29% increase). At the same time, the Group's print media recruitment advertising, was rebranded in a new and bold format to attract active and passive job seekers.

Thirty-six UAE national area managers, airport service managers and licensed engineers also took part in the first phase of the IATA Senior Diploma in Airline Management.

It was gratifying to see that 210 UAE nationals joined the group in various training schemes such as cadet pilot, graduate trainee and school leaver programmes. The engineering training programme, conducted in partnership with the Higher College of Technology, Dubai, attracted a high number of nationals.

This year, for the first time, the Group won the Dubai Human Development Award (Tourism).

We have more than 90 different nationalities among us.

The Emirates Group has over 22,500 employees, which represents an increase of 22% over the previous year.

Leadership development was carried out in cooperation with London Business School's Global Business Consortium, designed to fast-track senior managers with intensive training modules held in various locations around the world. In this connection, too, the Emirates Consortium MBA, in conjunction with the Bradford University School of Management, maintained its popularity amongst Group staff, and four other companies also joined the consortium.

We list below, the statistics which confirm the scope of the work carried out by the Human Resources Service Centre, but we never forget that each statistic is a person and has to be treated honestly, patiently and diligently.

- 265,000 job applications received
- 12,800 internal vacancy applications
- Over 25,000 interviews for new candidates
- 720,000 employee documents scanned and archived
- 36,000 visas processed
- 35,000 ID cards issued
- 34,000 medical tests and 14,500 health cards
- 7,200 employee status changes

Human Resource Business Support unit successfully supported the opening of new stations in Moscow, Auckland, Brisbane, Accra, Lagos and Shanghai...755 new staff members were carefully selected to ensure that they bring fresh ideas and enthusiasm, while helping to maintain the Emirates' spirit of passion and quality.

The new Emirates Aviation College building opened for business in July 2003 for all corporate training and development requirements and was officially opened in December by HH General Sheikh Mohammed bin Rashid Al-Maktoum, the Crown Prince of Dubai and Minister of Defence of the UAE.

Group Training was responsible for an incredible 4,407 courses delivered to 32,848 delegates - another milestone in the company's history.

An innovation this year is the move to more decentralisation with 130 training facilitators in place in Dubai and at outstations. They are supporting various functional teams to meet the demand in growth and business specialisation.

Accreditation was obtained from the City & Guilds for four programmes covering Reservations, Passenger Handling, Air Cargo and Ground Operations.

More than 500 external students graduated from evening school programmes, supplying potential manpower resources for the Emirates Group.

The Aerospace and Academic Studies department has expanded and now has 260 full-time students representing a 60% increase.

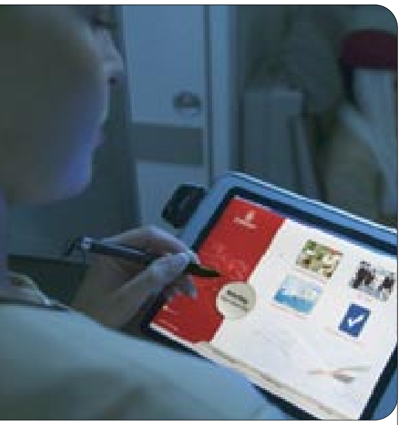
In June, the department entered an agreement with Jefferson Academy offering FAA approved courses that meet ICAO standards. It has also procured an Air Traffic Simulator which provides 3D Aerodrome simulation and radar training. To date 150 civil and military air traffic controllers have received training on this new equipment.

During the year, Human Resources extended its involvement with learning consortia – with London Business School (for the Global Business Consortium), the Ash Ridge Management College (for the Leadership Programme), Development Dimensions International (for Strategic Leadership Experience) and Kepner Tregoe (for the Problem Solving and Decision Making Programme). This consortium approach allows Emirates to participate in external leadership development activities, whilst sharing the cost with others and ensuring our staff learn from interaction with other leaders from companies with different experiences and business models.

In its first full year of operation, the e-learning unit produced a number of innovative and cost-effective learning solutions, resulting in over 4,000 staff across the network completing a range of online courses.

The My Learning Zone was accessed by 200,000 visitors – and new products which added to over 200 hours of e-learning material currently available, included online

The Emirates Group has its own top-notch medical clinic.



Tablet PC technology.

corporate inductions and Heartbeat, a series of modules for all staff required to be trained in the use of defibrillators.

In addition, we did not neglect face-to-face education and an agreement with the City University London saw 20 management staff and UAE national pilots attending a Masters in Air Transport Management programme. Cohort five of our MBA consortium commenced in September with 35 participants. This programme, run by Emirates and the Bradford University School of Management is now the largest of its kind in the Middle East.

Performance Development

Performance Development identifies and implements innovative process and organisational solutions.

The team has worked to provide more analytical power to the Group by introducing more advanced operations' research tools, such as computer simulation and process modelling.

The Productivity Services team developed the Group's first long-term manpower model which is being used to forecast employee numbers through to 2012.

It also invested in developing skills in Operations Research and techniques for passenger flows at check-in and transportation requirements on and off the airfield. Performance Development championed, with Finance, propagating the key performance indicator framework.

The Project Management unit also developed a web-based project management resource and designed a course using a real-life scenario to connect classroom learning to practical application in the Group.

The e-Ventures Group developed and incubated a number of projects including myTravelChannel.com, SafarEZ and its website, Super Agent and DAEX, the first destination-centric hotel exchange in Dubai.

Performance Development implemented ways of harnessing our employees' knowledge of, and passion for the business, the pilot project 'Successful Together' providing a novel way to look at employee motivation by addressing leadership, direction and delegation.

The staff suggestion scheme 'Bright Ideas' outperformed previous years and double the number of ideas were received, with a pronounced improvement in the value and quality.

The Customer Relationship Management team works with business units to ensure that the 'voice of the customer' is at the forefront of all our thinking in the redesign of customer facing processes, technology, data analysis, and training of our service delivery staff.

Central Services unit handles the receipt and despatch of 18,000 mail transactions per day.

Central Services manages and maintains 292 company cars, 117 commercial vehicles and 13 motorcycles.

Some notable achievements include:

The design and management of a customer recognition programme with the Service Delivery department. This successful pilot programme delivers a redesigned customer experience through tablet PC technology.

The team commissioned extensive qualitative and quantitative research to ensure that innovations are customer focused, and created a model to drive the analytic processes essential to better understand the behaviour of our passengers.

Medical Services

It was another busy year for Medical Services with the SARS situation necessitating the need to provide policies and guidelines for all departments and outstations.

The clinic now has on record, a patient base of 11,000 with nearly 6,000 being flight deck and cabin crew.

It is one of the few airline medical departments providing a Family Practice to the spouses and children of middle and senior management, including the flight crew families.

By the end of the year there was a complement of 12 doctors, six dentists and three dental hygienists.

Aviation medicine requirements have increased with the introduction of the Airbus A340-500, the ultra long-haul jetliner, with Emirates carrying out unique research into fatigue – and other aero-medical aspects associated with 14 to 18-hour flights.

The Emirates Medical Clinic continued to expand on the in-house services offered – routine haematology, biochemistry and microbiology tests provided with the same-day turnaround. Endocrinology / Serology services are being expanded as equipment and staff are made available. This has resulted in significant cost-savings as less investigations are referred out, though the external laboratory we use continues to provide an excellent service, with urgent requests met within 24 to 48 hours.

The Medical Service staff also includes the Employee Assistance Centre and paramedics working in Engineering at the airport.

The paramedics provide a 24-hour emergency service for Emirates and Dnata staff at the Dubai International Airport and Engineering staff on the ramp. The Employee Assistance Centre provides a welfare service, clinical psychology services and helps staff to live healthily and safely. When staff need help at any time we have someone there to help them.

The Medical Services continued its cooperation with Medlink, a Phoenix-based team of doctors who are on call, providing a global response.

Central Services

Central Services was responsible for transporting on time, up to 1,300 staff, plus 500 crew members everyday.

A dedicated team also manages outsourced transportation contracts with an average of 1,250 transfers handled per day through the Chauffeur-Drive service and for our own Emirates crew transportation requirements.

The unit manages and maintains a mix of company-owned and leased vehicles numbering 292 company cars, 117 commercial vehicles and 13 motorcycles.

EZ-Post, the on-line mail delivery tracking system, handles the receipt and despatch of 18,000 mail transactions per day, while the unit takes care of the process and despatch of 155,000 custom packs per month for Skywards.

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 majority of the Group's expenditure (excluding capital items) is spent with third party suppliers, the aggressive management of costs continues to play an important part in the company's drive for a healthy profit margin.

At the same time, we recognise that our business partners play a vital role in delivering our service performance standards to our passengers and cargo customers. Our supplier selection process ensures that we work with the highest


More than a third of the Emirates future fleet has already been financed.

quality business partners.

During the year, we have implemented innovative contract structures with key suppliers, which have resulted in financial benefits for the Group, as well as enhancing customer service.

We have completed the first stage of implementation of the Oracle Purchasing system and roll-out of Procurement to several major departments.

Finance

The highlight of the year was when Emirates was awarded the top finance award in aviation - 'Airline of the Year - 2003' - by the prestigious international magazine Airfinance Journal. This is the only airline award which recognises financial performance and management rather than passenger satisfaction or marketing. The award was given after Emirates completed yet another year of remarkable profitability and growth, in what has been one of the toughest years in global aviation history.

Another much appreciated award for the Finance Department was the ISO 9001:2000 certification from Bureau Veritas Quality International.

On the treasury side, Emirates completed a string of innovative and landmark financing deals including its debut Eurobond issue which proved to be a resounding success. Emirates' record order at the Paris Air Show in July 2003, helped restore confidence in aircraft manufacturing and its ability to tap various finance markets - particularly its leadership in Islamic finance - showing the confidence that lenders/investors have in its strategy and management team.

The prestigious Jane's Transport Finance magazine awarded Emirates with 'Aircraft Leasing Deal of the Year (Asia) for 2003' a major investment banking award, for the third year in succession. The award was given for one A330 financed for US$ 90 million (Dhs 330 million) on a 12-year Islamic operating lease arranged by HSBC and fully funded by one single Islamic institution, the Jeddah-based Islamic Development Bank. IDB is one of the few triple-A rated banks worldwide, and this financing is a considerable vote of confidence in Emirates.

Emirates recently closed its debut Eurobond issue for US$ 500 million (Dhs 1.8 billion) with a tenure of 7 years and a margin of 0.80% over six months USD Libor. The issue is listed on Luxembourg. The bond was originally targeted for US$ 400 million (Dhs 1.5 billion) but was increased to satisfy investor demand. This is the largest ever unrated Eurobond issue by an airline and also the largest ever unsecured issue by a corporation within the Gulf countries. Emirates has been able to achieve a wide geographical spread of


The Emirates A340-500.

Emirates was the first airline to take delivery and finance the new ultra long-range aircraft A340-500.

investors, with over a quarter from Europe/ Asia and over half from outside the United Arab Emirates. The bond achieved a new source of funding for Emirates with around two-thirds from new investors. The success of the bond underlines the confidence in Emirates' financial performance and it is evident that our consistent profitability and sound management are widely recognised. The bond was lead managed by HSBC, National Bank of Abu Dhabi, National Bank of Dubai and Emirates Bank International.

Another landmark during the year was the long-term operating lease commitments from two of the largest operating lessors i.e. International Lease Finance Corporation (ILFC) and General Electric Capital Aviation Services (GECAS) covering 30 of our future wide-body aircraft deliveries which start in 2005. As a result of this commitment more than a third of the Emirates future fleet has already been financed. This represents a huge vote of confidence in Emirates, especially coming from two major triple-A rated US-based corporations and includes leases for 26 B777-300ERs, two A340-600s and two A380-800s. Notably we are the first airline which has financed Airbus A380 using an operating lease, and reflects the confidence the operating lessors have in Emirates.

We continued to adopt a balanced portfolio approach to finance 15 passenger aircraft received during the year. We used operating leases to finance one B777-300 aircraft from International Lease Finance Corporation and six A340-300s from Boeing, both US-based corporations. In addition, we raised US$ 800 million (Dhs 2.9 billion), at an attractive all-in cost, to finance four A330-200 aircraft and four A340-500 aircraft delivered during the year. Funding came from well diversified sources with 13% from commercial funding, 22% from Islamic funding, 25% from Export Credit finance and 40% from operating lessors. Emirates continued to be a leader in sourcing Islamic funding and financed three aircraft during this financial year, including one of the new A340-500 aircraft type. So far, Emirates has financed seven wide-bodied aircraft using Islamic funding with over US$ 600 million (Dhs 2.2 billion) raised.

Emirates was the first airline to take delivery and finance the new ultra long-range aircraft A340-500. The financing of the four A340-500s signalled a clear vote of continued confidence from the international financing community and the export credit agencies in both the aircraft type, as well as Emirates. For the first time, the financing of two of our Airbus aircraft was arranged and structured completely by three UAE-based banks i.e. National Bank of Dubai, Emirates Bank International and Dubai Islamic Bank.

On the risk management front, for the first time one aircraft was funded entirely in Japanese Yen to take advantage of very low interest rates in Yen and created a natural hedge against our cash surplus from Japan. In addition, taking advantage of the weak dollar, two aircraft were financed in UK Sterling and three aircraft were financed in Euro to create a natural hedge against some of our Sterling and Euro inflows. On the interest rate side, out of the 15 aircraft financed this year, the leases on 14 aircraft were structured on fixed interest rates / rentals to take advantage of historically low interest rates and lock into attractive long-term fixed rates. Emirates will continue to follow a balanced portfolio approach towards managing its interest rate and currency risk by hedging around half of the exposures going forward by using a blend of natural hedge solutions and swaps.

Emirates cash balance as at March 31st, 2004 was robust at circa US$ 1.8 billion (Dhs 6.4 billion), representing substantially more than our internally laid benchmark of maintaining cash balances for at least six months' debt obligations and lease rentals. Keeping in line with our twin objectives of maintaining liquidity and very low credit risk, we improved the yield on our surplus funds by investing the cash surplus through a mix of bank deposits and well diversified triple-A rated liquidity funds.

The growing volumes in the Group's operations clearly pointed to the need for

Information Technology

The Mercator management team.

Mercator's unique software solution enables Emirates to broadcast BBC World news, business and sports headlines on board.

efficient automation of the Group's Treasury Operations Management. After considerable research, we have identified a system solution called Quantum Financials developed by SunGard Treasury Systems Inc based in the USA. The system which is used by leading airlines, financial institutions and Fortune 500 companies worldwide is in the process of being implemented and we expect to go live shortly. Once implemented the system will help us efficiently manage volume growth, liquidity and treasury risks, at the same time enhancing yields. The system allows online access to data from world financial markets to enable quick decision-making through comprehensive exposure and sensitivity analysis. The system will cover cash management and banking, aircraft financing, currency/interest rate risk management and cash flow forecasting.

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 in matters concerning Double Taxation Agreements (DTAs) and other bilateral agreements with respect to countries that we fly to, and manage its tax exposure. So far the UAE has concluded 38 DTAs and 11 reciprocal agreements which effectively exempts Emirates from corporate income tax in those countries. Further, we have obtained tax exemption in 10 countries including Gulf states (GCC) and Arab League countries due to the excellent mutual relationship between the respective Governments and the UAE.

Information Systems (IS)

Last year saw Information Systems develop and implement major systems across the Emirates and Dnata business units. A new Internet Booking Engine was implemented in 2003 replacing the Amadeus booking engine, and had an immediate positive impact with online bookings exceeding expected numbers.

Significant enhancements to Emirates' customer loyalty programme systems - CRIS and Skywards - have made the Emirates customer-facing systems amongst the best in the industry.

Origin and Destination (O&D) based revenue forecasting and optimisation will see significant improvements this year with the planned implementation of Emirates' PROS. A new revenue integrity tool, tightly integrated with the reservation system will also significantly increase the revenue protection capabilities of Yield Management.

Focused attention by the Commercial Operations department to its sales force automation has also generated a specification which will see a brand new deployment during the next financial year. On the Planning front, a new route

Mobile functions will be a key focus area with hand-held radios being increasingly used to support mobile check-in and baggage reconciliation.

planning and sector optimisation system will also be introduced.

Plans for the substantial expansion of its capacity and aircraft numbers resulted in new requirements from the Flight Operations department. Code-named Athena, a major new system for flight training information management is on the cards for the next year. Plans are afoot to implement totally re-engineered processes which will generate substantial productivity benefits to the Operations departments. Information Systems is working closely with the Operations departments to generate a high-quality specification. When translated into system requirements, this will position Emirates Operations departments as one of the most technology oriented, productive departments in the industry. The first step supporting these strategies is a new bidding system to support the crew roster which will be implemented in the next year. Other important initiatives planned include a web-briefer for manpower planning, total integration of the portfolio of applications used by Flight Operations, Engineering and Commercial Operations departments including document and digital assets management.

Emirates Airport Services saw the introduction of check-in kiosks during the year. For both Emirates and Dnata, 2004 will see the introduction of a new and improved baggage reconciliation system. Mobile functions will be a key focus area with hand-held radios being increasingly used to support mobile check-in and baggage reconciliation. Another new technology initiative is the potential usage of RFID (radio frequency identification) in the areas of baggage management – a pilot scheme will be carried out in 2004.

Cargo and Logistics are a very high IT investment area for the Group and the planned introduction of a new ground handling system for both Emirates and Dnata is slated for 2004. The system, code-named Chameleon, is a state-of-the-art new technology system and is expected to be the core operational system for both Emirates and Dnata over the next decade. However, the biggest initiative taken by Emirates SkyCargo and IT is the development of an integrated new generation cargo reservations, capacity management, and pricing and operations system. This system will replace the current legacy SITA system in use at Emirates and will be the first of its kind in the cargo industry. Emirates SkyCargo has teamed up with Mercator to create this unique system for the air cargo industry. The system will be developed in-house in Dubai and will be ready for deployment during the calendar year 2006.

In other areas, Emirates Holidays saw the introduction of a new operational system,

Remote access and hand-held radio.

Ocean, with full real-time integration with the reservation system.

Arabian Adventures is working closely with Mercator to introduce a new operational system as it experiences double-digit business growth. Finance, HR and Procurement will move to a new release of the Oracle e-business suite currently being implemented by IT. Emirates Revenue Accounts saw the introduction of an enhanced imaging solution and Dnata Agencies a new Front Office system that significantly improves productivity and provides enhanced decision support information to the travel shop desktop.

Within Mercator, the erstwhile business solutions and software services units were merged to create a dedicated Emirates group unit called Information Services (IS). A major re-organisation effort saw a realignment of business domain knowledge and IT skills to best serve the interests of Emirates Group business units. This year IS

Information Technology

New clients for Mercator Sales.

Kuwait Airways signs up for MARS and MACS.

will be concentrating on improving productivity, delivery speed to the business and upgrading technical skills. The future will also see major investments into new technology areas with Java and .NET being the two preferred development technologies.

Technology Services (TS)

Given the high speed response required by the Group's mission-critical systems, the global distribution, the reliability and availability required to ensure that the activities are fully supported by Technology Services, the department focused its attention on major infrastructure upgrades and strategic investments.

Some of the first steps from these initiatives resulted in a complete redesign of the desktop operating system, messaging software and the supporting back-end servers. Significant productivity benefits are already underway though the full scale of the implementation is planned for mid-2004.

Technology Services invested in the latest IBM z990 mainframe during the year. This upgrade with a capacity-on-demand option was the TS response to cater to peaks generated by the Emirates premium passenger and cargo product.

On the network front, long-term initiatives to optimise and balance work loads at the different corporate facilities within Dubai resulted in a necessity to proactively upgrade the network at these facilities. This investment is slated to repay huge benefits and support mission-critical systems for the next five to seven years.

During the year TS restructured itself into business focused units to generate long term bottom-line improvement. The TS restructuring was aligned to IT governance standards promulgated by CoBIT and ITIL standards. The new structure will introduce leading systems management technologies and work practices. The organisation is poised to adopt a more proactive approach in areas such as Capacity Planning, network-wide Performance Monitoring and planned Service Recovery strategies.

Recognising the increasing challenges of delivering superior customer service across a growing worldwide organisation TS plans to decentralise its International Support structure, placing key IT managers directly in the regions, and ensuring that optimal use is made of local suppliers and service organisations to quickly respond to IT needs overseas. Consistent service delivery will be underpinned by network-wide Service Level Agreements with our key suppliers.

A key challenge will be the implementation of integrated Enterprise Systems Management. This will underpin the new operating model for TS and will provide

Kenyan Airways signs up for RAPID.

Mercator continued to grow and enhance its position as the world's leading product and bureau service provider for revenue accounting.

visibility on performance levels and potential problems on every component within the IT infrastructure.

Mercator Sales

Mercator Sales now has a suite of products and services unparalleled by other IT service providers to the airline industry. This coupled with its large user base and a healthy looking order book translates into a potential for substantial growth in the coming years. At the core of Mercator Sales is the strategic vision to emerge as the leading product and service provider for the industry.

During the year Mercator won new contracts for large Oracle Financials implementations which could not be handled by others in the industry. Mercator's own industry-specific development, code-named Cemli, provides cross module and deep-drill down analysis for Finance users of Oracle Financials. Cemli made its debut in the market during the year with a degree of success not evidenced by other products of a similar nature.

A major success story for Mercator last year was the implementation of the Oracle e-business suite at Virgin Atlantic. The large implementation covering Finance, HR and Procurement was completed earlier than scheduled and helped Mercator bag another major customer in UK, namely bmi. Mercator's strength in implementing the Oracle e-business suite for airlines has been recognised by Oracle which counts Mercator as a major airline solutions partner.

Mercator continued to grow and enhance its position as the world's leading product and bureau service provider for revenue accounting. Mercator's own fully integrated end-to-end passenger and cargo revenue accounting systems – RAPID and FASTRAC made significant inroads into new market segments during the year. RAPID continues to generate substantial interest both for licenses as well as for bureau services. Avianca in South America, Jet Airways and Kenyan were added as customers to the growing RAPID family of customers making RAPID the best-selling revenue accounting product in the airline world. Air Niugini also signed up for FASTRAC a version of RAPID that is customised for small to medium-sized carriers. Yemenia, Mercator's first revenue accounting customer in this region went live with FASTRAC in February 2004. RAPID was significantly enhanced during the year and Qantas became the first RAPID customer to deploy the system over the web for its overseas operations. Singapore Airlines will also go live on the web version of RAPID in 2004. RAPID is now used by over 20 different airlines across the globe.

On the bureau front during the year the Emirates RAPID bureau service won the ISO 9001:2000 standard for its highly standardised and documented work practices.

Mercator also welcomed a new customer for its hosted reservation and departure control system, with Kuwait Airways signing up to migrate its existing reservation systems platform to MARS and MACS. Air Algerie contracted for the new Internet Booking Engine that is fully integrated with MARS. Mercator's customer loyalty system CRIS also saw new success with Jet Airways signing up to enjoy the benefits of this leading product.

On the cargo front, Mercator's Chameleon, the brand new Cargo Ground Handling and Freight Forwarding System generated substantial global interest. The system, which will go live for Dnata and Emirates early in the next financial year, is envisaged to be Mercator's flagship for cargo in the future. Next year Mercator will develop an end-to-end value chain-based cargo system which will include all of Chameleon within its functionality. These new cargo reservations, rates, capacity management and scheduling system will be deployed by Emirates SkyCargo across the globe in 2006.

Further expansion of services will follow this year with Business Process Outsourcing, expansion of bureau services and consulting.

Corporate Structure

Group	
Chairman	His Highness Sheikh Ahmed bin Saeed Al-Maktoum
Vice-Chairman and Group President	Maurice Flanagan
President Emirates Airline	Tim Clark
President Dnata and Associated Companies	Gary Chapman
President Group Support Services	Dermot Mannion
Senior Vice Presidents	
Chairman's Office & Facilities Management	Ali Mubarak Al Soori
Corporate Communications	Mike Simon
Safety and Standards	Mohammed A AlKhaja
Safety	Michael Quinn
Group Security	Abdulla Al Hashimi
Internal Audit	Neeraj Kumar
Emirates	
President	Tim Clark
Executive Vice President - Commercial Operations Worldwide	Ghaith Al Ghaith
Executive Vice President - Engineering and Operations	Adel Al Redha
Senior Vice Presidents	
SkyCargo	Ram Menen
Destination and Leisure Management	Hans Haensel
Special Projects	Don Foster
Emirates Airport Services	Dale Griffith
Emirates Airport Services – Dubai	Ahmed Khoory
Dubai Airport Development	Mohammed Mattar
Planning, International and Industry Affairs	Tony Tayeh
Service Delivery	Terence Daly
Commercial Operations - The Americas	Nigel Page
Commercial Operations - Europe	Keith Longstaff
Commercial Operations - East Asia and Australasia	Richard Vaughan
Customer Affairs and Service Audit	Richard Ng
Revenue Optimisation	Scott McMahen
Flight Operations	Chris Knowles
Dnata and Associated Companies	
President	Gary Chapman
Executive Vice President	Ismail Ali Albanna
Senior Vice Presidents	
Dnata Agencies	Rashid Al Noori
Dnata Airport Operations	Tom Lewis
Dnata Airport Projects	Derek Swan
Dnata Cargo	Jean Pierre De Pauw
Corporate Development	Khaled Al Kamda
Galileo Emirates	Naz Nizari
Group Support Services	
President	Dermot Mannion
Executive Vice President - Human Resources	Abdulaziz Al Ali
Senior Vice Presidents	
Medical Services	Cliff Webster
Performance Development	Martin Tomlinson
Corporate Treasury	Riyaz Peermohamed
Finance	Nigel Hopkins
Legal	Chris Walsh
Information Technology	Joshua Koshy
Procurement & Logistics (Non-Aircraft)	Shoaib Khoory
Senior Counsel	Alistair Dunn

Operating statistics

Emirates

	2003-04	2002-03	2001-02	2000-01	1999-00
Consolidated financial statements					
Total revenue (AED'000)	13,286,331	9,709,749	7,274,658	6,417,372	5,113,875
Total expenditure (AED'000)	11,602,094	8,749,606	6,783,795	5,970,725	4,812,975
Operating profit (AED'000)	1,748,756	1,000,511	625,794	665,653	513,316
Net profit (AED'000)	1,573,511	906,747	468,231	421,825	300,900
Airline operating statistics					
Performance indicators					
Yield (Fils per RTKM)	181	169	166	174	185
Unit cost (Fils per ATKM)	107	111	108	114	119
Breakeven load factor (%)	59.0	65.4	65.1	65.5	64.5
Fleet					
Number of aircraft	61	46	38	35	32
Average age (months)	46	36	37	36	48
Production					
Destination cities	73	64	57	55	50
Overall capacity (ATKM million)	10,207	7,350	5,718	4,761	3,824
Available seat kilometres (ASKM'000)	54,656,790	41,336,554	32,629,532	27,254,862	22,425,775
Aircraft departures (number)	58,763	45,452	38,914	35,310	32,482
Traffic					
Passengers carried (number)	10,441,345	8,502,894	6,765,113	5,718,818	4,775,478
Passenger seat kilometres (RPKM'000)	40,110,375	31,660,547	24,230,533	20,468,473	16,129,796
Average distance flown per pax (Kms)	3,841	3,724	3582	3,579	3,378
Passenger seat factor (%)	73.4	76.6	74.3	75.1	71.9
Cargo carried (Kg'000)	659,816	525,188	400,569	335,194	269,919
Overall load carried (RTKM million)	6,629	5,145	3,908	3,310	2,613
Overall load factor (%)	64.9	70.0	68.3	69.5	68.3
Employee					
Average employee strength (number)	12,804	10,507	8,697	7,571	6,524
Capacity per employee (ATKM)	797,156	699,487	657,513	628,850	586,100
Load carried per employee (RTKM)	517,727	489,627	449,331	437,148	400,485
Revenue per employee (AED)	993,171	883,632	793,642	808,469	783,856
Value added per employee (AED)	355,197	317,063	286,484	299,539	303,596

Previous year's figures have been reclassified to conform with the current year's presentation.

Operating statistics

Dnata

	2003-04	2002-03	2001-02	2000-01	1999-00
Consolidated financial statements					
Total revenue (AED'000)	1,093,948	959,965	820,131	740,988	673,390
Total expenditure (AED'000)	920,169	818,236	685,364	631,460	545,972
Operating profit (AED'000)	158,628	123,600	112,776	79,312	104,463
Net profit (AED'000)	173,779	141,729	134,767	109,528	127,418
Average employee strength (number)*	7,186	6,253	6,389	5,887	5,239
Revenue per employee (AED)*	150,495	150,956	125,290	124,431	127,421
Value added per employee (AED)*	116,071	112,787	98,133	96,068	99,659
Airport performance indicators					
Aircraft handled (number)	79,932	69,322	59,994	60,689	56,956
Passengers handled (number)	19,130,592	16,452,152	13,805,735	12,793,174	11,198,318
Cargo handled (Kg'000)	405,906	399,193	635,298	572,778	498,058
Employee					
Average employee strength (number)					
Airport operations	4,601	3,885	3,764	3,555	3,087
Cargo	849	811	1,161	1,027	940
Aircraft handled per employee (number)	17	18	16	17	18
Passengers handled per employee (number)	4,158	4,235	3,668	3,599	3,628
Cargo handled per employee (Kgs)	478,099	492,223	547,199	557,720	529,849

*These figures exclude subsidiaries.

Financial statistics

		2003-04	2002-03	% Change
Group				
Total revenue*	AED (million)	14,012.8	10,342.6	35.5
Total costs*	AED (million)	12,154.8	9,240.7	31.5
Operating profit	AED (million)	1,907.4	1,124.1	69.7
Net profit	AED (million)	1,747.3	1,048.5	66.7
Group liquid funds	AED (million)	7,277.6	4,780.9	52.2
Shareholders' funds	AED (million)	5,763.7	4,429.7	30.1
Return on shareholders' funds	%	34.3	26.3	8 pts
Value added	AED (million)	5,676.0	4,203.2	35.0
Emirates				
Total revenue	AED (million)	13,286.3	9,709.7	36.8
Total costs	AED (million)	11,602.1	8,749.6	32.6
Operating profit	AED (million)	1,748.8	1,000.5	74.8
Net profit	AED (million)	1,573.5	906.7	73.5
Value added	AED (million)	4,835.5	3,493.8	38.4
Dnata				
Total revenue	AED (million)	1,093.9	960.0	14.0
Total costs	AED (million)	920.2	818.2	12.5
Operating profit	AED (million)	158.6	123.6	28.3
Net profit	AED (million)	173.8	141.7	22.6
Value added	AED (million)	841.0	710.4	18.4

*After eliminating inter company transactions of AED 367.4 million in 2003-04 (2002-03: AED 327.1 million), comprising operating income / expense of AED 366.9 million (2002-03: AED 326.1 million) and interest income / expense of AED 0.5 million (2002-03: AED 1.0 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 net profit for 2003-04 was AED 1,747 million, recording an impressive 67% growth compared with the previous year (2002-03: 1,048 million).

Group operating profit, at AED 1,907 million, was AED 783 million better than last year. The operating margin of 13.8% was 2.7 points better than last year.

Return on shareholders' funds reflected a noteworthy increase to 34.3% as compared with 26.3% in 2002-03.

Emirates' cash profit from operations (or EBITDA) was up 58.7% to AED 2,339 million as compared with AED 1,474 million in 2002-03. Cash generated from operating activities increased substantially by AED 303 million and covered 55.9% (2002-03: 67.8%) of current liabilities.

Revenue

Total Group revenue in 2003-04 was AED 14,013 million, a considerable increase of AED 3,670 million (35.5%) over the previous year. Group revenue consisted of operating revenue of AED 13,542 million and other income of AED 471 million (2002-03: AED 9,941 million and AED 402 million).

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

Emirates operating revenue increased by AED 3,513 million (37.6%) to AED 12,855 million reflecting higher capacity and traffic, together with improved yields.

Passenger revenue at AED 9,462 million was 36.8% higher than last year, while cargo and related revenue grew by 41.6% to AED 2,417 million. Passenger and cargo revenue (including courier, mail and excess baggage) constituted 93.2% of Emirates' total operating revenue.

Dnata's operating revenue increased by 14.0% over last year to AED 1,055 million.

Expenditure

Group operating costs at AED 11,921 million were AED 2,915 million (32.4%) up over last year.

Total Group expenditure including financing costs and taxation was AED 12,154 million, a rise of AED 2,914 million (31.5%) over last year growing at a lower pace than the increase in total Group revenue.

The increase in Emirates' costs came mainly from higher fuel and oil (up AED 635 million or 63.6%), employee expenditure (up AED 505 million or 28.9%), aircraft operating lease costs (up AED 414 million or 44.2%) and sales and marketing costs (up AED 354 million or 31.9%).

Capital expenditure

Group capital expenditure for 2003-04 was AED 1,568 million, 5.7% lower than the previous year's level of AED 1,663 million. Aircraft, spares and spare engines comprised 59% of the total capital spend, included disbursements for aircraft deliveries during the year and progress payments for future deliveries.

Financial position

Group

At 31 March 2004, the Group's liquid funds improved by 52.2 % from AED 4,781 million (USD 1,303 million) at 31 March 2003 to AED 7,278 million (USD 1,983 million). The Group invested its surplus funds in a mix of short and medium term bank deposits and well diversified triple A rated liquidity funds. It also saw the continuing benefits of swaps carried out in previous years from floating interest income into fixed, to enhance the yield on the surplus funds. The overall interest income earned yielded an effective rate of 1.89% (2003: 2.56%), reflecting the fall in prevailing rates.

Group shareholder's funds at 31 March 2004 were AED 5,764 million (USD 1,570 million), up by 30.1% compared to AED 4,430 million (USD 1,207 million) at 31 March 2003.

Emirates

At 31 March 2004, Emirates liquidity position of AED 6,444 million (USD 1,756 million) improved by 57.9% compared to AED 4,082 million (USD 1,112 million) at 31 March 2003. The improvement in liquidity was recorded after funding capital outflows of over AED one billion comprising of pre-delivery payments, spare engines, rotables and other capital items and paying dividends of AED 300 million to the shareholder during the year. Emirates cash balance more than adequately covers its benchmark of maintaining cash balances for at least six months debt obligations and lease rentals. Its cash management policy ensures that it had sufficient liquidity to meet day-to-day needs and the long term capital investment programme.

Emirates successfully closed its debut Eurobond issue in March 2004 for USD 500 million, on an unsecured basis, with a tenure of seven years. The bond was attractively priced at 0.80% over six month USD Libor and achieved a new source of funding for Emirates with circa two-thirds from new investors. More than a

Financial position (continued)

quarter of the funds raised were from Europe /Asia and more than half from outside the United Arab Emirates, enabling Emirates to achieve a wide geographical spread of investors. In relation to the earlier bond issue of AED 1,500 million, the bondholders have chosen not to exercise the early redemption right in July 2004, so the bond will now run to its maturity in July 2006.

Emirates secured long term operating lease commitments during the year, from two of the largest operating lessors i.e. International Lease Finance Corporation (ILFC) and General Electric Capital Aviation Services (GECAS) covering thirty of its future wide-body aircraft requirements. The leases, with a tenure of between 12 and 15 years, start in 2005 and include leases for twenty six B777-300ERs, two A340-600s and two A380-800s. As a result of this commitment, more than a third of the Emirates future fleet has already been financed. Notably Emirates is the first airline so far to finance the new super jumbo from Airbus (A380), using an operating lease.

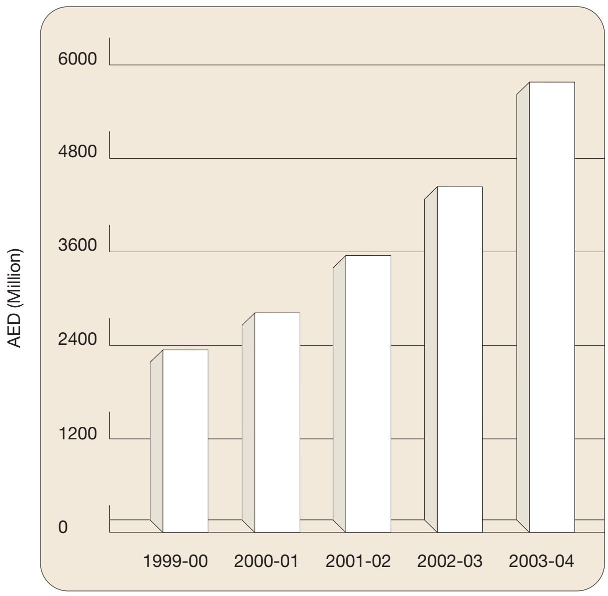
During the current financial year, circa USD 800 million (AED 2,938 million) of aircraft financing was raised at an attractive all-in cost to finance four A330-200 and four A340-500 aircraft. In addition, Emirates used operating leases to finance one B777-300 aircraft from ILFC and six A340-300 from Boeing. Emirates continued to adopt a balanced portfolio approach to finance its fleet requirements, including the use of operating leases. At 31 March 2004, Emirates fleet numbered 61 aircraft of which 43 aircraft were on operating leases.

Overall Emirates funding came from well diversified sources with 13% from commercial funding, 22% from Islamic funding, 25% from Export Credit finance and 40% from operating lessors. Emirates continues to be the world leader in using Islamic funding for aircraft.

Emirates cash profit from operations (or EBITDA) for the year ended 31 March 2004 was robust at AED 2,339 million, up by AED 865 million (58.7%) from year ended 31 March 2003. This cash flow covered nearly three times the annual amount of debt service (principal and interest payments on aircraft financing and bond issues) or covered net interest costs around eighteen times for the year ended 31 March 2004.

Emirates continued to follow a balanced portfolio approach by hedging around half of its interest rate and currency risk exposures going forward, using a blend of natural hedge solutions and swaps. Emirates swapped some of its floating interest rate exposure into attractive long term fixed interest rates to take advantage of historically low interest rates this year. Emirates long term debt, at 31 March 2004, comprised 56% on fixed interest rate basis with the balance 44% at floating interest rates. A one percentage point increase in interest rates would impact the interest charge (net of interest income) during the next financial year by AED 52 million (2003: AED 28 million). At 31 March 2004, Emirates long-term debt (including bonds) carried a weighted average interest rate of circa 3.65% (2003: 3.83%).

Shareholders' funds



On the currency front, taking advantage of the weak dollar, one aircraft was financed in Japanese Yen, two aircraft were financed in UK Sterling and three aircraft were financed in Euro to create a natural hedge against some of Emirates' Yen, Sterling and Euro inflows.

Emirates shareholder's funds at 31 March 2004 were AED 4,897 million (USD 1,334 million), up by 32.1% compared to AED 3,709 million (USD 1,011 million) at 31 March 2003. Emirates long term debt was AED 6,966 million (USD 1,898 million) at 31 March 2004, a net increase of AED 1,540 million (USD 420 million) over 31 March 2003. At 31 March 2004, Emirates long term debt (net of cash) / shareholders' funds ratio was 10.7% (2003: 36.2%).

Dnata

At 31 March 2004, Dnata liquidity position improved by 19.3% to AED 834 million (2003: AED 699 million).

The improvement in liquidity was recorded after funding capital outflows of AED 151 million and paying dividends to our shareholder of AED 40 million.

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.

	2003-04 AED'000	**2002-03** AED'000	**2001-02** AED'000	**2000-01** AED'000	**1999-00** AED'000
Group operating revenue	13,542,317	9,940,792	7,437,127	6,612,761	5,406,980
Less: Purchase of goods and services	8,336,822	6,139,412	4,568,328	3,970,290	3,078,810
	5,205,495	**3,801,381**	**2,868,799**	**2,642,471**	**2,328,170**
Add: Other operating income	285,959	188,835	220,458	224,019	123,075
Interest income	97,925	105,143	98,822	91,956	59,075
Share of profit / (loss) of associated companies	86,643	107,831	58,142	(7,325)	(8,159)
Total value added by the Group	**5,676,022**	**4,203,190**	**3,246,221**	**2,951,121**	**2,502,161**
Distribution of value added:					
To employees – salaries and other employee costs	2,831,320	2,251,121	1,724,489	1,537,339	1,305,537
To overseas governments – Corporation and other taxes	16,871	16,996	13,302	10,272	7,079
To suppliers of capital –					
Dividends	329,000	240,000	140,000	140,000	40,000
Interest	217,065	218,217	256,602	263,149	233,298
Minority interests	110,726	53,396	22,632	24,822	-
Retained for re-investment and future growth –					
Depreciation and amortisation	752,750	614,984	626,198	584,186	527,929
Retained profits	1,418,290	808,476	462,998	391,353	388,318
Total distribution of value added	**5,676,022**	**4,203,190**	**3,246,221**	**2,951,121**	**2,502,161**

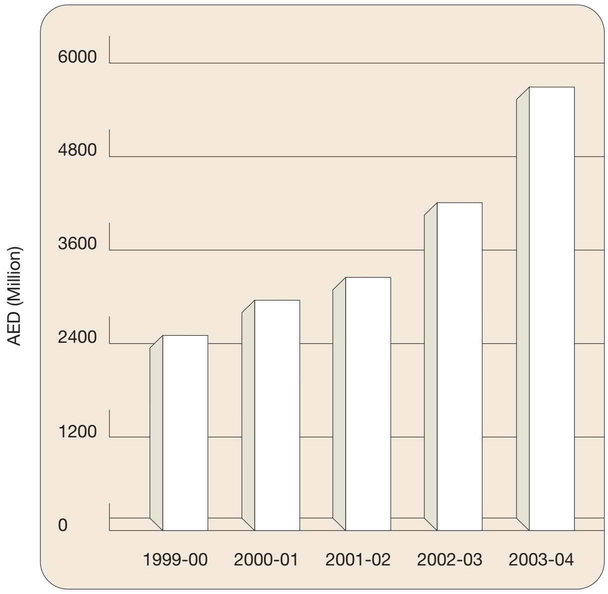
Value added (continued)

In 2003-04, the total 'value added' of the Group increased by AED 1,473 million (35.0%) to AED 5,676 million (2002-03: AED 4,203 million). The increase came mainly from increased operating revenue (AED 3,602 million) while the cost of purchases of goods and services increased by AED 2,197 million.

Employees received AED 2,831 million (49.9% 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 interests were AED 674 million (11.9%).

The amount retained in the business for future growth was AED 2,171 million (38.2%).

Value added

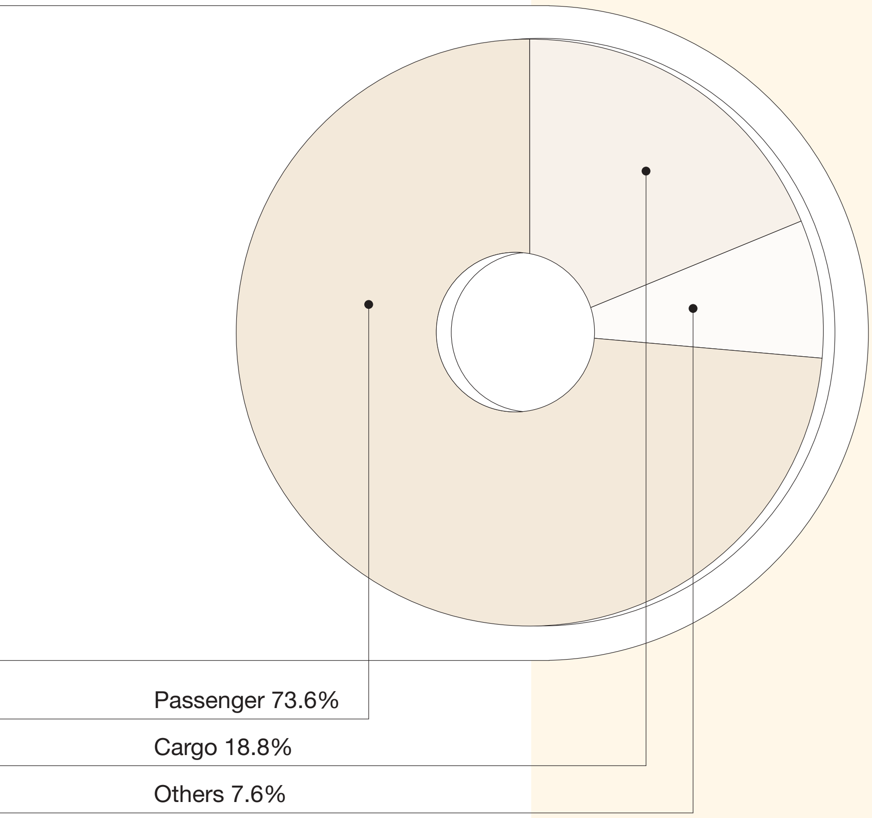


Revenue

	2003-04 AED million	%	2002-03 AED million	%
Passenger	9,462	73.6	6,915	74.0
Cargo	2,294	17.8	1,602	17.1
Excess baggage	107	0.8	84	0.9
Courier	91	0.7	78	0.8
Mail	33	0.3	28	0.3
Transport revenue	**11,987**	**93.2**	**8,707**	**93.1**
Sale of goods	698	5.4	508	5.4
Destination and leisure (see below)	86	0.7	73	0.8
Other	84	0.7	54	0.7
Total operating revenue	**12,855**	**100.0**	**9,342**	**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 2003-04 were AED 585.4 million up 26% on the previous year (2002-03: AED 464.5 million).

Revenue

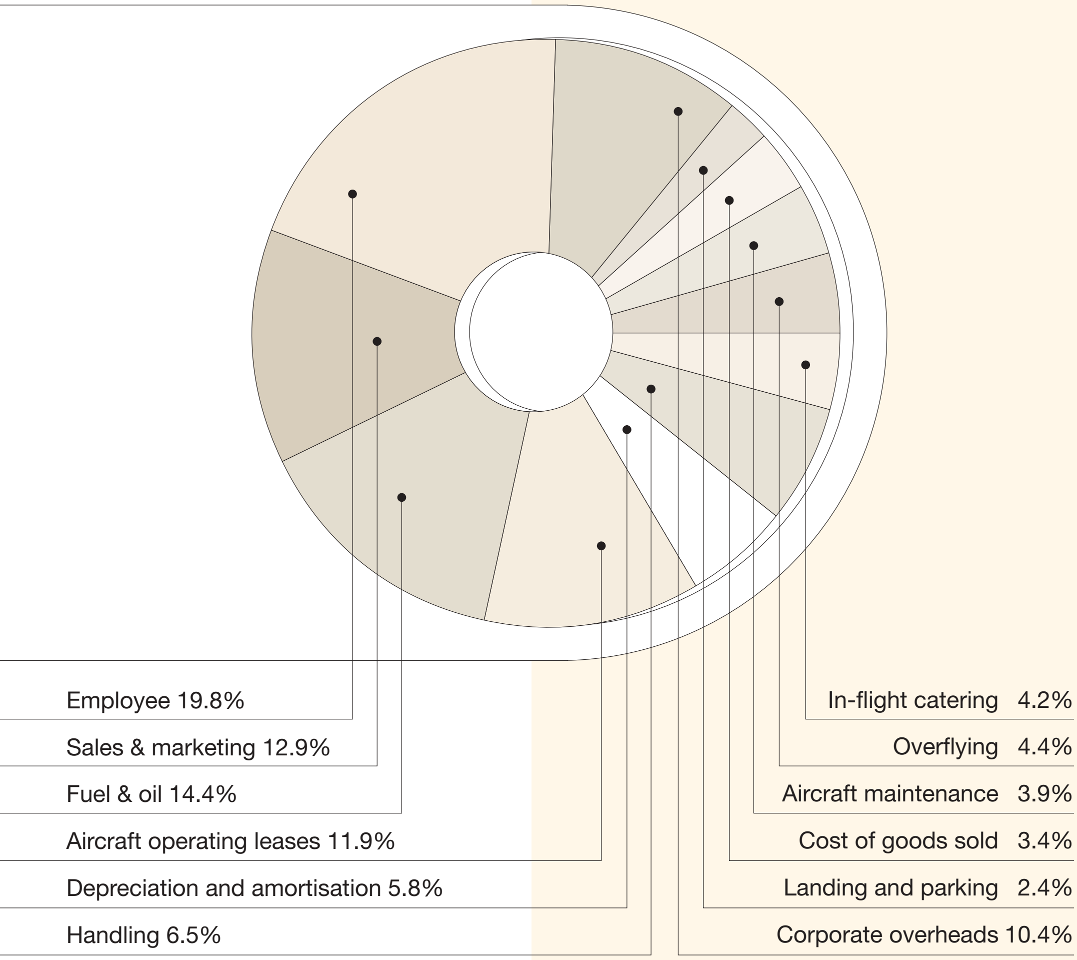


Expenditure

	2003-04 AED million	%	2002-03 AED million	%
Employee (see (a) below)	2,254	19.8	1,749	20.6
Fuel and oil	1,633	14.4	998	11.7
Sales and marketing	1,464	12.9	1,110	13.1
Aircraft operating leases	1,352	11.9	938	11.0
Handling	736	6.5	525	6.2
Depreciation and amortisation	663	5.8	548	6.4
Overflying	506	4.4	332	3.9
In-flight catering	480	4.2	429	5.0
Aircraft maintenance	449	3.9	325	3.8
Cost of goods sold	382	3.4	292	3.4
Landing and parking	270	2.4	199	2.3
Corporate overheads	1,179	10.4	1,068	12.6
Total operating costs (see (b) below)	**11,368**	**100.0**	**8,513**	**100.0**

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

Expenditure



Yield, unit cost and breakeven load factor

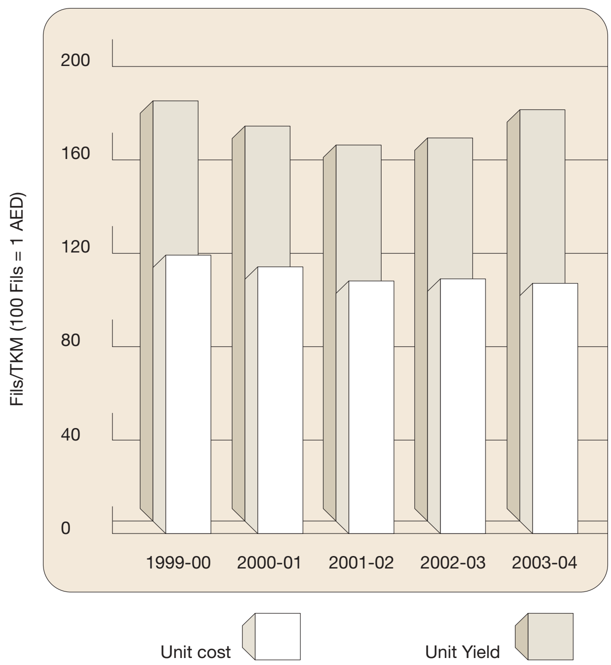
Overall yield increased by 6.8% to 181 fils per tonne-kilometre.

Passenger yield improved by 8% compared with last year reflecting stronger premium traffic and benefits from a weak dollar. Cargo yield also strengthened by 8% also benefiting from currency.

Unit cost reduced by 4 fils (3.6%) to 106.6 fils per capacity tonne-kilometre. The reductions are mainly in staff costs by 1.9 fils, corporate overheads by 3.1 fils and depreciation by 1.1 fils, partly offset by increase in fuel & oil by 2.4 fils.

The breakeven load factor has improved to 59% from 65.4% last year benefiting from the overall net yield increase.

Yield and unit cost



Capacity, traffic and load factor

Traffic increased by 28.8% to 6,629 million tonne-kilometres, and the capacity increased by 38.9% to 10,207 million tonne-kilometres. Aircraft departures increased by 29.3% to 58,763 while aircraft utilisation remained one of the highest in the industry at 13.3 hours per day.

The increase in traffic came principally from:

- introduction of new passenger services to Moscow, Auckland, Brisbane, Lagos and Accra

- increased frequencies to Pakistan, United Kingdom, Qatar, Oman, Uganda, Tanzania and Iran

- increased capacity to existing destinations with bigger aircraft, mainly Dhaka, Kuala Lumpur, London Heathrow, Rome, Nice and Paris.

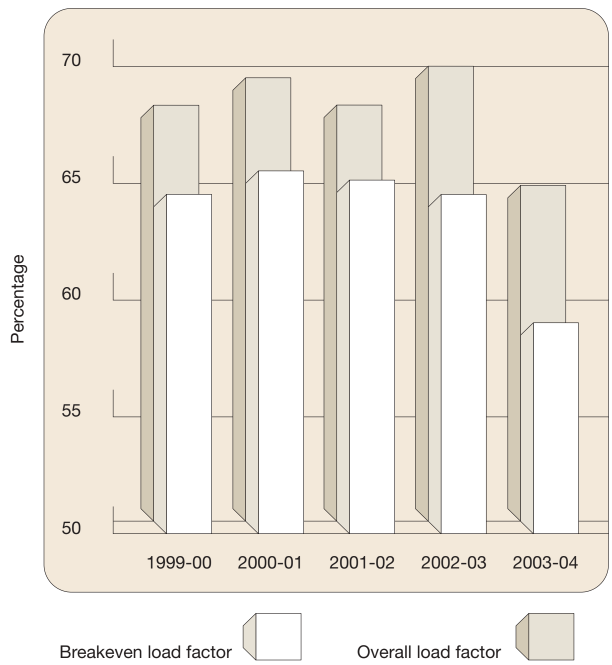
Increase in freighter operations (91% higher compared with the previous year) with the introduction of new cargo services to Bangalore, Taipei, Gothenburg, New York and Dalian and operation of charters to various destinations.

Passenger seat factor at 73.4% reduced by 3.2 percentage points over last year. Passengers carried reached 10.4 million in 2003-04, representing an increase of 22.8% over last year, despite passenger demand adversely impacted by SARS during the first quarter of the financial year.

Cargo carried in 2003-04 improved by 25.6% to 659,816 tonnes (2002-03: 525,188 tonnes), recording strong growth across the entire network.

Overall load factor reduced by 5.1 percentage points to 64.9%.

Overall and breakeven load factor



Employee strength and productivity

In the year under review, the average workforce rose by 2,666 (19.6%) to 16,280. The average number of employees in the airline grew by 2,297 (21.9%) to 12,804 as a result of the significant growth in capacity.

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

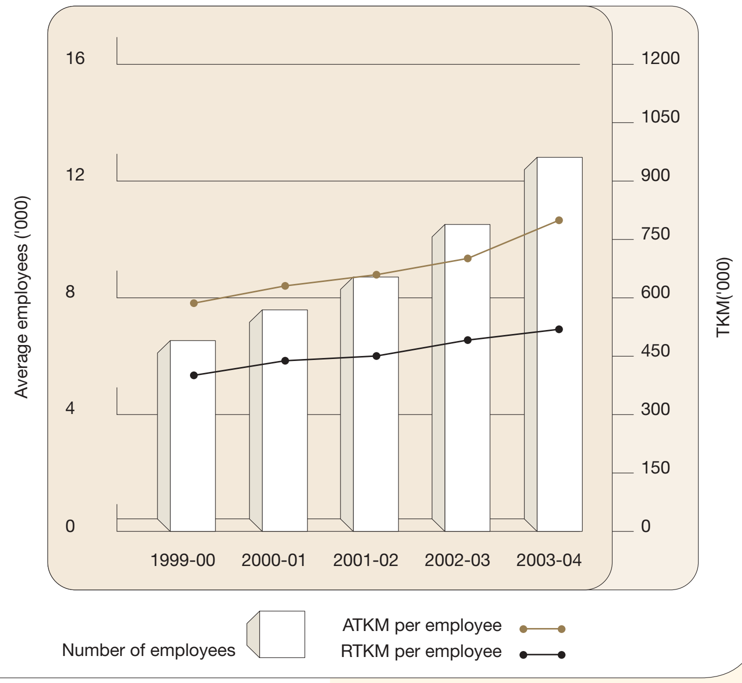
	2003-04	2002-03
UAE		
Cabin crew	4,340	3,355
Flight deck crew	862	672
Engineering	917	794
Other	4,359	3,712
	10,478	**8,533**
Overseas stations	2,326	1,974
Total Emirates	**12,804**	**10,507**
Subsidiary companies	**3,476**	**3,107**
Average employee strength	**16,280**	**13,614**

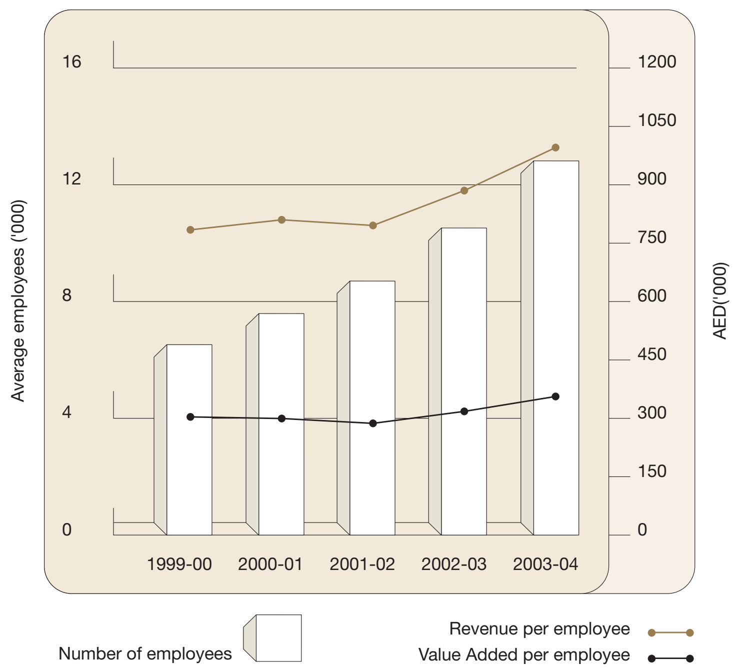
Employee productivity for the airline, measured in terms of revenue per employee was up by 12.4% at AED 993,171 compared with AED 883,632 in 2002-03.

Value added, which is a measure of wealth created by the airline was AED 4,548 million up 36.5% on last year (2002-03: AED 3,331 million). This is equivalent to AED 355,197 per employee, up 11.8% over the previous year (2002-03: AED 317,063).

Capacity per airline employee improved for the fourteenth year with a 14.0% increase in ATKM to 797,156 (2002-03: 699,487). In addition, load carried per airline employee increased 5.7% to RTKM 517,727 (2002-03: 489,627).

Employee strength and productivity (continued)





Fleet information

Aircraft	In operation	On firm order	On option
B777-200	9	-	-
B777-300	12	-	-
A310-300	1	-	-
A330-200	29	-	-
A340-300	6*	-	-
A340-500	4	6	-
A340-600	-	10	8
A380-800	-	43	-
Total	**61**	**59**	**8**

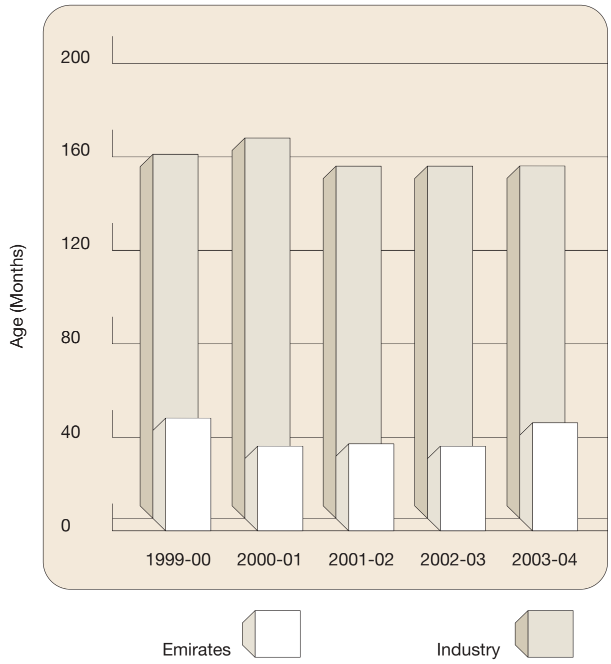
*At 31 March 2004, five of the six A340-300 were delivered but had not yet commenced service.

Emirates also had five B747 freighters on wet lease for its cargo operations at 31 March 2004.

In addition to the above, Emirates has contracted for two Airbus A340-300 aircraft for delivery in April and May 2004 from Boeing Aircraft Holding Company and twenty six Boeing 777-300ER aircraft for delivery between March 2005 and October 2007 from ILFC (12 units) and GECAS (14 units). Further contracts exist for two A380-800 aircraft for delivery in April and May 2007 and two A340-600 aircraft for delivery in April and May 2008 from ILFC.

Average fleet age: Emirates and industry

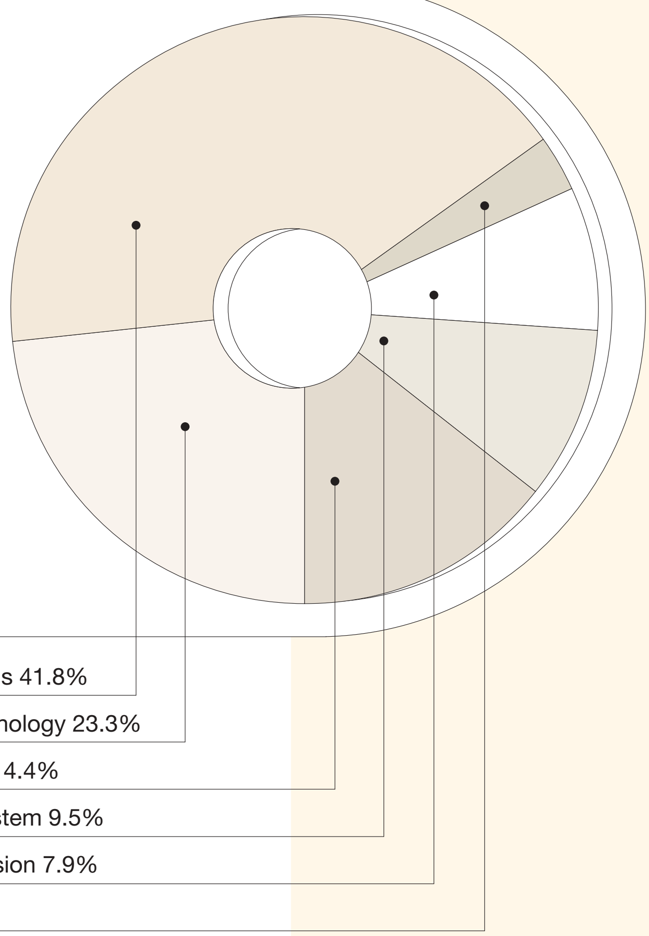
Emirates operates one of the youngest fleet in the industry with an average age of 46 months as compared with an industry average of 156 months.



Revenue

	2003-04 AED million	%	2002-03 AED million	%
Airport operations	441	41.8	374	40.5
Information technology	246	23.3	200	21.6
Cargo handling	152	14.4	126	13.6
Reservations system	101	9.5	95	10.2
Agency commission	83	7.9	74	8.1
Other	32	3.1	56	6.0
Total operating revenue	**1,055**	**100.0**	**925**	**100.0**

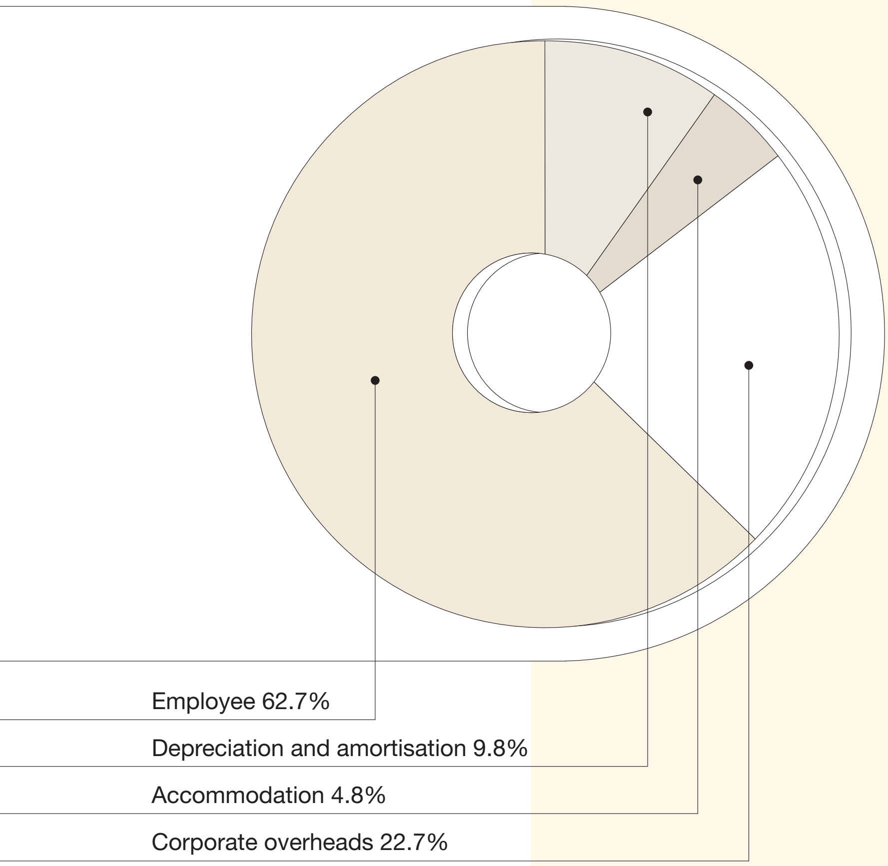
Revenue



Expenditure

	2003-04 AED million	%	2002-03 AED million	%
Employee	577	62.7	502	61.4
Depreciation and amortisation	90	9.8	67	8.1
Accommodation	44	4.8	39	4.8
Corporate overheads	209	22.7	210	25.7
Total operating costs	**920**	**100.0**	**818**	**100.0**

Expenditure



Aircraft, passengers and cargo handled

Dubai International Airport maintained its impressive growth on traffic volumes:

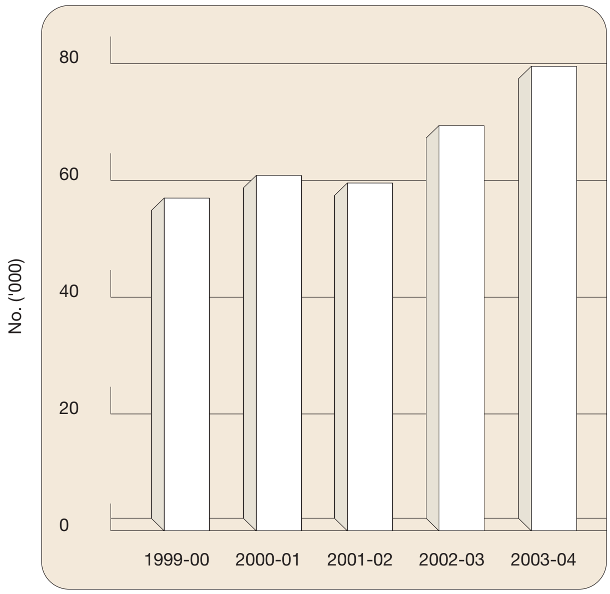
- the number of passengers handled were 19.1 million, an increase of 16.3% or 2.7 million over the previous year

- the volume of cargo handled was 405,906 tonnes. This shows only a marginal growth of 1.7% as compared with last year's volume of 399,193 tonnes. However, excluding the perishable goods handling of Emirates which was transferred to the dedicated cargo handling facility for Emirates Cargo, this represents a growth of 16.2% (2002-03: 349,193 tonnes)

- Dnata handled 110 (2002-03: 105) scheduled international airlines operating to Dubai International Airport

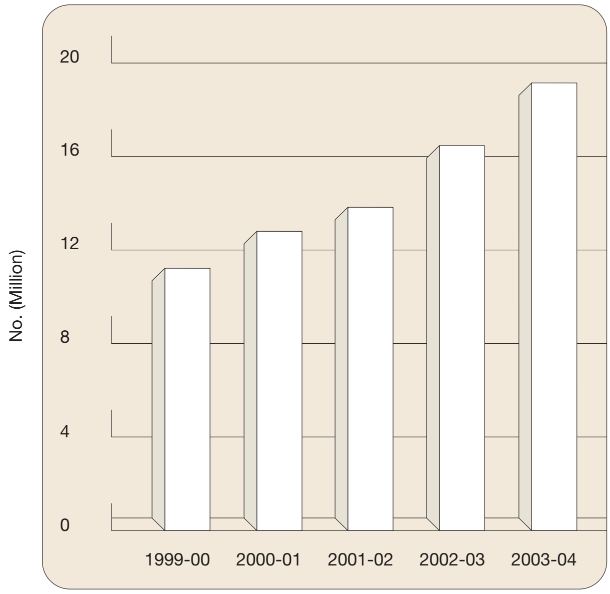
- the number of aircraft handled during the year increased by 15.3% to 79,932 as compared with 69,322 during 2002-03.

Aircraft handled

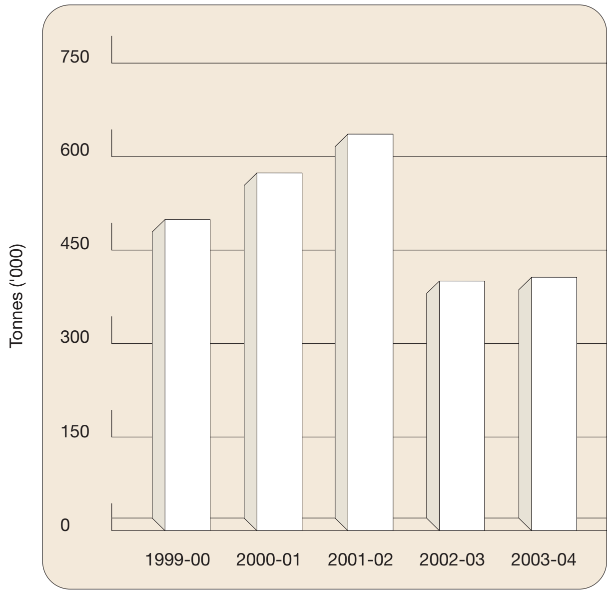


Aircraft, passengers and cargo handled (continued)

Passengers handled



Cargo handled



Employee strength and productivity

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

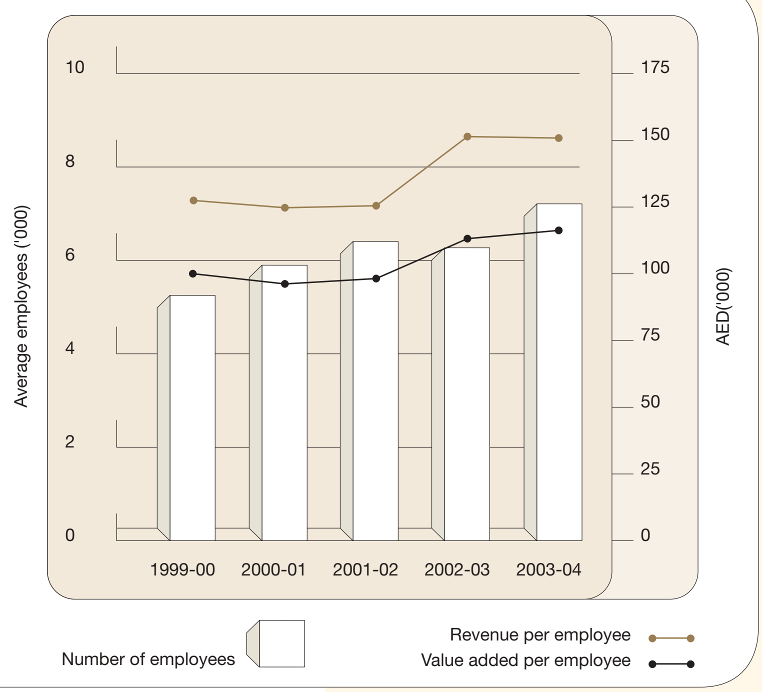
	2003-04	2002-03
Airport operations	4,601	3,885
Cargo handling	849	811
Dnata agencies	550	534
Other	1,186	1,023
Total Dnata	**7,186**	**6,253**
Subsidiary companies	**139**	**139**
Average employee strength	**7,325**	**6,392**

During the year under review, the average workforce increased by 933 (14.6%) to 7,325.

Revenue per employee for Dnata decreased by 0.3% to AED 150,495 from AED 150,956 in 2002-03 impacted by the build up of manpower at the airport to handle the operation during the development of the new terminals.

Value added which is a measure of wealth created by Dnata during the year, was up by 18.3% to AED 834 million (2002-03: AED 705 million). This is equivalent to AED 116,071 per employee an increase of 2.9% over the previous year (2002-03: AED 112,787).

Employee strength and productivity



Aircraft handled per airport employee was 17 (2002-03: 18) while passengers handled per airport employee decreased by 1.8% to 4,158 (2002-03: 4,235).

Cargo handled per cargo handling employee was 478,099 Kgs compared with 492,223 Kgs in 2002-03. However, after adjusting for the transfer of handling perishable goods to the dedicated Emirates Cargo facility, the increase in cargo handled per employee is 11% (2002-03: 430,571 Kgs).

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 2004 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 2004 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
17 April 2004

Consolidated income statement for the year ended 31 March 2004

	Notes	2004 AED'000	2003 AED'000
Operating revenue	2	12,854,515	9,341,589
Other operating income	3	261,918	172,259
Operating costs	4	(11,367,677)	(8,513,337)
Operating profit		**1,748,756**	**1,000,511**
Net financing costs	5	(127,878)	(124,150)
Associated companies - share of results	10	80,230	100,778
Profit before taxation		**1,701,108**	**977,139**
Taxation	6	(16,871)	(16,996)
Profit after taxation and before minority interest		**1,684,237**	**960,143**
Minority interest	7	(110,726)	(53,396)
Profit for the year		**1,573,511**	**906,747**

The accounting policies on pages 68 to 73 and the notes on pages 74 to 88 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2004

	Notes	2004 AED'000	2003 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	7,615,681	6,973,912
Intangible assets	9	327,054	283,350
Investments in associated companies	10	172,287	106,087
Available-for-sale investments	11	2,872	2,872
Held-to-maturity investments	11	36,730	36,730
Advance lease rentals	12	184,924	-
Derivative financial instruments	28	98,467	82,058
		8,438,015	**7,485,009**
Current assets			
Inventories	13	489,483	406,383
Trade and other receivables	14	2,524,020	1,772,926
Held-for-trading investments	11	112,975	11,102
Cash and cash equivalents	26	6,454,929	4,213,091
Derivative financial instruments	28	318,312	190,931
		9,899,719	**6,594,433**
Total assets		**18,337,734**	**14,079,442**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	15	772,214	732,214
Reserves		4,125,132	2,976,360
		4,897,346	**3,708,574**
Minority interest	7	**115,234**	**109,461**
Non-current liabilities			
Borrowings and lease liabilities	16	6,965,980	5,495,704
Provisions	20	238,719	214,024
Deferred credits	21	572,585	618,662
Derivative financial instruments	28	324,022	56,532
		8,101,306	**6,384,922**
Current liabilities			
Trade and other payables	22	4,557,096	3,310,580
Taxation		12,367	11,530
Borrowings and lease liabilities	23	653,866	554,375
Derivative financial instruments	28	519	-
		5,223,848	**3,876,485**
Total liabilities		**13,325,154**	**10,261,407**
Total equity and liabilities		**18,337,734**	**14,079,442**

The consolidated financial statements were approved on the 17th day of April 2004 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Vice Chairman and Group President

The accounting policies on pages 68 to 73 and the notes on pages 74 to 88 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2004

	Capital AED'000	Translation reserve AED'000	Fair value reserves AED'000	Retained earnings AED'000	Total AED'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)
1 April 2003	**732,214**	**(13,179)**	**261,272**	**2,728,267**	**3,708,574**
Additions during the year	40,000	173	-	-	40,173
Gains due to changes in fair value	-	-	182,508	-	182,508
Transferred to income statement	-	-	(307,420)	-	(307,420)
Profit for the year	-	-	-	1,573,511	1,573,511
Dividend	-	-	-	(300,000)	(300,000)
31 March 2004	**772,214**	**(13,006)**	**136,360**	**4,001,778**	**4,897,346**

The accounting policies on pages 68 to 73 and the notes on pages 74 to 88 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 March 2004

	2004 AED'000	2003 AED'000
Operating activities		
Profit for the year before taxation and after minority interest	1,590,382	923,743
Adjustments for:		
Depreciation (Note 4)	621,853	535,476
Amortisation (Note 4)	40,912	12,899
Net financing costs (Note 5)	127,878	124,150
Amortisation of bond issue costs	1,149	1,125
Recognition of proceeds from liquidation of derivative instruments	(23,298)	-
(Profit) / loss on sale of property, plant and equipment	(7,832)	58,865
Associated companies - share of results (Note 10)	(80,230)	(100,778)
Fair value (gain) / loss on held-for-trading investments	(1,354)	5,103
Provision for impairment of trade receivables	8,295	1,697
Provision for employee benefits	115,476	112,170
Deferred credits recognised (Note 21)	(72,555)	(75,206)
Operating cash flows before working capital changes	**2,320,676**	**1,599,244**
Employee benefit payments	(97,955)	(70,159)
Net advance lease rentals (Note 12)	(184,924)	-
Changes in working capital:		
Inventories	(83,100)	(28,973)
Trade and other receivables	(752,047)	(121,562)
Current liabilities and deferred accounts	1,368,195	882,259
Tax paid	(16,034)	(9,130)
Net cash provided from operating activities	**2,554,811**	**2,251,679**
Investing activities		
Proceeds from sale of property, plant and equipment	42,052	249,312
Additions to intangibles	(69,854)	-
Capital expenditure (Note 27)	(1,045,213)	(947,028)
Investments in associates (Note10)	-	(39,835)
Additional investment in subsidiary (Note 10)	(32,000)	-
Acquisitions (Note 29)	-	(12,477)
Held-to-maturity investments made during the year	-	(36,730)
(Purchase) / sale of held-for-trading investments	(100,000)	11,229
Proceeds from liquidation of derivative instruments	22,088	44,815
Interest income	82,328	97,879
Dividend received from associated companies (Note 10)	14,203	14,132
Net cash used in investing activities	**(1,086,396)**	**(618,703)**
Financing activities		
Net proceeds from issue of bonds (Note 16)	1,828,402	-
Net loan drawdown (Note 17)	2,495	61,671
Aircraft financing costs	(157,624)	(161,627)
Other finance charges	(34,631)	(43,483)
Net lease liabilities	(366,611)	(315,521)
Dnata account	(28,845)	(13,775)
Capital introduced	40,000	40,000
Dividend paid	(300,000)	-
Dividend paid to minority shareholders (Note 7)	(89,832)	(56,096)
Net cash provided from / (used in) financing activities	**893,354**	**(488,831)**
Net increase in cash and cash equivalents	**2,361,769**	**1,144,145**
Cash and cash equivalents at beginning of year	4,082,163	2,938,018
Cash and cash equivalents at end of year (Note 26)	**6,443,932**	**4,082,163**

The accounting policies on pages 68 to 73 and the notes on pages 74 to 88 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, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board. 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

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

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 and include goodwill (net of accumulated amortisation) on acquisition.

Joint ventures are contractual arrangements which establish joint control. As a jointly controlled operation, each venturer individually recognises the assets it controls, liabilities and expenses it incurs and its share of income from the services rendered.

All material unrealised surpluses and deficits arising on transactions between Emirates and its associates and joint ventures are 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 under current liabilities as passenger and cargo sales in advance.

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 of interest 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 those on qualifying cash flow hedges deferred in equity, are recognised in the income statement.

Share of results in associated companies are translated into UAE Dirhams at average exchange rates for the year. Translation differences relating to investments in associated companies and subsidiaries are classified as equity until the disposal of the investment when the translation 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 relevant authorities in 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 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

When 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 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 related 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.

Principal accounting policies (continued)

Capital projects

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

Finance and operating leases

Where property, plant and equipment have been financed by lease agreements under which substantially all of the risks and rewards of ownership are transferred to 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 is computed on a time proportion basis at rates specified in the lease agreement. Interest expense together with depreciation on the asset are charged to the income statement.

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental charges including advance rentals in respect of operating leases are charged to the income statement on a straight line basis over the period of the lease.

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.

Intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

Intangible assets are amortised on a straight line basis over their estimated useful lives which are:

Computer software	5 years
Service rights	15 years

Principal accounting policies (continued)

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. Such investments are initially recognised in the balance sheet on the trade date at cost including transaction costs.

Quoted investments are subsequently measured at their fair value based on quoted bid prices.

Unquoted investments in this category are stated at cost less impairment 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.

Held-to-maturity investments

Investments with fixed maturity that management has the intent and ability to hold to maturity are recognised in the balance sheet on the trade date as held-to-maturity investments. Such investments are stated at amortised cost using the effective interest method.

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.

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 on the trade date 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.

Principal accounting policies (continued)

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. Derivatives are designated either as a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction or of a firm commitment (cash flow hedge). 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; and
- 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 fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability.

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

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

Inventories

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

Principal accounting policies (continued)

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.

Employee benefits

UAE national employees participate in the UAE government's pension fund to which the employee and Emirates contribute a specified percentage of salary. Contributions to the pension fund, which are limited to a specified percentage of salary, are charged to the income statement in the period in which they fall due.

Senior employees who are based in the UAE 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.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and is based on periods of cumulative service and employees' current basic salary.

End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

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 provided for as programme members accrue miles.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise all cash and liquid funds with an original maturity of less than three months net of bank overdrafts.

Notes to the consolidated financial statements for the year ended 31 March 2004

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, UAE. 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 Emirates Flight Catering Company 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
- flight simulator training through its jointly controlled operation with CAE Inc..

2. Operating revenue

	2004 AED'000	**2003** AED'000
Services		
Passenger	9,461,782	6,915,048
Cargo	2,293,543	1,601,789
Excess baggage	106,586	83,782
Courier	91,016	78,119
Destination and leisure	86,221	72,690
Training	37,367	19,817
Mail	32,741	27,593
Hotel operations	31,076	20,291
Licensed engineering income	16,204	14,267
	12,156,536	**8,833,396**
Sale of goods	**697,979**	**508,193**
	12,854,515	**9,341,589**

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
2004						
Segment revenue	2,610,596	4,198,456	3,713,923	1,450,254	1,143,204	13,116,433
Segment results	1,274,687	1,340,518	1,005,711	532,075	321,174	4,474,165
Unallocated costs						(2,725,409)
Operating profit						**1,748,756**
Associated companies -share of results	80,230	-	-	-	-	80,230
Net financing costs	(127,878)	-	-	-	-	(127,878)
Taxation	(7,956)	-	(8,540)	-	(375)	(16,871)
Minority interest	(110,726)	-	-	-	-	(110,726)
Profit for the year						**1,573,511**
2003						
Segment revenue	2,017,464	3,062,178	2,489,076	1,210,698	734,432	9,513,848
Segment results	1,001,569	995,649	770,539	460,120	197,823	3,425,700
Unallocated costs						(2,425,189)
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**

Transport 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. The Middle East segment also includes other operating income and revenue streams since it is 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)

Segment information
Secondary reporting format - business segments

	Airline related AED'000	Consumer goods AED'000	Other AED'000	Total AED'000
2004				
Segment revenue	12,606,088	461,034	49,311	13,116,433
Total assets	17,823,159	286,788	227,787	18,337,734
Capital expenditure and intangible assets	1,393,478	3,367	27,726	1,424,571
2003				
Segment revenue	9,109,879	379,857	24,112	9,513,848
Total assets	13,635,350	237,881	206,211	14,079,442
Capital expenditure and intangible assets	1,562,067	2,594	83,883	1,648,544

3. Other operating income

Other operating income includes unrealised gain on held-for-trading investments amounting to AED 1.9 million (2003: AED 3.7 million) and net exchange gain of AED 73.4 million (2003: AED 78.2 million).

4. Operating costs

	2004 AED'000	2003 AED'000
Employee (see (a) below & (d) over)	2,254,113	1,749,017
Fuel and oil	1,632,574	997,822
Sales and marketing	1,464,404	1,110,585
Aircraft operating leases (see (b) over)	1,351,983	937,844
Handling (see (c) over)	735,483	525,442
Depreciation (Note 8)	621,853	535,476
Overflying (see (c) over)	505,733	331,729
In-flight catering	480,144	428,626
Aircraft maintenance	448,847	325,055
Cost of goods sold	382,391	292,554
Landing and parking (see (c) over)	269,967	198,645
Amortisation (Note 9)	40,912	12,899
Corporate overheads	1,179,273	1,067,643
	11,367,677	**8,513,337**

(a) Employee costs include AED 115.5 million (2003: AED 112.2 million) in respect of employee benefits and AED 177.7 million (2003: AED 115.1 million) in respect of the employee profit share scheme.

4. Operating costs (continued)

(b) Aircraft operating lease charges include AED 1,024.1 million (2003: AED 729.9 million) in respect of thirty eight aircraft (2003: twenty nine) and AED 327.9 million (2003: AED 207.9 million) in respect of the wet lease of freighter aircraft.

(c) A detailed review of direct operating cost accruals is performed each year. This review necessitated an adjustment to the accruals for landing, handling and overflying costs resulting in a release of excess accruals made in prior years amounting to AED 3.7 million (2003: AED 15.8 million).

(d) Average employee strength during the year was 16,280 (2003: 13,614).

5. Net financing costs

	2004 AED'000	2003 AED'000
Aircraft financing costs	(182,263)	(176,675)
Interest charges	(35,283)	(42,598)
Interest income	89,668	95,123
	(127,878)	**(124,150)**

Interest charges include interest on bonds (Note 16) of AED 31.7 million (2003: AED 40.4 million). The total interest income before impact of derivative financial instruments was AED 66.4 million (2003: AED 68.5 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

	2004 AED'000	2003 AED'000
Balance brought forward	**109,461**	**54,834**
Investment during the year	2,215	57,327
Acquired during the year (Note 10)	(17,336)	-
Share of results for the year	110,726	53,396
Dividends paid	(89,832)	(56,096)
Balance carried forward	**115,234**	**109,461**

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 2003	5,513,296	1,165,324	939,143	916,044	791,871	9,325,678
Additions	5,481	167,653	19,061	65,681	1,081,179	1,339,055
Transfers from capital projects	366,095	109,140	97,057	205,273	(777,565)	-
Net transfer to Dnata	-	-	(69,609)	(30,986)	-	(100,595)
Disposals	(4,581)	(7,483)	(59,584)	(35,138)	-	(106,786)
31 March 2004	**5,880,291**	**1,434,634**	**926,068**	**1,120,874**	**1,095,485**	**10,457,352**
Depreciation						
1 April 2003	1,218,985	330,451	321,199	481,131	-	2,351,766
Charge for the year	372,138	75,286	73,762	100,667	-	621,853
Net transfer to Dnata	-	-	(29,256)	(30,126)	-	(59,382)
Disposals	(790)	(3,814)	(38,679)	(29,283)	-	(72,566)
31 March 2004	**1,590,333**	**401,923**	**327,026**	**522,389**	**-**	**2,841,671**
Net book value						
31 March 2004	**4,289,958**	**1,032,711**	**599,042**	**598,485**	**1,095,485**	**7,615,681**
31 March 2003	4,294,311	834,873	617,944	434,913	791,871	6,973,912

The net book value of aircraft includes an amount of AED 4,195.7 million (2003: AED 4,183.4 million) in respect of assets held under finance leases (Note 18). The net book value of buildings and leasehold property includes an amount of AED 75.1 million (2003: AED 72.6 million) in respect of assets provided as security against a term loan.

Capital projects

Capital projects include pre-delivery payments of AED 779.1 million (2003: AED 504.2 million) in respect of aircraft (Note 24) due for delivery between 2004 and 2011.

9. Intangible assets

	Goodwill AED'000	Service rights AED'000	Computer software AED'000	Total AED'000
Cost				
1 April 2003	258,379	-	100,783	359,162
Additions during the year	15,662	47,680	22,174	85,516
Net transfer to Dnata	-	-	(36)	(36)
Disposals	(996)	-	-	(996)
31 March 2004	**273,045**	**47,680**	**122,921**	**443,646**
Amortisation				
1 April 2003	30,613	-	45,199	75,812
Amortisation for the year (Note 4)	27,687	-	13,225	40,912
Net transfer to Dnata	-	-	(35)	(35)
Disposals	(97)	-	-	(97)
31 March 2004	**58,203**	**-**	**58,389**	**116,592**
Net book value				
31 March 2004	**214,842**	**47,680**	**64,532**	**327,054**
31 March 2003	227,766	-	55,584	283,350

Computer software includes an amount of AED 23.6 million (2003: AED 15.6 million) in respect of projects under implementation.

10. Investments in subsidiaries, associated companies and joint ventures

Subsidiaries

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Maritime & Mercantile International L.L.C.	51.0	Wholesale and retail consumer goods	UAE
Emirates Hotel L.L.C.	100.0	Hotel	UAE
Emirates Flight Catering Company L.L.C.	54.7	Catering services to airlines	UAE

During the year, progressive investments were made in Emirates Hotel L.L.C. without a change in shareholding. Emirates Hotel L.L.C. became a wholly owned subsidiary following the acquisition of the balance shareholding of 50% at the year end.

During the year, Emirates sold its entire 49% holding in MMI Management (Fujairah) L.L.C. to Maritime & Mercantile International L.L.C..

There were no other changes in ownership during the year.

10. Investments in subsidiaries, associated companies and joint ventures (continued)

Associated companies

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
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

The 25.5% effective ownership in Oman United Agencies L.L.C. is derived from the 50% investment made by Maritime & Mercantile International L.L.C. in that company.

There were no changes in ownership during the year.

Joint venture

During the year, Emirates entered into a joint venture with CAE Inc. to establish a jointly controlled operation for flight simulator training in the UAE.

Movement of investments in associated companies

	2004 AED'000	2003 AED'000
Balance brought forward	**106,087**	**19,771**
Investments during the year	-	39,835
Share of results	80,230	100,778
Dividend received	(14,203)	(14,132)
Net assets on conversion to subsidiary (Note 29)	-	(40,096)
Translation difference	173	(69)
Balance carried forward	**172,287**	**106,087**

The share of results includes a goodwill amortisation charge of AED 1.8 million (2003: AED 2.0 million). At 31 March 2004, goodwill net of accumulated amortisation was AED 31.3 million (2003: AED 33.1 million) with an original cost of AED 35.1 million (2003: AED 35.1 million).

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 ("bps"). The investment matures in July 2007 and consequently has been disclosed as a non-current asset. The effective interest rate during the year was 1.53% (2003: 2%).

(c) Held-for-trading investments represent quoted equity shares and bonds that management intends to sell in the short term. The effective rate of interest on bonds during the year was 1.63% (2003: Nil).

12. Advance lease rentals

	2004 AED'000
Balance brought forward	-
Paid during the year	192,587
Charge for the year	(7,663)
Balance carried forward	**184,924**

13. Inventories

	2004 AED'000	2003 AED'000
Engineering	320,358	272,568
In-flight consumables	82,778	48,488
Consumer goods	56,429	60,120
Other	29,918	25,207
	489,483	**406,383**

14. Trade and other receivables

	2004 AED'000	2003 AED'000
Trade receivables		
Airlines	80,604	65,574
Agents	916,602	617,598
Retail and consumer goods customers	198,436	161,751
	1,195,642	**844,923**
Other receivables		
Prepayments and deposits	553,340	358,244
Operating lease deposits	614,567	402,223
Other	160,471	167,536
	1,328,378	**928,003**
	2,524,020	**1,772,926**

There is no significant concentration of credit risk.

15. Capital

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

16. Borrowings and lease liabilities-non-current

			2004 AED'000	2003 AED'000
Lease liabilities (Note 18)			3,529,572	3,821,763
Bonds (see (a) below)			3,325,864	1,496,313
Term loans (Note 17)			110,544	108,049
Dnata account (Note 19)			-	69,579
			6,965,980	**5,495,704**
(a) Bonds	**Interest rate**	**Maturity**	**2004** AED'000	**2003** AED'000
AED Floating rate notes	EBOR+70bps	July 2006	1,500,000	1,500,000
USD Floating rate notes	LIBOR+80bps	March 2011	1,836,500	-
			3,336,500	**1,500,000**
Less: Unamortised transactions costs			(10,636)	(3,687)
			3,325,864	**1,496,313**

EBOR is the UAE inter bank offered rate.

Contractual repricing dates are set for six months in January / July and March / September each year for bonds maturing in July 2006 and March 2011 respectively.

Bonds may be redeemed earlier at principal amounts plus accrued interest on the interest payment dates in July 2004 and March 2009 for bonds maturing in July 2006 and March 2011 respectively by Emirates or the holders of more than 50% of the bonds then outstanding.

17. Term loans

	2004 AED'000	2003 AED'000
Balance brought forward	**112,049**	**40,378**
Acquisitions (Note 29)	-	10,000
Net addition during the year	2,495	61,671
Balance carried forward	**114,544**	**112,049**
Loans are repayable as follows:		
Within one year (Note 23)	**4,000**	**4,000**
2-5 years	58,702	44,059
After 5 years	51,842	63,990
Total over one year (Note 16)	**110,544**	**108,049**

Term loan amounting to AED 110.5 million is secured on buildings in addition to a corporate guarantee of AED 50.0 million (2003: AED 50.0 million).

18. Lease liabilities

Finance leases

	2004 AED'000	2003 AED'000
Gross lease liabilities	5,518,745	5,685,999
Future interest	(1,034,534)	(1,144,713)
Term deposits	(315,770)	(300,076)
Net lease liabilities	**4,168,441**	**4,241,210**
Net lease liabilities are repayable as follows:		
Within one year (Note 23)	**638,869**	**419,447**
2-5 years	2,233,488	2,122,752
After 5 years	1,296,084	1,699,011
Total over one year (Note 16)	**3,529,572**	**3,821,763**

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 2004, the penalties would have been AED 236.4 million (2003: AED 196.3 million).

Operating leases

Future minimum lease payments are as follows:

	2004 AED'000	2003 AED'000
Less than 1 year	1,401,640	1,000,770
2-5 years	5,961,496	4,129,080
After 5 years	5,612,076	3,692,812
	12,975,212	**8,822,662**

In the event of these leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2004, the penalties would have been AED 392.6 million (2003: AED 378.4 million).

Emirates is entitled to extend the lease for a further period of one to two years at the end of the initial lease period. Further, Emirates is entitled to purchase twenty one of the forty three aircraft under these leases.

In addition, Emirates has thirty two Airbus / Boeing aircraft contracted on operating lease for delivery between April 2004 and May 2008.

19. Dnata account

Emirates and Dnata share senior management and central corporate functions. The amount payable to Dnata shown in Note 16 represents 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 settled during the current financial year.

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.

20. Provisions

	End of service benefit AED'000	Frequent flyer programme AED'000	Total AED'000
Balance brought forward	**200,011**	**14,013**	**214,024**
Charge for the year	31,193	16,166	47,359
Payments made / benefits utilised during the year	(13,672)	(8,992)	(22,664)
Balance carried forward	**217,532**	**21,187**	**238,719**

UAE national employees participate in the UAE government's pension fund to which the employee and Emirates contribute a specified percentage of salary.

Senior employees who are based in the UAE 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 or the UAE government's pension fund.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2004, 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 6% per annum. The present values of the obligations at 31 March 2004, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with relevant local regulations.

21. Deferred credits

	2004 AED'000	2003 AED'000
Balance brought forward	**618,662**	**678,597**
Additions during the year	26,478	15,271
Recognised during the year	(72,555)	(75,206)
Balance carried forward	**572,585**	**618,662**

22. Trade and other payables

Trade payables and accruals	2,638,127	2,005,396
Passenger and cargo sales in advance	1,618,969	1,005,184
Dividend payable	300,000	300,000
	4,557,096	**3,310,580**

23. Borrowings and lease liabilities - current

	2004 AED'000	2003 AED'000
Lease liabilities (Note 18)	638,869	419,447
Term loans (Note 17)	4,000	4,000
Bank overdrafts (Note 26)	10,997	130,928
	653,866	**554,375**

24. Commitments

Capital commitments

	2004 AED'000	2003 AED'000
Authorised and contracted	44,551,056	22,686,596
Authorised but not contracted	2,985,518	1,837,564
	47,536,574	**24,524,160**

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

Financial year	**Aircraft**
2004 - 2005	4
Beyond 2004 - 2005	55

In addition, options are held on eight Airbus aircraft.

Commitments in respect of the jointly controlled operation at 31 March 2004 amounted to AED 68.2 million (2003: AED Nil).

Operational commitments

	2004 AED'000	2003 AED'000
Letters of credit issued by bankers in the normal course of business	104,663	36,675

25. Guarantees

	2004 AED'000	2003 AED'000
Guarantees provided by bankers in the normal course of business	67,770	65,575

26. Cash and cash equivalents

	2004 AED'000	2003 AED'000
Short term bank deposits and liquid funds	6,115,386	3,950,146
Cash and bank	339,543	262,945
	6,454,929	**4,213,091**
Bank overdrafts (Note 23)	(10,997)	(130,928)
	6,443,932	**4,082,163**

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 1.49% (2003: 1.95%) per annum.

27. Analysis of capital expenditure

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

	2004 AED'000	2003 AED'000
Purchase of property, plant and equipment (Note 8)	1,339,055	1,572,773
Less: Assets acquired under finance leases	(293,842)	(625,745)
Capital expenditure	**1,045,213**	**947,028**

28. 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 102.9 million (2003: AED 70.5 million). Aircraft related financing and term loans bear an effective interest rate of 4.22% (2003: 4.24%) per annum while the effective interest rate on bonds was 2.06% (2003: 2.7%).

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**	AED'000
Cash flow hedge		
2004		
Interest rate swap liability	2004-2015	74,868
2003		
Interest rate swap liability	2003-2013	14,207
Fair value hedge		
2004		
Interest rate swap liability		519
2003		Nil

28. Financial instruments (continued)

The notional principal amounts of the outstanding contracts at 31 March 2004 were AED 784.3 million (2003: AED 410.5 million).

Inflows on account of liquidated interest rate derivatives amounting to AED 21.5 million will enter into the determination of profit between 2005 and 2006.

(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**	AED'000
Cash flow hedge		
2004		
Currency swap asset	2004	9,240
Currency swap liability	2004-2012	249,154
2003		
Currency swap liability	2003-2012	42,325

The notional principal amounts of the outstanding contracts at 31 March 2004 were AED 1,878.8 million (2003: AED 2,399.5 million).

Inflows on account of liquidated currency derivatives amounting to AED 22.1 million will enter into the determination of profit between 2005 and 2011.

A cash collateral of AED 106.7 million has been pledged against the liability in a margin call account and is presented under prepayments and deposits (Note 14). The balance in the account earns interest at the US Federal Funds rate.

(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.

28. Financial instruments (continued)

Fuel price hedges

Description	**Term**	AED'000
Cash flow hedge		
2004		
Futures and options asset	2004-2005	309,072
Futures and options asset	2005-2009	98,467
2003		
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 2004 were AED 1,474.8 million (2003: AED 747.6 million).

(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.

29. Acquisitions

The assets and liabilities arising from acquisition of subsidiaries in the previous year was 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 benefits 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**

30. Comparatives

The following comparative figures have been reclassified to conform with the current year's presentation so that they appropriately reflect the nature of the balances:

- operating revenue and operating cost amounting to AED 24.3 million have been shown on a gross basis
- computer software costs amounting to AED 55.6 million have been segregated from property, plant and equipment and presented separately under intangible assets
- liability on frequent flyer programme has been reclassified from current liability to non-current liability, to reflect the actual redemption profiles
- exchange gains are reclassified from operating costs to other operating income (Note 3).

Independent auditors' report to the Owners

We have audited the accompanying consolidated balance sheet of Dnata ("the company") and its subsidiaries (together referred to as "Dnata") as at 31 March 2004 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 Dnata as at 31 March 2004 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
17 April 2004

Consolidated income statement for the year ended 31 March 2004

	Notes	2004 AED'000	2003 AED'000
Operating revenue	2	1,054,756	925,260
Other operating income		24,041	16,576
Operating costs	3	(920,169)	(818,236)
Operating profit		**158,628**	**123,600**
Interest income		8,738	11,076
Associated companies - share of results	6	6,413	7,053
Profit for the year		**173,779**	**141,729**

The accounting policies on pages 94 and 95 and the notes on pages 96 to 101 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2004

	Notes	2004 AED'000	2003 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	267,587	159,638
Intangible asset	5	23,291	18,925
Investments in associated companies	6	22,585	20,775
Long term receivable	7	-	69,579
		313,463	**268,917**
Current assets			
Inventories		11,788	8,220
Trade and other receivables	8	193,473	165,535
Cash and cash equivalents	14	833,714	701,392
		1,038,975	**875,147**
Total assets		**1,352,438**	**1,144,064**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	11	62,615	62,615
Reserves		803,708	658,539
		866,323	**721,154**
Non-current liability			
End of service benefit provision	9	**135,964**	**123,526**
Current liabilities			
Trade and other payables	10	350,151	296,692
Bank overdrafts	14	-	2,692
		350,151	**299,384**
Total liabilities		**486,115**	**422,910**
Total equity and liabilities		**1,352,438**	**1,144,064**

The consolidated financial statements were approved on the 17th day of April 2004 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Vice Chairman and Group President

The accounting policies on pages 94 and 95 and the notes on pages 96 to 101 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2004

	Capital AED'000	Translation reserve AED'000	Retained earnings AED'000	Total AED'000
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
1 April 2003	**62,615**	**(4,004)**	**662,543**	**721,154**
Profit for the year	-	-	173,779	173,779
Dividend	-	-	(29,000)	(29,000)
Additions during the year	-	390	-	390
31 March 2004	**62,615**	**(3,614)**	**807,322**	**866,323**

The accounting policies on pages 94 and 95 and the notes on pages 96 to 101 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 March 2004

	2004 AED'000	2003 AED'000
Operating activities		
Profit for the year	173,779	141,729
Adjustments for:		
Depreciation and amortisation (Note 3)	89,985	66,609
Interest income	(8,738)	(11,076)
Provision for employee benefits	27,895	31,582
Release of provision for impairment of trade receivables	(720)	(134)
Associated companies - share of results (Note 6)	(6,413)	(7,053)
Profit on sale of property, plant and equipment	(293)	(2,171)
Operating cash flows before working capital changes	**275,495**	**219,486**
Employee benefit payments	(15,457)	(14,589)
Changes in working capital:		
Inventories	(3,568)	607
Trade and other receivables	(26,049)	(4,961)
Trade and other payables	64,459	64,263
Net cash provided from operating activities	**294,880**	**264,806**
Investing activities		
Purchase of property, plant and equipment (Note 4)	(151,083)	(90,160)
Additions to intangibles (Note 5)	(8,239)	-
Proceeds from sale of property, plant and equipment	830	2,990
Investments in associated company (Note 6)	(3,000)	(1,013)
Emirates account	28,846	13,775
Interest income	7,168	10,063
Dividend received from associated companies (Note 6)	5,277	500
Maturity value of held-to-maturity investments	-	73,460
Net cash (used in) / provided from investing activities	**(120,201)**	**9,615**
Financing activities		
Dividend paid	(40,000)	(40,000)
Net increase in cash and cash equivalents	**134,679**	**234,421**
Cash and cash equivalents at beginning of year	698,700	463,278
Effects of exchange rate changes	335	1,001
Cash and cash equivalents at end of year (Note 14)	**833,714**	**698,700**

The accounting policies on pages 94 and 95 and the notes on pages 96 to 101 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 including International Accounting Standards and interpretations issued by the International Accounting Standards Board. The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation

Subsidiaries are those entities in which Dnata 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 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. All material inter-company transactions, balances and unrealised surpluses and deficits arising on transactions between Dnata and its subsidiaries are eliminated.

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 and includes goodwill (net of accumulated amortisation) on acquisition. All material unrealised surpluses and deficits arising on transactions between Dnata and associates are 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 of interest 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.

Income statements and cash flows of subsidiaries are translated into UAE Dirhams at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on the balance sheet date. Share of results in associated companies are translated into UAE Dirhams at average exchange rates for the year.

Translation differences relating to investments in associated companies and subsidiaries are classified as equity until the disposal of the investment when the translation 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.

Principal accounting policies (continued)

Property, plant and equipment (continued)

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

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

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 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 related 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.

Intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure on preparing the asset.

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

Intangible assets are amortised on a straight line basis over their estimated useful life of 5 years.

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.

Employee benefits

UAE national employees participate in the UAE government's pension fund to which the employee and Dnata contribute a specified percentage of salary. Contributions to the pension fund, which are limited to a specified percentage of salary, are charged to the income statement in the period in which they fall due.

Senior employees who are based in the UAE 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.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and are based on periods of cumulative service and employee's current basic salary.

End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise all cash and liquid funds with an original maturity of less than three months, net of bank overdrafts.

Notes to the consolidated financial statements for the year ended 31 March 2004

1. Establishment and operations

Dnata comprises Dnata, Dnata World Travel and its subsidiaries and associated companies. Dnata was incorporated in the emirate of Dubai, UAE 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, UAE 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
- operating a customer loyalty programme through its associated company Emirates Loyalty Company L.L.C., a company incorporated in the United Arab Emirates.

2. Operating revenue

	2004 AED'000	2003 AED'000
Airport operations	440,539	374,249
Information technology	246,168	200,248
Cargo	151,936	126,050
Reservations system	100,501	94,546
Agency commission	83,427	74,503
Other	32,185	55,664
	1,054,756	**925,260**

3. Operating costs

Employee (see below)	577,207	502,104
Depreciation and amortisation	89,985	66,609
Accommodation	44,376	39,024
Corporate overheads	208,601	210,499
	920,169	**818,236**

Employee costs include AED 27.9 million (2003: AED 31.6 million) in respect of employee benefits and AED 48.4 million (2003: AED 35.7 million) in respect of the employee profit share scheme.

Average employee strength during the year was 7,325 (2003: 6,392).

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 2003	3,498	195,731	375,683	13,322	2,076	590,310
Additions	145	84,381	62,048	3,607	902	151,083
Transfer from capital projects	2,243	-	723	-	(2,966)	-
Net transfer from Emirates	69,609	63	30,889	34	-	100,595
Disposals	(100)	(1,869)	(11,026)	(1,486)	-	(14,481)
31 March 2004	**75,395**	**278,306**	**458,317**	**15,477**	**12**	**827,507**
Depreciation						
1 April 2003	3,450	131,154	286,667	9,401	-	430,672
Charge for the year	3,186	30,244	48,511	1,789	-	83,730
Net transfer from / (to) Emirates	29,256	64	30,080	(18)	-	59,382
Disposals	(100)	(1,781)	(10,542)	(1,441)	-	(13,864)
31 March 2004	**35,792**	**159,681**	**354,716**	**9,731**	**-**	**559,920**
Net book value						
31 March 2004	**39,603**	**118,625**	**103,601**	**5,746**	**12**	**267,587**
31 March 2003	48	64,577	89,016	3,921	2,076	159,638

5. Intangible asset

	Computer software AED'000
Cost	
1 April 2003	44,853
Additions	8,239
Net transfer from Emirates	36
31 March 2004	**53,128**
Amortisation	
1 April 2003	25,928
Charge for the year	3,874
Net transfer from Emirates	35
31 March 2004	**29,837**
Net book value	
31 March 2004	**23,291**
31 March 2003	18,925

Computer software includes an amount of AED 15.8 million (2003: AED 10.3 million) in respect of projects under implementation.

6. 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	UK
Dnata-Wings Aviation Systems Corporation	100	Aircraft handling services	Philippines
Associated companies			
Dubai Express L.L.C.	50	Freight clearing and forwarding	UAE
Gerry's Dnata (Private) Ltd.	50	Aircraft handling services	Pakistan
Safiran Dnata Airport Services PJSC	49	Ground handling services	Iran
Emirates Loyalty Company L.L.C.	40	Customer loyalty programme	UAE

The investment in Emirates Loyalty Company L.L.C. was made during the year. There were no other changes in ownership during the year.

Movement of investments in associated companies

	2004 AED'000	**2003** AED'000
Balance brought forward	**20,775**	**12,967**
Investment during the year	3,000	1,013
Share of results	6,413	7,053
Goodwill amortised during the year	(2,381)	-
Dividend received	(5,277)	(500)
Translation difference	55	242
Balance carried forward	**22,585**	**20,775**

7. Long term receivable

Due from Emirates	-	69,579

Dnata and Emirates share senior management and central corporate functions. The amount receivable from Emirates represents 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 settled during the current financial year.

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.

8. Trade and other receivables

	2004 AED'000	2003 AED'000
Trade receivables		
Airlines	30,719	24,221
Travel agents	11,088	8,778
Other	85,801	69,100
	127,608	**102,099**
Other receivables and prepayments		
Prepayments and deposits	18,934	18,825
Other	46,931	44,611
	65,865	**63,436**
	193,473	**165,535**

There is no significant concentration of credit risk.

9. End of service benefit provision

	2004 AED'000
Balance brought forward	**123,526**
Charge for the year	20,353
Payments during the year	(7,915)
Balance carried forward	**135,964**

UAE national employees participate in the UAE government's pension fund to which the employee and Dnata contribute a specified percentage of salary.

Senior employees who are based in the UAE 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 or the UAE government's pension fund.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2004, 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 6% per annum. The present values of the obligations at 31 March 2004, 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

	2004 AED'000	2003 AED'000
Payables and accruals	221,469	187,674
Airlines	73,370	44,699
Dividend payable	29,000	40,000
Employee leave pay	26,312	24,319
	350,151	**296,692**

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. Capital commitments

	2004 AED'000	2003 AED'000
Authorised and contracted	7,915	4,110
Authorised but not contracted	333,195	233,097
	341,110	**237,207**

13. Guarantees

Guarantees provided by Dnata's bankers in the normal course of business	32,032	24,236

14. Cash and cash equivalents

Short term bank deposits and liquid funds	802,765	689,280
Cash and bank	30,949	12,112
	833,714	**701,392**
Bank overdrafts	-	(2,692)
	833,714	**698,700**

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 1.1% (2003: 1.73%) per annum.

15. Fair values

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

16. Comparatives

Computer software costs amounting to AED 18.9 million have been segregated from property, plant and equipment and presented separately under intangible asset to appropriately reflect the nature of the balance.