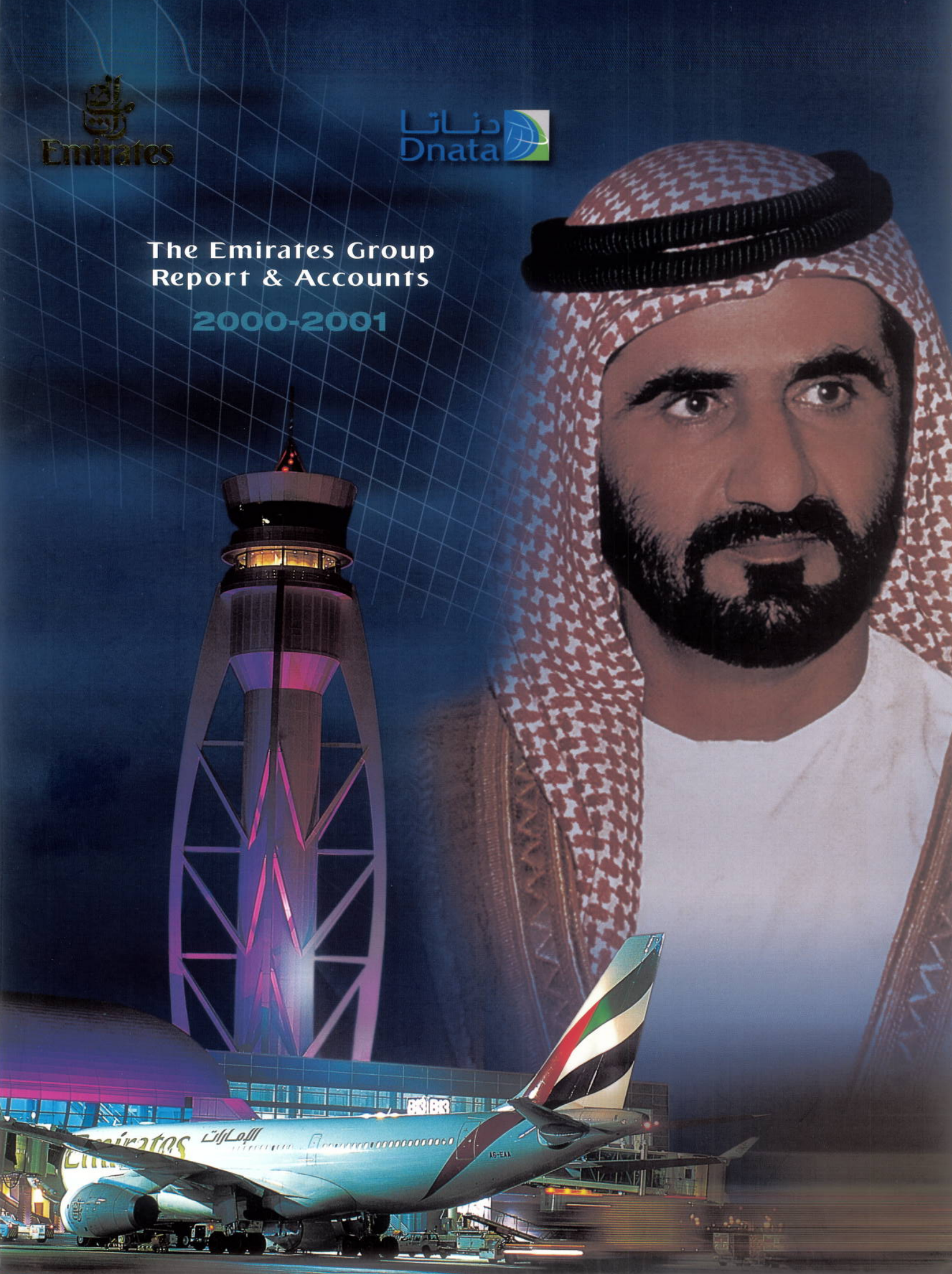

Emirates
دناتا
Dnata
The Emirates Group
Report & Accounts
2000-2001

H.H. Sheikh Maktoum bin Rashid Al-Maktoum

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



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

Crown Prince of Dubai and Minister of Defence, UAE





With some 14,500 employees spread

around the globe,

our theme for this year's

Annual Report is that a company is as

good as its people.

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

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

The Emirates Group consists of Emirates and Dnata.



Chairman's Review

H.H. SHEIKH AHMED BIN SAEED AL-MAKTOUM
Chairman of the Emirates Group

As the Emirates Group develops into a globally influential travel and tourism conglomerate, it mirrors the vibrancy and progress of the U.A.E. and Dubai.

I had forecast another successful year for the Group, but the airline and travel industries are notoriously unpredictable and we had to make a number of major changes to our strategy and tactics to achieve what, in the end, was again a record year.

Emirates reported its best-ever results and Dnata returned a robust performance with net profit down only marginally.

On revenues of Dhs 6.9 billion the Group's net income was Dhs 531 million, Emirates contributing Dhs 422 and Dnata making Dhs 109 million.

Emirates is very pleased to be in a position to make a provision for a dividend of Dhs 100 million to be paid to our shareholder the Dubai Government and I am pleased to announce, once again, a bonus payment to all our staff.

This was initially intended to be a year of relative consolidation, but as opportunities presented themselves Emirates opened new routes to Birmingham, Chennai, Dusseldorf, Milan and Tripoli.

We were also hoping for a seamless, stable and positive financial scene across our network but the world markets became bearish, several of our destinations faced inflationary pressures and jet fuel prices continued to rise and still remain buoyant. Nevertheless, our fuel purchasing policy saved us Dhs 200 million over the year compared with the alternative of buying at prevailing market prices.

On the Dnata front we introduced a blue and green stylish logo in a new corporate identity programme. Dnata Agencies faced intense competition in a market where cut-rate fares and low commissions undermine the travel industry's economy. At the airport, Dnata partnered the Department of Civil Aviation in heralding a new era for travel to/from and through Dubai

inaugurating the world-beating Sheikh Rashid Terminal. At the same time, a state-of - the art, fully mechanised Cargo Centre was opened, bringing the total cargo, mail and express capacity to 750,000 tonnes per year.

In general, the aviation world is faced with rising costs, with consumers demanding even lower fares which creates a demand for bigger aircraft with lower operating costs such as the eagerly anticipated (at least by Emirates) A380 superjumbo. In turn, this presents the airline with substantial commitments for the sustenance of growth and the airport authorities with challenging new criteria for their passenger terminals.

I am pleased to report that the new terminal, which has been given the go-ahead at Dubai for opening in 2005, will be able to meet such criteria.

We were thrilled to win more "Best Airline" awards and gratified to receive recognition for the innovative work of our Finance Department, including the first-ever sterling loan for an aircraft on the UK market and "Euromoney's" Deal of the Year for the financing of five A330-200s on Japanese operating leases.

Our involvement in cyberspace is now all-embracing, with portals such as www.emirates.com and our own EmPower website creating the first virtual Advertising Agency of any airline. A new e-commerce department was established during the year.

Both Dnata and Emirates are in good shape and continue to develop in accordance with our long-term plans. Dnata will move into a purpose-built headquarters from mid-2001 which will also house the Group's new Medical Clinic.

Other Dnata activities include the rebirth of Dnata in the UK, the creation of Dnata Wings, a ground handling company at Manila Airport, a management contract with Qatar Airways for ground handling services

"On revenues of Dhs 6.9 billion the Group's net income was Dhs 531 million, Emirates contributing Dhs 422 and Dnata making Dhs 109 million."



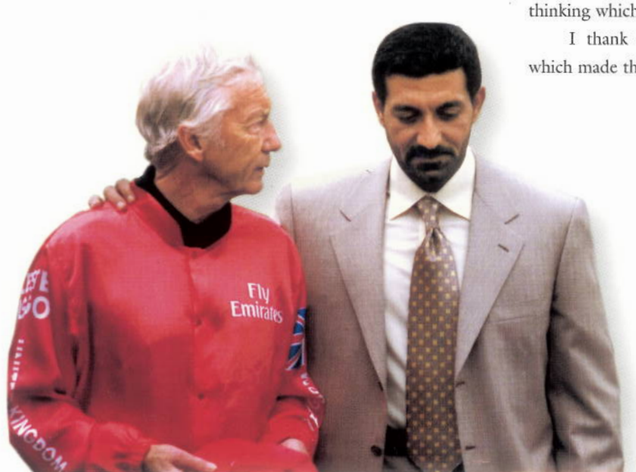
at Doha Airport, while the Group acquired 49% of MMI (a large distributor of consumer goods) in Dubai and continued to benefit from its investment in Emirates - Abela which was given a new livery during the year.

Looking to the future, Emirates has orders (including options) for US$ 4 billion worth of aircraft and became the first airline to sign contracts for the Airbus A380 superjumbo. Not only have we the biggest jetliner on order but also the longest-range aircraft, the A340-500, which we plan to operate non-stop from Dubai to USA from January 2003.

The high-class performance we have seen from the Group during this past year is the result of sustained quality standards from hardworking and loyal staff and management. It also underlines the creative and lateral thinking which helps to make us market leaders.

I thank everyone for their outstanding efforts, which made this another memorable year.

Ahmed bin Saeed Al-Maktoum



Sheikh Ahmed with champion jockey Lester Piggot at the Melbourne Cup

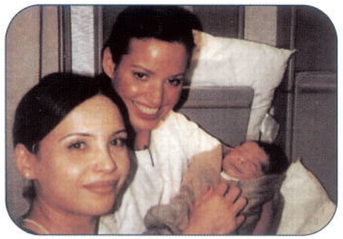
Group Managing Director's Review

MAURICE FLANAGAN
Group Managing Director

"The Group continues to grow at an exceptionally fast pace and also to become rather more complex. As well as the fastest growing airline in the world, we operate two hotels with more on the way, a major international ground handling company, a large travel agency, the biggest tour operator in the Middle East, an IT division (Mercator) supplying the industry at large as well as our own needs, a flight catering partnership, a joint venture containing miscellaneous retailing and services, plus a 43.6% equity stake and management contract in SriLankan Airlines."

It has been a year of remarkable progress for the Group, despite the negative factors referred to by His Highness. Devaluations, for example, have cost us Dhs 26 million over the year. These various aggravations have taxed the imagination and nerves of our management team and staff at all levels but have never defeated them. Add hard work, loyalty and individual initiative, and there we have the explanation for our best-ever results.

Emirates has shown a resilience which augers well for our next ambitious leap forward, as we plan to introduce the very long range A340-500 and the very large indeed A380. Interestingly, the fourth quarter pointed to the need for more and bigger aircraft already as average seat factors exceeded 90% on many routes.



Cabin crew Samah Abdulla and Claudia Vanmullekom look after their little charge.

Dnata, too, had an excellent year in the face, again, of serious external obstacles. Dnata Airport Services were faced with the full year impact of extra costs associated with the move to the new Sheikh Rashid Terminal at Dubai International Airport, Dnata Cargo had the mammoth task of keeping freight flowing smoothly through the airport while opening the Emirates Cargo Centre. Mercator's software packages faced hard competitive market conditions and Dnata Agencies slogged head to head in one of the keenest travel agency environments in the world.

But despite all this, our metamorphosis towards the Emirates global brand continued to accelerate.

It has been a year of anticipated revolutionary change in the industry, with one aircraft manufacturer choosing size and the other now appearing to opt for speed in the forthcoming production cycle. We chose size by being the first airline to order the Airbus A380 superjumbo, but for the future we will keep our options open on speed as we study Boeing's promised sonic cruiser and await a likely response from Airbus. As ever, much will depend upon seat economics. Historically, the main driver to growth has been the ever-reducing real price paid by the customer, but there will undoubtedly be some upward trade-off available against speed. The still amazing Concorde however, carries too tiny a proportion of the market on its routes, and remains so far ahead in speed of anything yet planned, to give a reliable indication of what the acceptable price premium might be for relatively marginal increases in speed.



The Group continues to grow at an exceptionally fast pace, and also to become rather more complex. As well as the fastest growing airline in the world, we operate two hotels with more on the way, a major international ground handling company, a large travel agency, the biggest tour operator in the Middle East, an IT division (Mercator) supplying the industry at large as well as our own needs, a flight catering partnership, a joint venture containing miscellaneous retailing and services, plus a 43.6% equity stake and management contract in SriLankan Airlines.

The pages of this report make interesting reading but they hide the excitement. For example, it was a year of individual courage, for the Dnata employee who risked life and limb to save a joyriding youngster on a conveyor belt from serious injury, for a team of cabin crew attendants who brought a baby into the world at 37,000 feet and for a Dnata staffer who bravely drove a vehicle to another airline's hijacked aircraft.

It was a year, too, of individual innovation from over 500 employees who dreamt up more than 900 Bright Ideas to help the company save money and improve safety on the ground.

And significant decisions - we ordered the massive A380 off the drawing board for delivery in 2006. Seven of such aircraft and several options is a huge financial commitment, not lightly undertaken, bearing in mind orders already placed for five more A330-200s, six more of the very large B777-300s, and six





A340-500s, plus options again. We are confident that demand for our product in the years ahead will allow us to absorb this growth and still remain profitable - and rightly and uniquely still without any protection against foreign competition in our home market, and without being propped up by subsidies, as is evident from the figures elsewhere in this report. That confidence is buoyed by our faith in the glittering future of Dubai both as a hub and, increasingly, as a destination for tourists and business travellers. Dubai, with its brilliantly far-sighted and dynamic government (our owners) is a great place for an airline to be based, provided it can stand the pace.

We have embraced e-commerce and our internet portal www.emirates.com now registers more than 42,000 visitor impressions daily (as opposed to "hits" which are far more numerous). We were the first airline in the world to launch a virtual Advertising Agency now operating via our EmPower website and bringing a new speed to global advertising and PR decision-making while enhancing international creativity.



www.emirates.com

Other successful internet projects involve recruitment, procurement and passenger and cargo marketing.

Training in all areas remains a core activity. For example, we continue to invest not only in the day-to-day professional training of our cabin attendants using state-of-the-art equipment such as the world's most advanced cabin crew simulator, but also in the latest CAE full flight simulators based in our aircraft-shaped Training College. Key to our strategy is the training of UAE nationals from scratch as pilots, managers, cabin crew, and engineers.

Turning to Dnata, I must underline the pivotal role it has played during the year at Dubai International Airport. Together with the Department of Civil Aviation, Dnata helped to launch the new Sheikh Rashid Terminal and open the new Emirates Cargo Centre. Dnata thus continues to make an invaluable contribution to building Dubai into a global hub. At the same time, Dnata Agencies have been involved in planning a move to the new Airline Centre which has been built on the Sheikh Zayed Road, Dubai.

Both Emirates and Dnata have won international awards during the year, which testify to the commitment of the Group to continuously strive for the highest quality standards. Emirates has just been named "Best Airline" in the first-ever internet poll of 2.8 million passengers carried out by the reputable Skytrax company, which might be our best-ever award of the more than 190 international awards we have acquired.



We had a very solid year for the Group with Emirates' profits up 40.2% from Dhs 301 million to Dhs 422 million and Dnata returning a net income of Dhs 109 million, compared with Dhs 127 million the previous year. Passenger numbers grew to 5.7 million (from 4.8 million) with a seat factor of 75.1%(up from 71.9%). Cargo tonnage was up 24.2% to 335,194 tonnes (from 269,919).

Yield fell by 6.2% as a result of the adverse impact of the strength of the dollar against our major trading currencies, and unit costs were reduced by 4.6%.



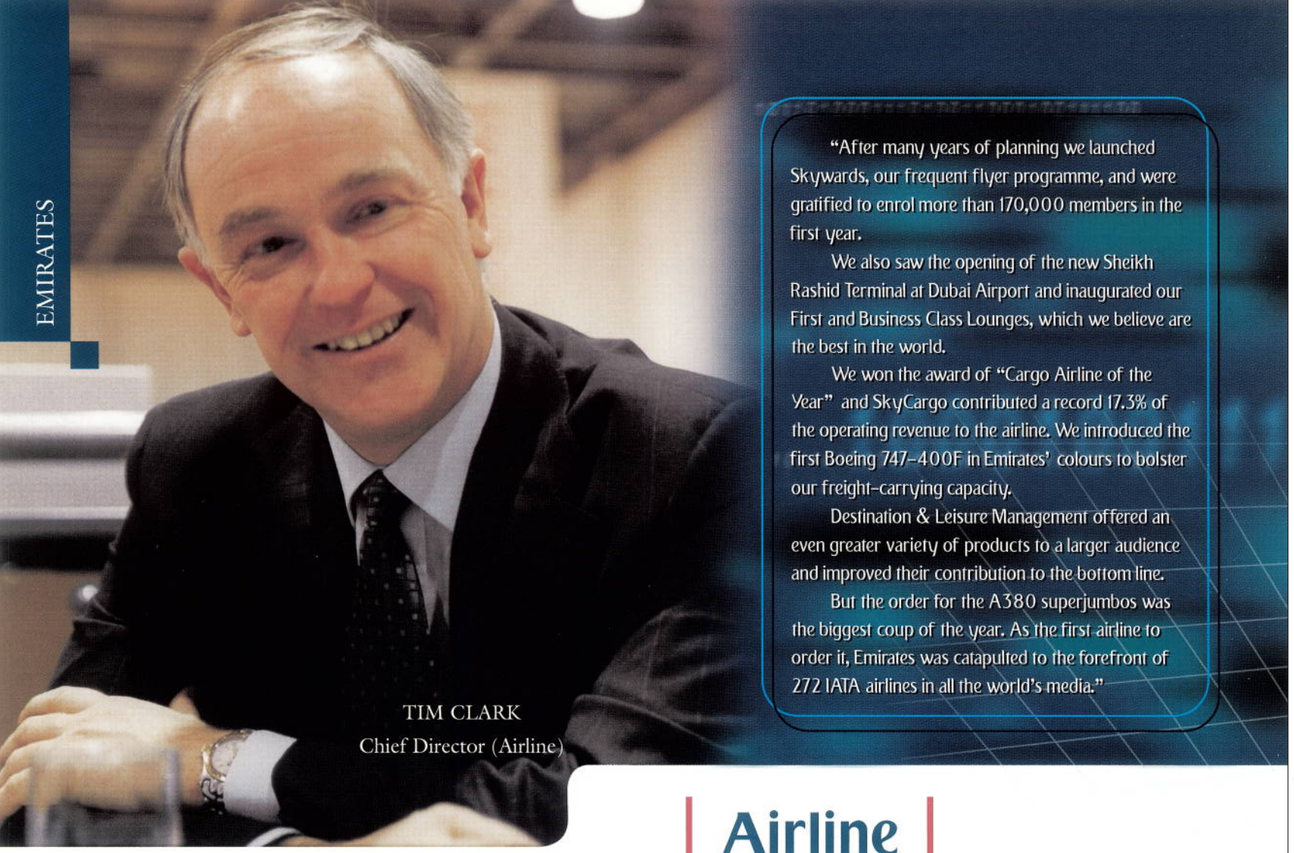
The average age of our fleet has been reduced from 48 months to 36 months - and Emirates now operates the youngest fleet of any airline the world. The global average is 14 years - Asia is 14 years, North America 15 years and Europe 17 years average.

It would be appropriate to mention that SriLankan Airlines had a very tough year being badly hit by the impact of fuel prices and the devaluation of the local currency against the dollar, as well as the continuing conflict in the north of the country which is affecting tourism. Returning this business to profit will be extremely challenging but we are working with our colleagues to make this happen. The first signs of a breakthrough came at the time of going to the press with SriLankan voted Best Airline in Central Asia in the Skytrax survey (see above), a deserved recognition for a carrier with a modern A330-200 fleet, upgraded ground facilities and services, and excellent inflight service delivered by efficient and charming cabin crew.

All in all it was not an easy time as other airlines' financial results will confirm, but the Emirates Group managed to change a lacklustre year from gloom to boom. It was a rare combination of creative cost-cutting without affecting the service to our clients, a round-the-clock sustained sales and marketing drive by world-class players , classy service by our frontline staff in the air and on the ground, and unstinting work of high quality from all the people behind the scenes. I salute this team of winners.

Maurice Flanagan


The new Sheikh Rashid Terminal, Dubai International Airport.



"After many years of planning we launched Skywards, our frequent flyer programme, and were gratified to enrol more than 170,000 members in the first year.

We also saw the opening of the new Sheikh Rashid Terminal at Dubai Airport and inaugurated our First and Business Class Lounges, which we believe are the best in the world.

We won the award of "Cargo Airline of the Year" and SkyCargo contributed a record 17.3% of the operating revenue to the airline. We introduced the first Boeing 747-400F in Emirates' colours to bolster our freight-carrying capacity.

Destination & Leisure Management offered an even greater variety of products to a larger audience and improved their contribution to the bottom line.

But the order for the A380 superjumbos was the biggest coup of the year. As the first airline to order it, Emirates was catapulted to the forefront of 272 IATA airlines in all the world's media."

TIM CLARK
Chief Director (Airline)

Airline

Commercial

With five new destinations to launch and a massive increase in fleet capacity, extraordinary demands were made on our staff - from inflight to airport services, to our sales and marketing force. But again they rose to the challenge and we beat our target for the year, increasing passenger revenue by 17.7%.



At the inauguration of Emirates services to Dusseldorf.

In Europe, daily services were inaugurated to Birmingham and Dusseldorf, thrice-weekly flights launched to Milan and a twice-weekly service to Berlin introduced in code-share with SriLankan Airlines who operate the flights.

In India we were delighted to start our first new service in 15 years when we were given permission - with the necessary seat allocations - to fly to Chennai.

In the Middle East, Tripoli was added to the network bringing our total number of African gateways to six.

In addition, we upgraded our capacity to a number of destinations: we started daily non-stop flights to Zurich with our wide-body Airbus A330-200; introduced the A330 on our Munich services and entered a codeshare agreement in Germany with Deutsche BA.

A third flight was added to Dammam and a fifth flight to Jeddah - and now, together with Riyadh, all our Saudi destinations are served by wide-body Boeing 777s.



Inauguration of Emirates launch of services to Tripoli.

On the ground, we opened new premises in Amman, Tripoli, Nairobi, Dammam, Bahrain and planned for the move by UAE Sales to the new Airline Centre in Dubai.

The Network Passenger Sales Development department continued to play a key role in helping to support and motivate the sales staff. The Global Sales Conference featured the high-tech elements of the Emirates' brand with the sales staff and Dubai-based support departments planning a network wide approach to the challenges ahead.

FOCUS, the first-ever web-based airline marketing planning and reporting system, was successfully developed and integrated into the commercial planning process. Other airlines have shown an interest in this product, which, among other facilities, provides accurate performance data. Used in both intranet and internet applications, FOCUS was developed in-house by Commercial and Mercator who delivered the 13 man-year project in a record eight months.



Emirates launches daily services to Birmingham.

In fact, e-commerce continued to develop rapidly within the airline. There was initially a low-profile launch of on-line internet booking in the UAE, on www.emirates.com, and later a double-miles Skywards' incentive coincided with the roll-out of online bookings in the UK. Singapore, too, is now online and many more stations will be given this facility during 2001/2002.

The Commercial Visa Unit processed some 40,000 visa applications through MARS, using the latest technology for quick processing of electronic entry permits for our passengers. And as a first step towards electronic ticketing we introduced a trial among our staff on routes between Dubai and London.

SkyCargo

Another positive performance from SkyCargo, with a revenue growth of 25.1% and a tonnage increase of 24.2% resulting in a contribution of 17.3% to the airline operating revenue.



Yields came under pressure with currency devaluations being a major factor in the key European and Indian sub-continent markets. Increased fuel costs impacted on profitability and this was only partly offset by the implementation of surcharges.

In the fourth quarter, cargo volumes suffered from the economic slowdown in the USA and the European Union.

From January, three weekly freighter services from Dubai to Amsterdam and three to Hong Kong were operated with a B747-400F, the first in the Emirates SkyCargo livery.

It was also significant that Emirates was the first airline to order two A380 superjumbo freighters, for delivery in 2008 - another positive sign of the airline's commitment to the air cargo industry.

Such commitment was recognised by our industry peers when the readers of "Air Cargo News" voted us "Cargo Airline of the Year" for the second successive year.

From February, the new Emirates Cargo Centre in Dubai became operational. This is a custom-designed facility with an annual through-put capability in excess of 350,000 tonnes.

Looking to the future, the first stage of the design and specifications is now under process for the planned Cargo Mega Terminal which eventually will be able to handle up to 1,000,000 tonnes per year.

Despite pessimistic economic growth forecasts in the USA and the Far East, SkyCargo is optimistic that with the introduction of new routes and increased capacity, a growth of 17% will be achieved in 2001/2002 financial year.



The Destination and Leisure Management team.

Destination and Leisure Management

It was an exceptional performance for Emirates Holidays, Arabian Adventures and Al Maha with passenger numbers reaching a record 179,000, contributions rising by 36.7% and turnover reaching Dhs 495 million.

For Arabian Adventures (inbound tours) there was strong growth from all major markets and it consolidated its









leading position in the inbound business in Dubai, being the most important buyer of hotel rooms in the UAE.

Highlights during the year included its appointment as official Destination Management Company for the Carlson Marketing Group, one of the world's leading business travel companies.


Dubai.

The leading market is the UK with a 70% growth, with Germany showing an increase of 26% and encouraging traffic from GCC, Switzerland, France and Italy, Japan and South Africa. The Meetings, Incentive and Conference business also flourished and Arabian Adventures were responsible for providing services for the IBM Conference in Dubai which attracted 3,700 delegates and the NCR Conference with 2,700 participants.

As well as the opening of travel shops in a number of major beach hotels, Arabian Adventures plan to expand operations in Fujairah and in Muscat.

For Emirates Holidays (outbound tours), the top 10 destinations were Dubai, UK, Egypt, India, Malaysia, Thailand, Maldives, Lebanon, Singapore and France. In addition to being the leading tour operator in the Gulf and Middle East, Emirates Holidays also sells its tours and packages in Turkey, Kenya and Cyprus with strong growth, too, in Malaysia, Singapore, Italy and Jordan.



Birmingham inaugural.

A series of destination workshops to enhance product knowledge for the trade were staged and the first-ever Travel Show took place with 21 countries participating. In the coming year it is planned to focus on joint marketing campaigns with National Tourist Offices to increase brand and product awareness.

Even more impactful brochures will be launched at a major event for consumers and 200 selected travel agencies. In 2001/2002, for the first time, New Zealand will be featured as a destination and at the same time there will be more coverage for Maldives, India, Thailand and Germany with Emirates new gateways of Dusseldorf and Berlin.

Al Maha, our unique ecotourism resort, continued to build its international reputation becoming a member of "The Leading Small Hotels of the World" and gained more recognition by gaining second place in the Gallivanter's Guide for Best Hotels in the Middle East/Africa/Europe, being the only hotel in the region to be listed.

Al Maha attracted more attention in the media, including being featured on the UK TV's "Wish you were here" programme, featured in several German TV holiday programmes and written up in the Financial Times, the International Herald Tribune, USA Today, Conde Nast Traveller and Country Life.

The exclusiveness of the resort attracted many celebrities and VIPs including royalty from UK and Denmark, international footballers, Formula One drivers and Chief Executives from a number of Fortune 500 companies.

Skywards



We launched the Skywards Frequent Flyer Programme last year, together with our equity partner, SriLankan Airlines, immediately gaining accolades such as "Miles ahead of many of its contemporaries" (Inside Flyer Magazine) and "New product of the year" (Business Traveller, Germany).

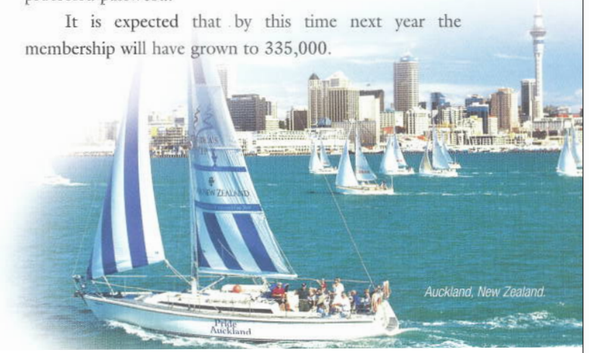
The philosophy of the programme is to take the membership benefits beyond just travel and our Alumnus Business Club brings together Gold and Silver members in a networking community on the ground. Skywards also has a unique flexibility with no blackout dates for reward travel and a bonus programme for up to eight family members.

At the time of going to press we have more than 170,000 members, some 27% of all First Class and 25% of Business Class Emirates passengers belonging to Skywards.

Skywards has a number of global partners including British Airways, South African Airways, All Nippon Airlines, United and Continental, and hotels such as Hilton, Marriott, Le Meridien, Sheraton, Mandarin, Shangri La, Taj, Sofitel and Radisson SAS. Budget is a car rental associate and Al Maha, Arabian Adventures, as well as Emirates and SriLankan Holidays, are part of the programme.

Skywards members are also served by four global customer centres and have their own exclusive website with protected password.

It is expected that by this time next year the membership will have grown to 335,000.


Auckland, New Zealand.

Service Delivery

The financial year 2000/2001 is ending on a high note for Emirates Inflight Service with the winning of Skytrax Airline Quality service award for Best Airline of the Year 2001. This demonstrates an ongoing commitment to quality of service and consistent delivery which has been achieved in a period of continued expansion with the delivery of nine new aircraft and an ever-growing cabin crew work force.



The new A330-200 and B777-300 aircraft bring with them many enhancements in the passenger cabins in the standard of inflight entertainment and the quality of passenger seats. The introduction of the five new routes saw the Service Delivery department ensuring the provision of food and beverage of top quality at these new destinations.

Emirates first A340-500 will arrive in November 2002 and start services on very long haul routes early in 2003. The routes operated by this aircraft will have up to 18 hours' flying time and to meet passenger expectations we are planning for a wide range of activities. This will involve newly-designed comfortable seats for relaxation, for dining, for entertainment, for working and for sleeping. A tremendous challenge that is being taken very seriously at Emirates.



Today we have more than 2,500 cabin crew representing no less than 84 different nationalities, each of them specially chosen for their pleasing and helpful personalities, as well as their educational qualifications and all trained to the highest standards which have won us many international awards.

Customer Affairs & Service Audit

As the company continues to double in size every four years, the Customer Affairs and Service Audit department has the job of keeping everyone on their toes and bringing about market-oriented enhancements to the product - as well as helping to improve relations with our customers.

Despite the increased passenger numbers, there was no deterioration of overall service levels with frontline managers and their staff worldwide being encouraged to resolve passengers' problems on-the-spot and given authority to resolve customer service issues promptly.

Other factors contributing to this positive trend include: effective service recovery by our team of mature and caring Customer Affairs Officers, active and aggressive activities by our Service Audit Unit and regular and close inspection of service delivery processes, procedures, systems and the inflight product by experienced inspectors.


Ghaith Al Ghaith, Commercial Operations Director presents an award to Tissa Bibile, Area Manager Sri Lanka and Maldives.

Planning, International and Industry Affairs

Another hectic year with the integration of 10 new aircraft into the fleet and the phasing out of five of the older A300/A3l0s. By the end of the financial year we had a fleet of 35 aircraft consisting of 29 wide-body Boeing 777s and Airbus A330s and six A300/A310s.

Many months of negotiations and discussions came to fruition with the opening of new services to five new Emirates' gateways. We also ceased operations to Baku.

On the international front, the department played an important part in securing additional seat capacity, traffic rights and frequencies resulting in an increase of approximately 24.5% in the available tonne kilometres over the previous year.

The department continues to represent Emirates for the IATA billing and settlement plan(BSPs) and the IATA Cargo Accounts Settlement system(CASS) ensuring the airline benefits from such participation.

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



Group Safety

The Safety Audit Programme is now fully operational with a complement of 29 trained safety auditors who will conduct safety audits of Emirates and Dnata functional areas. Development work on an analytical tool, SAFE (Safety Analysis for Emirates) has been completed and will be used to systematically analyse safety events to provide an indication of the health of our systems.

The safety reporting culture within the Group continues to be strong and will be enhanced by the introduction of a "Penalty Free Safety Reporting" policy this year.

A campaign entitled "Safety Sense" will be launched shortly featuring the new Integrated Safety Management System, ensuring all departments participate in the development of our safety culture.





Engineering

In the new millennium Emirates Engineering has continued to support the growing and expanding fleet of Airbus and Boeing aircraft whilst securing further third party customers.



The 100th "C" check since bringing this level of maintenance in-house is due for completion in the first quarter of 2001 and marks a further milestone in the achievements of the Engineering Department.

Engine modular-change capability to include the Trent 700 and 800 have been developed, which is reducing the repair turnaround time, thus optimising the engine spare requirement.

Engineering have carried out acceptance of seven A330s and two B777-300s delivered during this year.

By winning additional third party maintenance contracts, Engineering today handles maintenance for some 31 airlines.

Flight Operations

The arrival of more aircraft required a significant training effort, with the Emirates Training College proving its value once again. A total of 206 transition / upgrade courses were carried out in the year, including 77 pilot recruits to Emirates. The Technical department worked on both route and aircraft evaluations with Corporate Planning.

We introduced the first certificated laptop in a flight deck, on both the A330 and the B777. This will be used to calculate aircraft performance and by Engineering to store and access maintenance information. Airbus now considers us to be one of the top five users of technology and we are pushing ahead to ensure our new fleet is managed using the most up-to-date systems. One objective is to remove paper from the flight deck and make best use of electronic data in preparing for and conducting a flight.

Planning for the introduction of the A340-500 is proceeding and an A330-200 delivery flight was used to fly around the North Pole in regions that will be used for the direct USA flights. This flight investigated the navigation and environmental issues encountered in cold weather and at high latitudes.



The introduction of aircraft monitoring systems, to capture flight path data, allow us to protect standards and follow up deviations from them. This provides feedback with which to improve operating procedures and is a valuable training tool.

Much effort is being invested in the human factor area, focusing on performance standards and on the optimum use of the latest knowledge emerging from manufacturers and academics world-wide. From this work new training programmes will be produced to create a better focus on individual performance.

DHAKA



DOHA



By November, Emirates' passenger check-in was being self-handled by Airport Services and by February this year the Department had taken over the responsibility for boarding gate management and processing, including special handling representatives at transfer desks and in the arrivals hall. Thus, in our home base Emirates is now able to provide all-the-way quality service from check-in to arrival.

Other services provided by Airport Services included the implementation of a 24-hour ULD Group at Dubai Airport to monitor and ensure improvement of the control over Emirates Unit Load Devices - and an increase to 319 rooms at the Airport Hotel managed by the Department as part of our Dubai Stopover Programme.

Emirates Airport Services

Ensuring that Emirates offers the same high quality on the ground as in the air, the renamed Airport Services Department (formerly Ground Services) started the year on a high note with the opening of the new Sheikh Rashid Terminal at Dubai International Airport and at the year's end were handling record departures reaching approximately 282 flights per week and 52,840 passengers per week uplift, an increase of 21% over the previous year.

No sooner had Airport Services introduced the new flagship First and Business Class Emirates Lounges, then they were taking a leading role in the Civil Aviation project teams formed to plan the Terminal Three and Satellite Two - which are expected to be ready in early 2006. This will be an exclusive Emirates Terminal complete with the latest systems providing Emirates' passengers with seamless handling and the most modern terminal facilities in the world.



In addition to helping to open new stations at five new destinations, Airport Services also introduced the MACS computerised system in Hong Kong, Birmingham, Peshawar, Istanbul and Sydney thus linking 20 outstations live on the Emirates departure control system.



DUSSELDORF





Dnata Airport Services

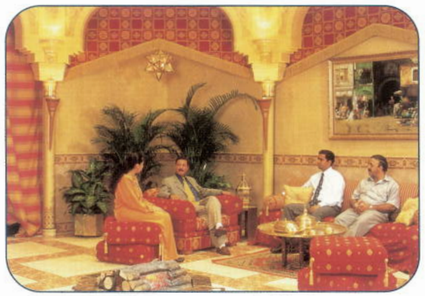
Dnata Airport Services has been the sole ground and passenger handling agent at Dubai International Airport for the past 42 years - providing continuous service at Dubai from 1959's quiet desert landing strip to the present international airport serving 135 airlines. Today, with a staff of more than 3,500 and a fleet of support vehicles, with some of the industry's most advanced technology, Airport Services is able to handle any aircraft, in any configuration, carrying any sort of load. Today, Airport Services is at the heart of one of the world's busiest airports taking care of 120,000 aircraft movements per year.



Sheikh Ahmed receiving the ISO 9001 year 2000 version certificate. Also seen is Director Airport Services Ismail Ali Al Banna (left).

During the year an airport-wide resource management system helped to maximise efficiency and productivity. A highspot was the recognition of the consistent high quality standards by the award of the ISO9001-2000 for the provision of ground services at the airport.

But it is the personal touch which passengers notice at Dubai Airport - and the Marhaba staff, providing a meet-and-greet service are always in the midst of human drama helping to bring comfort, sympathy and often relief and joy to incoming and outgoing passengers. Marhaba continues to grow in size and stature employing 170 staff with some 150,000 customers per year. In addition, 11 airlines use the new Marhaba Lounge at the airport.



The new Marhaba Lounge at Dubai International Airport.

Dnata Engineering

Dnata Engineering Services owns and operates a fleet of 550 airport vehicles - now sporting the new blue and green distinctive Dnata logo - including buses and pick-ups, pushback tractors and ground power units. A competent, well-trained staff of over 1,200 provide a wide range of services for airlines at the airport including Ramp and Technical support.



A new engineering workshop was opened, covering an area of 9,600 square metres and being responsible for all ground support equipment, including bodywork, engines, battery and carpentry tasks. Plus the repair and maintenance of 500 Unit Load Devices (ULD's).

The Cargo Workshop is responsible for the maintenance of all cargo equipment which includes the latest PLC-controlled elevator transfer vehicles, a mixed fleet of battery and diesel powered fork lifts as well as the normal mechanical and electrical repairs.

Dnata Ground Operations

During the year Dnata handled more than 12.8 million passengers that included uplift, discharged and transit at Dubai Airport and were responsible for offloading, loading and transferring 7.44 million pieces of baggage, 573,000 tonnes of cargo and 717 tonnes of mail within the demand confines of the carriers' schedules.

Sophisticated computer systems, commissioned by Dnata, which hold flight schedules for months in advance are continuously updated to provide a database for computerised resource management and control. The systems automatically roster staff and schedule the appropriate equipment for the specified aircraft type and the load it is carrying.



At Dubai Airport, 98 flights out of every 100 are turned around within the allocated schedule - no small thanks to our team of red-capped Flight Dispatchers. Dnata Red Caps with their distinctive red roofed vehicles are a welcome sight for aircrew and passengers at the airport. They provide the effective coordination of all the various activities surrounding each arrival and departure, the essential link for timely delivery of services.

ENTEBBE



FRANKFURT



HONGKONG





ISLAMABAD



Dnata



Dnata Cargo



At the heart of the ongoing development at Dubai International Airport's Air Cargo Village is Dnata Cargo, its investment in equipment, information technology, personnel and training helping to secure Dubai's position as the premier cargo hub of the Middle East. Terminal operations continued to grow with tonnage increasing by 15% to 573,000 tonnes per year.

But caring for cargo is not only the macro it is also the micro and we introduced handheld radio data devices, with bar-code scanning, to reduce human error - and the consumption of paper! More of these devices will be employed to provide a real time tracking service and offer customers more accurate and up-to-date information.



It was a year of steady growth for the Freezone Logistics Centre (FLC) which is now firmly established as the community service provider for the increasing number of businesses active in the Airport Freezone. Up to the present the FLC has 26 handling agreements with cargo operators.

The Emirates Cargo Centre was opened for business in February this year. Built by the Department of Civil Aviation and dedicated to Emirates SkyCargo it is operated by Dnata Cargo. The facility is already showing signs of productivity and service benefits from the use of the innovative handling equipment and new processes.



CargoPartners built on its position as the leading Cargo General Sales Agent by securing its 29th GSA contract from Dragonair of Hong Kong. The CargoPartners' portfolio currently commands 37% of the export market in the sales territory.

FreightWorks International is now ready to build its franchise package operation having created a system for small to medium-size freight forwarders who wish to benefit from association with a single global brand. The international rollout is currently being developed with PricewaterhouseCoopers' Consultants and active marketing will start in 2001. It is aimed to create an international network of franchised agents under the FreightWorks banner.



The Emirates Cargo Centre.

The first showcase franchise was established with the merger of Kanoo Freightforwarding, Dubai Express LLC and FreightWorks by Dnata into a joint venture company called "FreightWorks Dubai by Dex LLC" which is now located in the brand-new Al Ramoul facility.

Finally, the Dnata Cargo Road Feeder Service goes from strength to strength in the intra-airport market sector and now has a current market share in excess of 75%, with contracts in place with all the major carriers moving freight by road between the UAE airports.



Dnata Agencies

The financial year 2000/2001 was another year of substantial growth and development for Dnata Agencies which saw a healthy increase in income of 13.3% over last year. Strengthening its leadership position in the market, Dnata Agencies embarked on a new business philosophy adopting an innovative approach, harnessing technology and systems integration and launching a new revitalised corporate identity.

Dnata Government Travel Services and Local Affairs Section opened two new retail outlets, one in Dubai Ports and Customs, and another in Dubai Courts to handle their respective business travel needs. In the next year new implants are being planned and will be opened at - The Dubai Police Headquarters and Department of Health and Medical Services.

Dnata World Travel Services upgraded retail shops in Sharjah, Ajman, Ras Al Khaimah and Fujairah and extended the agency support units in Dubai and Northern Emirates which cater to the trade requirements. In the coming year, it will promote the retail expansion under the concept of a One-Stop-Travel-Shop.

Business Travel International, UAE, continues to develop and position itself as an innovator in the UAE corporate travel market. The division is maintaining its core business and has added many new multinationals to its impressive client base. This year it has opened a new outlet in the Dubai Airport Free Zone and a new implant office in the head office location of the ENOC Group. In the coming year, it will open another outlet at Dubai Internet City.



Dnata Airline Affairs Department continues to support over 30 carriers by providing them with qualified personnel, up-to-date facilities and sales and marketing cooperation. Through its 24-Hour Central Reservations System, a ticket delivery service is now offered for cash and credit card holders during the normal working hours of 0830 - 1900 hrs.

The in-house developed Tariff module is now fully functional and is linked with the sophisticated Front Office System enabling all Dnata Agencies staff to have easy access to this vast fares information and to use the same for error-free ticketing through Galileo.



Network Planning & Development Department laid solid foundations in the last fiscal year by establishing and developing a corporate Marketing team to strategically integrate all marketing efforts across all Dnata Agencies brands. The new Airline Centre and new product development, together with an integrated marketing communications plan for all Dnata Agencies brands, will be the key focus for the Marketing team in the coming year.

World of Events, UAE, under the Network Planning Department has now added to its portfolio exhibition and conference organisers such as INDEX Exhibitions, Streamline Marketing, Destiny Advertising and IBC Conferences. World of Events will announce its plans to go global by May 2001, with a network of World of Events partners to handle professional international events, the Commonwealth Games, the World Masters Games in Melbourne and the professional tennis and Formula One circuits. World of Events is part of the "Tourism Committee" formed under the auspices of the Ministry of Finance to handle the ground arrangements for the International Monetary Fund and World Bank Annual Meetings in 2003 to be held in Dubai.

Dnata Holidays, too, enjoyed another year of growth. In addition to producing the new tariff module, which covered a complete product range, a series of brochures with the new corporate identity were launched covering key holiday areas. Further recognition came with an award from the Government of India in the "Most India Friendly Overseas Tour Operator" category, one of only five such awards given worldwide. AXIS (our wholesale division of travel and tourism products) currently manages the Worldwide Stopovers Programme for Emirates and SriLankan Airlines.





"It was a very good year and our ability to attract finance from major banks and institutions underlined the strengthening of the Emirates brand.

A number of unique arrangements for the purchase of aircraft were made including the first-ever sterling loan from the Halifax.

As the launch customer for the Boeing 777-300, the A340-500 and the Airbus A380 we have been able to negotiate attractive purchase prices.

We are convinced that the future financing of aircraft like the A380 will be satisfactorily achieved with our partners in the global banking industry.

Dnata is 42 years young this year, a Dubai perennial which is forever refreshing its products and services. It continues to make a valuable contribution to the travel business in the emirate."

DERMOT MANNION
Chief Director (Finance, IT and Services)

Finance, IT and Services

Finance

During the year, three more airlines purchased our in-house revenue accounting system RAPID, which was jointly developed by Finance and Mercator. A total of 11 airline customers currently use RAPID for their passenger/cargo revenue accounting functions. Latest developments in RAPID include the capability to process electronic tickets. In addition, a new initiative to deploy RAPID into a bureau service to perform revenue accounting functions for a host of airlines concurrently has now been set in motion.



Emirates has re-engineered its billing and settlement processes for credit card transactions. The new electronic process which has been implemented for all major card schemes has resulted in a dramatic improvement in cash flows from credit card transactions.

The high quality service provided by Dnata revenue accounting as GSA to its over 30 airline principals was further enhanced this year by implementing a system which integrates the business processes with back office systems. ProTAS, the new back office system, now supports all the business front office activities of Dnata Agencies. This new integrated system has online invoicing and decision support and has capabilities to provide a significant competitive advantage to Dnata Agencies and its airline principals.

On the treasury front, a total amount of US$ 815 million was raised on the international financial markets, at an attractive all-in cost of funding, for eight A330-200 aircraft, delivered during the current financial year. This was the largest amount of financing raised by a UAE corporation during the period and involved no less than 14 financial institutions worldwide. In addition, two B777-300 aircraft were financed using operating leases from International Lease Finance Corporation.

The highlight of the year was the award to Emirates of the "Euromoney" Aircraft Financing Deal of the Year 2000 for the financing of five A330-200 aircraft valued at US$ 425 million on Japanese operating leases. This structure was arranged by Credit Agricole Indosuez and provided very attractive low cost funding to Emirates. The financing of five wide-body aircraft in one year was completed despite the limited equity available in the Japanese equity market for wide-body aircraft. This deal demonstrates the continued confidence in Emirates by the international financial markets.

In addition, two A330-200 aircraft were financed on a 10-year sterling operating lease valued at US$ 190 million (in sterling equivalent), with the asset finance subsidiary of Halifax PLC acting as investor. Halifax PLC is one of the largest providers of financial services in the United Kingdom. This landmark structure provided not only low cost funding for Emirates, but more importantly, provided a natural hedge for a portion of Emirates' sterling surplus generated in the United Kingdom.



The speed and quality of financial reporting has once again come to the fore. Finance has improved on its previous year's achievement with a "sign-off" date of 25 days for this annual report. This is in spite of the 20% growth in transaction volumes. This underlines the reliability of our accounting systems and internal control mechanisms within the Emirates Group.

Internal Audit

The department extended its assurance and consulting services, both internally and externally, to strengthen risk management and corporate governance processes. Increasing requests from senior management reaffirmed their confidence in Internal Audit's contribution to the Group.

Internal Audit continued to be in the forefront of professional activities through representation on the Standard Boards of the Institute of Internal Auditors and the Information Systems Audit and Control Association. A four-week training programme for UAE National Commercial Officers in control awareness and risk management will now grow into an eight week programme, combining work experiences with classroom sessions to enable them to address risk issues as commercial managers.

Chairman's Office and Facilities Management

A busy year with projects ranging from acquiring staff accommodation to building a new five-star hotel.

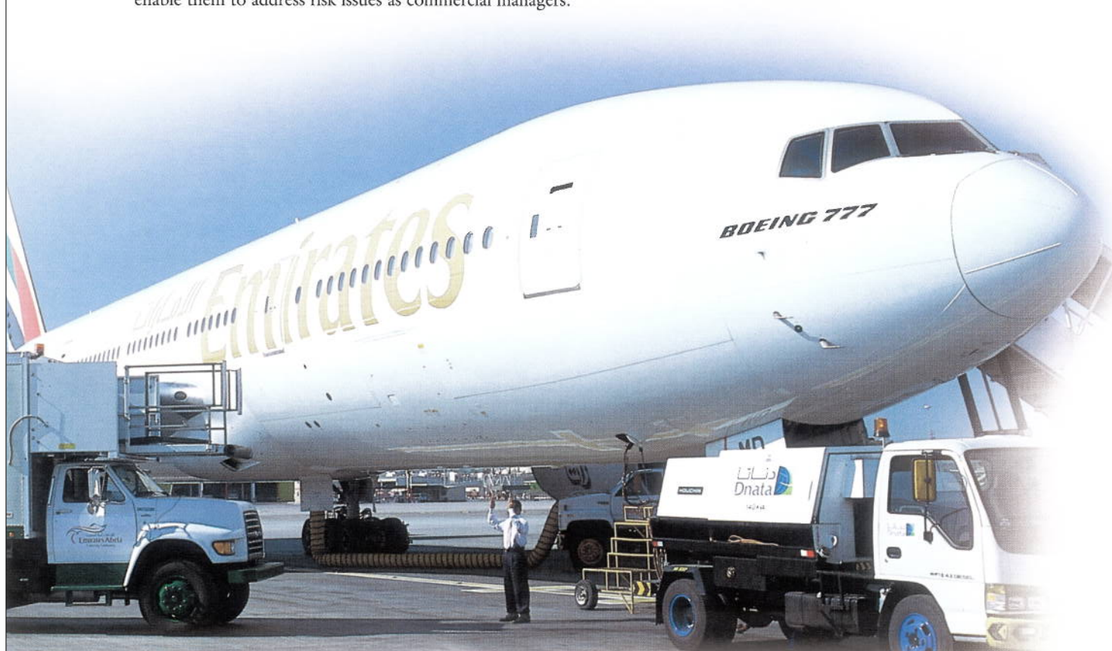
The new Airline Centre now being completed on the Sheikh Zayed Road, Dubai, will house Dnata Agencies, Emirates UAE Sales department and the Group's Medical Clinic. The department was responsible for the project from acquiring the land to furnishing the premises. The Annex Building for training is also under construction.



The Al Aqqa Beach Resort at Fujairah will have 240 rooms, be managed by Le Meridien Group and is due to open in August 2002.

Facilities has also completed a block of flats with 1,000 units, in the Al Qusais area, for junior staff and continues to provide fully-furnished accommodation for senior staff consisting of 3,000 apartments and villas.

During the year new ticket offices were opened in Cairo, Egypt and Amman, Jordan and the department is now looking for new offices in New York to prepare for our arrival in January 2003.







Information Technology

With the successful completion of the Y2K programme, the travel industry has been rapidly refocusing its information technology priorities towards improving supply chains and developing a closer relationship with its customers. In the new century, this equates to internet as a de-facto standard for future developments. Whilst the day to day operations of the Emirates Group will continue to be supported by seasoned, traditional technology and services, Mercator - its IT services division - is pushing the boundaries of the newer technologies where internet access can be a business differentiator.



The internet has already made its presence strongly felt in the travel markets of the US and Europe. Recognising the importance of the World Wide Web and the need to assimilate this channel effectively, the IT strategy of Emirates has been realigned towards internet-based technologies.

This strategy can be a considerable challenge for many companies. Large-scale investment is required for high speed networks, security gateways, and specialist skills in process and business re-orientation. In Emirates, however, preparations have been taking place for many years to manage this quantum change. Networks have been upgraded over the last few years and are now fully internet compliant across all of its offices. Further investments have taken place during the year in technical training, internet development tools and network security.

Within the Emirates business community, e-commerce workshops have proved a successful method of creating a shared vision for executives spanning the functional boundaries of the Group. As a result - B2B, B2C and other 3 character acronyms have become the everyday shorthand language of the e-enabled manager. The power of the internet to reach customers and suppliers at lower costs is recognised as a key business driver. The impact of the medium as an opportunity and a threat has been given serious consideration and has resulted in a number of strategic IT developments.



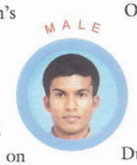
The Skywards loyalty programme was launched in May. Fully integrated with Emirates' and SriLankan's passenger services systems and web enabled for members, this system brings a new dimension to the frequent flyer world. Installed and operated from purpose-built call centres in four continents, the system maintains up-to-the-minute records on members, their flights and their life-style preferences. This information will be key enablers to improving the travel experience for regular flyers. Recognising who you are and what your business means to the Group, provides vitally important feedback to service departments.

An internet booking service for Emirates' passengers was introduced in the UAE during the year and has recently been extended into the UK market. In the coming year it is planned that a more powerful booking engine will be launched to provide a broader range of functionality. This should differentiate, more clearly, the quality services that Emirates can offer to its web customers.



Associated with this on-line service, there is keen interest in electronic ticketing. This facility, which is being delivered by the MARS and MACS passenger services systems, is currently undergoing test trials using staff travelling on leave or on duty. The convenience to the passenger of not having to collect and carry tickets will tend to outweigh the natural concerns that the reservation will not be recognised at check-in. The cost advantage of not printing tickets, not having to collect them after the flight, and having no delay in accounting for their contribution is a major driver for the airline.

Emirates SkyCargo's products and services have also been strongly supported through web-based developments during the year. As one of the pioneers of internet on-line bookings, the development of new internet cargo products required a move away from the legacy-hosted service. In collaboration with SITA, Mercator has introduced a SkyChain repository, which provides an up-to- the-minute replication of transactional data on an e-enabled platform. This has been the catalyst for the development of a suite of internet based cargo products for Hub Management, Space and Yield Management and Claims Management.



Whilst these commercial systems have attracted considerable industry attention, this year has also seen the emergence of a number of excellent corporate web services.

One example is the Flight Operations website, which serves flight crew who can view their duty rosters and e-mail from a remote location - from their homes and from outstation layovers. With internet facilities now available as a corporate gateway in Dubai, accessing the World Wide Web has become part of every manager's normal working day. The URL embedded within incoming messages has brought a huge advance in the speed of information distribution.

At the same time, the increasing dependence on this medium makes the impact of a virus attack much more damaging. The security of Emirates corporate network and databases has been continuously improved through extensive deployment of virus software, proxy servers and e-mail controls - backed up with stringent security policies.



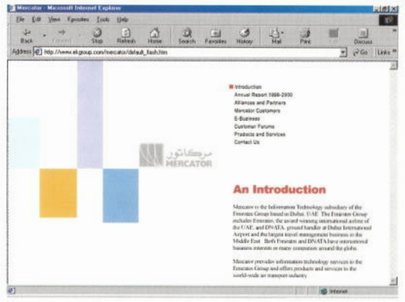
There is little doubt that this innovative environment will be a catalyst for a revolution in the way that airlines market and serve their customers in the future. The Emirates Group is gearing up for this revolution and expects to be a leader in this brave new IT world.





Mercator

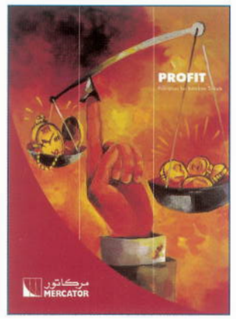
The outsourcing of Information Technology has been going through some interesting trends in the last year, with the decision by some major European and US airlines to move their core business systems into large specialist IT companies. In most cases, this appears to have been driven by the inability of in-house IT units to reduce unit costs and to add value to their service. Whilst the Emirates Group has not considered outsourcing of IT as a strategy, Mercator, its IT services division, has sought during the year to further develop strategic alliances with other leading airline IT companies, such as Atraxis and SITA. This approach should enable Mercator to manage the very high demand for resources and new services as the Emirates Group expands, yet maintaining a healthy revenue stream from external customers. The strategy is expected to deliver tangible benefits for the Group in terms of unit cost reduction, improved service quality, shared developments and shorter delivery cycles.



Mercator website.



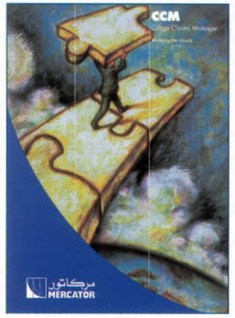
The year saw Mercator becoming a truly global IT business, spanning all five continents, as competitive tenders were won in South and Central America, Australia, India and the Philippines.



RAPID, the revenue accounting system, was again the star-performer with implementation projects now in progress at Varig in Brazil, Grupo Taca in El Salvador and Qantas. Closer to home, activities in North Africa included the successful cut-over of the system at Royal Air Maroc - incorporating the new proration system PROFIT, which was also installed further south at Air Zimbabwe. Proration is of great value to most international airlines in interline billing and payments. PROFIT is regarded as a best-of-breed system in managing this complex operation and it has recently been integrated with the existing RAPID installation at Olympic Airways. Emirates and SriLankan will soon be implementing PROFIT replacing their current third party product. There are excellent opportunities for PROFIT, both as a standalone system and as an integrated part of RAPID, in the coming years.

Repeat business is often a benchmark of customer satisfaction. Whilst there is no room for complacency, the line of business managers were very pleased to begin work on a second phase of development for British Airways. There is also a growing market for follow-up projects from existing customers driven by their desire to further improve processes and drive their productivity to higher levels. Mercator's business analysts are fully trained in IATA standards and procedures and have the business domain expertise to make substantial contributions to their customers' improvement programmes. Their dedication to their profession and to their clients is certain to bring an additional contribution to Mercator in future.

Mercator's hosted services for reservations (MARS) and departure control (MACS) are the backbone of airline customer services and they are proving to be solid and reliable. Operations now extend throughout the worldwide networks of Emirates, SriLankan and Air Algerie. Again in the context of repeat business, an extension of contract was recently signed with Air Algerie involving SuperAgent (an expert, efficiency improving tool) and the Global Fares service. In addition, Gerry's Dnata became a customer of Mercator's user-friendly, common language, check-in system, DMACS, at Karachi International Airport. Finally, a new customer worthy of special mention is Mercator's first Indian airline - with MARS and MACS soon to be introduced at Royal Airways, based in Delhi.



Kenya Airways became a new customer during the year with the acquisition of COMET for its outstation accounting. This is the third carrier to take this product for distributed business accounting. Mercator consultants have also been advising Kenya Airways' IT department on network design for their international communications.

Looking to the future, there are a number of new products in the pipeline, including a sales based version of RAPID.

CRIS, the frequent flyer system that formed the basis of Emirates' Skywards loyalty programme, has been productised and developed for the market. A contract is currently being finalised with Philippine Airlines to support their "*Smiles*" frequent flyer programme. This flexible, modular product should do well in the coming year as large carriers look to replace their ageing systems and smaller carriers look towards a service bureau to compete. This business should become more attractive in the longer term as advanced users strive to achieve a stronger relationship with their frequent flyers.

A range of web-based cargo products is also in the pipeline. Airlines and freight forwarders in Dubai can now access GF-X (Global Freight Exchange) which Mercator represents in the region. This is an electronic market place for the air cargo industry. EQUATION, the EDI system for on-line booking and tracking of cargo space, will soon be re-launched as an internet service to forwarders - offered as a complimentary product to GF-X. Later in the year, Mercator will market a container management system - enabling airline and airport handling agents to keep an accurate status of usage and movement of their stocks of cargo containers, as they are transported from point to point around their operations.

Mercator has had a successful year and looks forward to moving into its new IT centre in the near future. Although the airline IT market is a complex one with strong competition and long sales cycles, Mercator is confident that it will continue to build on its current customer base and extend its global reach in the coming year.

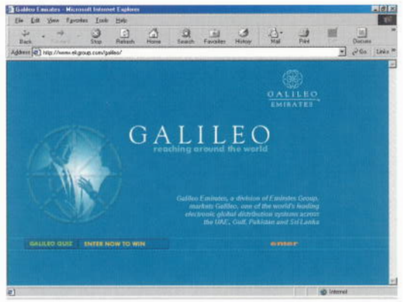
Galileo Emirates

Galileo Emirates today distributes travel solutions, primarily the Galileo Reservation System, in the UAE, Oman, Bahrain, Qatar, Pakistan, Sri Lanka and Iran and continues to develop new markets in the Middle East and Africa. Currently over 600 Galileo sites are installed and supported by the Galileo Emirates network that provides marketing, technical and help desk support throughout its territories.

In the current financial year, Galileo Emirates grew its bookings by 0.8m (13%) to reach 6.6 million resulting in revenues of Dhs 64 million. With the continued support of our partners in overseas markets we secured larger market shares that complemented the over 80% market share enjoyed in our UAE home market.



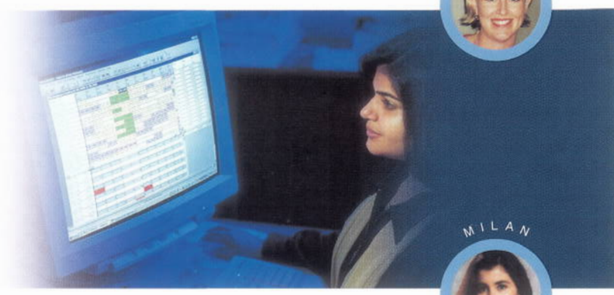
To maintain this edge and to honour its commitment to provide local solutions,Galileo Emirates has developed



Galileo Emirates website.

an exclusive customised web booking solution. This product named SafarEZ was launched by His Highness the Chairman, at the first ever Galileo Emirates subscriber conference held in March 2001. By combining personal service and internet convenience SafarEZ





e-enables customers in managing their travel arrangements.

Resources at Mercator and the Emirates Training College provide invaluable support to our network of travel agents, both local and overseas and we continue to lean on the extensive Emirates customer network for assistance in targeting new and developing markets.

The Galileo Reservation System is used by travel agents in over 100 countries worldwide to access information and make reservations on over 500 airlines, 40,000 hotels and 40 car rental companies.



"In an organisation with more than 100 different nationalities, it is paramount to create an Emirates Group togetherness to help to retain the family feeling which has been our hallmark for the past 15 years.

Such an objective depends on recruiting the right people, keeping the right people and motivating a multi-national, multi-cultured workforce to believe in the present and future success of the Group.

Our training facilities, Performance Matters! Reviews and Development programmes have helped us to improve productivity per employee by 4.4% whilst attracting a minimum of 27 applications per job vacancy.

We have spent more than two years in planning an upgraded Medical Clinic which will be opened in June 2001."

GARY CHAPMAN
Chief Director (Support and Development)

Support and Development

Human Resources

At year-end there were 14,457 employees in the Group, an increase of 15% over the previous year, with Dnata's staff numbering 5,747 and Emirates 8,710.

Our increasing awareness as a global brand was reflected in the 72,500 applications received for some 2,650 vacancies from 101 different countries.



Pilots, with instructors, who successfully completed the transition course to fly Airbus A330-200 aircraft.

But with the dynamic growth forcasted for the Group, there will have to be even greater use of e-Recruitment to acquire experienced and qualified staff of the right calibre.

Already we have direct links between www.emirates.com and an external recruitment website, total job.com to help us to attract quality candidates. To maintain the impetus we must improve the electronic screening of applications, streamline the assessment and recruitment database administration through more efficient linkage with the Group's human resource information systems.

Overall we have been well satisfied with the intake of new recruits and particularly by the continuing development of UAE nationals, some 109 joining us during the year. We now have 29 national managers in key positions at outstations helping to contribute to the overall face of Emirates abroad.

Some 116 managers have passed through the Management Learning Centre experiencing a business simulation which evaluates their competencies as effective managers and 28 managers have been trained in the Problem Solving and Decision Making programme. We continue to invest in the future with our Management Development Forum providing career development opportunities for the next generation of senior managers.

Medical

In June 2001 the Medical Department will move into a much larger purpose-built clinic in Dubai, having out grown the present premises. The new clinic will incorporate the latest IT medical systems to enhance efficiency with plenty of space for future expansion.

In fact, the medical department has expanded in tandem with the rest of the airline in order to provide appropriate health care to our employees and their families.

MUMBAI



As well as providing day to day primary care for our staff, the medical department now runs specialised clinics for employees to evaluate and monitor medical problems such as cardiovascular disease, or diabetes. Clinics are now operating for dependants, too, including child development, asthma prevention and vaccinations.

A small clinical laboratory was opened this year which enables us to analyse and process our own blood samples at a very considerable saving and much faster turnaround.



Dental Clinic.

We continue to work closely with the University of Glasgow Post Graduation Medical Board to attain our accreditation as a model clinic, fully implementing the best practices suggested by the Royal College of General Practitioners. This has helped us to maintain and develop our medical standards which are now independently audited to the best international standards every six months.

MUNICH



Our Corporate Occupational Health Unit, who spend most of their time closely involved with training cabin crew, flight deck crew, and ground staff in first aid, continues to develop successfully. They were recently the focus of a visit by senior representatives from the Royal College of Surgeons (Pre-hospital Care faculty) who were most impressed with the quality, depth and extent of our training programmes and the enthusiasm of our staff. We are confident, accreditation to the RCS will be forthcoming, for our training programmes and standards, making us the first international carrier to achieve such recognition.

MUSCAT



Passenger health has remained a high priority as usual this year and we now have representation on the International Aviation Medical Advisory Committee who in turn liaise with ICAO and IATA. We have worked closely with Dubai International Airport to encourage expansion and development of their medical services to all passengers. This has been most successful with the introduction of a large new medical centre and numerous first aid posts.

Most recently, Emirates has been actively involved in advising its passengers on health issues in our Inflight magazine by introducing advice on how to keep comfortable whilst travelling. Further enhancements to emphasise this using our Inflight entertainment system are due for implementation in the next couple of months.



The Dental team.

NAIROBI



"Bright Ideas" winners with Group Managing Director.

Group Training



With the continued expansion of the Group and the diversification of its business interests, training was a major factor in allowing us to maintain and improve the quality of our products. Some 18,000 students participated in the training programmes during the year in a fascinating array of varying projects: 2,300 staff were trained for the introduction of the Skywards frequent flyer programme; 100 for the new call centres in Manchester, Dubai, New York and Melbourne; 1,600 for Dnata's Quality Initiatives; 88 Ground Dispatchers were trained and licensed to operate the Aerobridges at the new Sheikh Rashid Terminal, Dubai Airport; 1,800 were trained for operations at the airport and 250 Emirates staff for Emirates self-handling cutover. The number also included 300 staff from Qatar Aviation Services.

NICE



The IT Training Section continued to deliver training for new and improved IT systems, including Global Connect at 20 outstations and the team also supported Mercator. On-line courseware is being used by 1,500 employees.

PARIS



Group Security

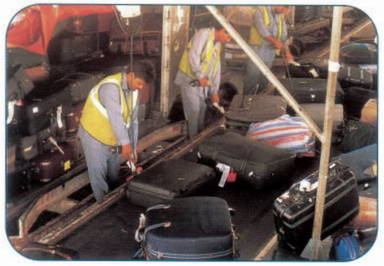
During the year, the Airport Unit, which is involved in detecting forged and counterfeit travel documents, saved Dhs 20 million in terms of penalties and fines which would have otherwise been imposed on Emirates by immigration authorities in other countries for transporting inadmissible passengers out of Dubai.

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

The main training effort of the Aviation Security Training Unit was concentrated on aircrew - with a particular emphasis on "Disruptive Passenger Handling". In total 1,786 Cabin Crew and 441 Flight Crew were given training on Safety Emergency Procedures. Additional Advanced Security Training was also given to 87 Senior Cabin Crew members.

The Security Training Unit conducted training courses for SriLankan Airlines and organised management seminars for MEA, Dubai Police, Amiri Flights and Tanzanian Harbour Authority.

The Cargo Security Unit provided security services to other international airlines, external agencies and other departments within the Group during the year showing approximately 70% growth in revenue compared to that of 1999. The unit is involved in providing services such as aircraft surveillance, checking of passengers baggage, supervision of re-screening of joining and transitting passengers baggage, build-up and escorting of joining cargo, screening and escorting of joining courier bags, aircraft access control.



The Cargo Security Unit was already providing services to Malaysian Airlines, Air India, British Airways and Dnata Mishandled Baggage Section. New contracts have been signed with SriLankan Airlines, Emirates Engineering and Dubai Duty Free Shop.

Transguard (which provides transportation services for valuable cargo) came under the umbrella of Group Security during the year and showed an improvement in revenue by 38%. New and prestigious clients have now been contracted including the HSBC Group, Brilliant Diamonds, Unique Diamonds and ASTA Trading.

The worldwide network was extended by making agreements with other security agencies like Ferrari Security of Europe in Italy, Regency Shipping Co. in UK, via MAT in Europe, M.K.S. Finance in Switzerland and BVC in India.

Procurement and Logistics

Procurement and Logistics (P&L) continued to take a pro-active role in supporting the expansion of the Emirates Group. An unprecedented movement of aircraft both into and out of the airline necessitated a disciplined and structured approach by Procurement to ensure that all the needs of user groups were successfully met.

Looking to the future, the department is embarking upon a major e-Procurement programme in Dubai with a planned introduction in late 2001. With this in place it is anticipated that departments will be able to place orders on suppliers making transactions either through the use of electronic marketplaces or by direct order on the supplier. There will also be a focus on automating the tendering processes, with suppliers able to receive enquiries and make tender responses through use of the internet.

To ensure that the initiative is a success, Procurement and Logistics is in discussion with suppliers to outline the impact of the change. Initial responses have indicated a high level of interest in participating, with benefits emerging in reduced administration efforts for both suppliers and the Emirates Group. In the longer term, it is anticipated that reductions in actual purchase costs will be achieved through an aggressive supplier reduction programme and the introduction of longer term supply contracts.

Further benefits of e-Procurement elsewhere are being considered and will be evaluated and implemented in accordance with the business needs.

The year also recorded significant activity with regard to the A340 and A380 programmes. These are set to gather momentum during the coming year. The department also maintained a critical focus on industry issues with airports and civil authorities through a very active involvement in the various IATA forums.

Corporate Development

Investment Projects continue to be actively involved in evaluating opportunities at various airports in the Middle East, Africa, Central Asia and the Asian sub-continent. The division has also submitted a number of tenders relating to airport projects in the region. The division is focusing its developmental activities in the Middle East and the Asian sub-continent, where the Group continues to have a major influence. The division is involved in setting up and participating in the development of five-star hotel properties.

Performance Development

A new department, Performance Development, was established to enhance and develop the overall performance of existing and new businesses within the Group.

It has managed a number of projects including Emirates self handling at Dubai Airport, setting up a support unit within Emirates Engineering and assisting business units like SkyCargo, Commercial, Human Resources and Central Services. But, the main thrust of the department has been to formulate and manage strategic projects, including a Customer Relationship Management initiative, an e-Business joint venture in online leisure and travel, a Human Resources Service Centre and a corporate project management scheme. The department has also incorporated the "Bright Ideas" section, which showed a 50% jump in the number of creative ideas received.

MMI

PESHAWAR



During the year Emirates acquired a 49% shareholding in Maritime and Mercantile International LLC, (MMI), one of the oldest and most respected companies in the UAE.

MMI operates in the Northern Emirates and Dubai and is involved in logistics and distribution, has a beverages division and a travel agency. It is also the GSA for American Airlines and Air New Zealand, is the local agency for a number of consumer goods, has the franchise for Costa Coffee, and runs a company supporting and implementing computer software.

MMI reported another good year as Emirates sought to build on and develop the synergies between the two companies.

Emirates - Abela Catering Co. LLC

Emirates has a 45% equity shareholding in Emirates Abela Catering Co. LLC which was formed to acquire the catering business of Abela and Co. LLC in Dubai - and provides airline and airport catering services at Dubai

RIYADH



International Airport.

With its strong relationship with Emirates and an excellent reputation for providing quality food and services the Company reported another excellent year's results.

Employing 2,050 staff, the company produced an average of 30,000 meals per day - on March 1st 2001 supplying 34,487 airline meals, the highest number produced in a single day.



The Emirates Exhibition Stand, ITB, Berlin.

Corporate Communications

ROME

With Emirates' awareness levels increasing worldwide, Corporate Communications aims to help to turn the airline into a global brand within three years - and support Dnata's position as the leading ground handling company and travel agency in the Middle East.

Advertising

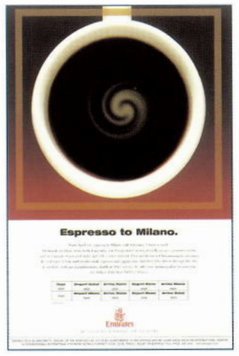
Although the internet accounts for less than 10% of our total advertising budget, it is beginning to play a catalytic role in linking our advertising agencies on the EmPower website. Briefings, creative concepts, approvals and photo library are just some of the items enabling the agencies to click together. We now have the world's first Virtual Agency.

SANAA



But our traditional media continue to take the lion's share of the budget, with on-going campaigns in the pan-national, regional and local press, TV and radio involving our 45 advertising agencies around the network.

We have used a comprehensive mixture of advertising media, from bus-sides in Bangkok, to outdoor billboards in London with peaktime television spots in Cairo, radio jingles in Nairobi, cinema commercials in Dubai - and even internet cafes in Chennai.



During the year we produced nine TV commercials, including an airport launch jointly with Department of Civil Aviation.

Our advertisement "Espresso to Milano" won best ad in its category at the London International Advertising Awards while our collateral material was highly praised.

Overall our advertising has now veered away from underlining our awards, concentrating instead on product benefits for our passengers such as chauffeur-drive, in-flight entertainment systems and airport lounges under the theme "Be good to yourself".

SINGAPORE

Promotions

In the second year of the Emirates World Racing Series we believe we have achieved a breakthrough in the awareness stakes as we develop the Formula One of horse racing. This is a magnificent spectacle with Emirates involved in 12 of the world's great horse races. Among other equestrian events we have sponsored were The Legends race of veteran jockeys and Stakes Day at the Melbourne Cup, both of which created massive publicity; the Irish Oaks at Curragh and the French Prix de Moulin de Poliche. We are also proud to be the official sponsors of the prize-winning Godolphin stable.



On the cultural front we have sponsored the Australian Film Institute awards whilst in Dubai we are involved with Offshore Power Boat Racing, the Dubai Rugby Sevens and the Dubai Desert Classic PGA Golf tournament.

In the UK we were the official airline for the Rugby League World Cup but, perhaps, the biggest news of the year was our four-year sponsorship deal with the Chelsea Football Club - this is a £24 million, four-year contract aimed at promoting Emirates to the 440 million TV viewers who watch the UK Premier League soccer games every week.



We took part in a number of major fairs and exhibitions introducing a new double-decker stand at the ITB Berlin, the world's biggest tourism fair. This is of a modular construction, which can be adapted according to the space available at the various exhibitions.

Media Relations

The Media Relations department was responsible for millions of words being written and spoken about Emirates during the year as we relentlessly pushed the brand to be featured among the world's leading airlines. We were rated on several occasions in the UK as the non-British airline with the highest profile in the press and we were featured around the network in reports appearing in media as diverse as 'The Times' in London, to 'The Age' in Melbourne, from 'The East African Standard' to 'The Bangladesh Observer'. Our Media Relations unit also supported Mercator and SkyCargo in the trade media.



محمد بن راشد يطلع على إعداد طائرات «الإمارات» في تولوز

زار الفريق أول سمو الشيخ محمد بن راشد آل مكتوم ولي عهد دبي ووزير الدفاع مؤخرا المقر الرئيس لشركة إيرباص في مدينة تولوز جنوبي فرنسا، واطلع سموه خلال الزيارة على خطط طيران الإمارات الطموحة لتوسيع أسطولها بأحدث الطائرات التي تصنعها الشركة، كما دشن سموه أحدث طائرة انضمت إلى أسطول الإمارات، وهي من طراز ٣٠٠-٣٣٠. ورافق سموه خلال جولته في مقر إيرباص سمو الشيخ أحمد بن سعيد آل مكتوم رئيس دائرة الطيران المدني في دبي رئيس طيران الإمارات وعدد من كبار المسؤولين. وكان في استقبال الوفد هناك نويل فورجارد مدير عام إيرباص.

We hosted 250 journalists on familiarization trips to /from Dubai organising visits in connection with four inaugurals.

Emirates and Emirates Holidays have appeared on a number of TV programmes in Europe, Asia, Australia and the Middle East.

STOCKHOLM



Emirates was official carrier at Dubai Desert Classic.





Internet

As well as launching a new emirates.com, we also created a website for Skywards www.skywards.com and helped to refresh the Skychain site.

Other activities involving the web include supporting Dubai festivals with dsf.com and dss.com, plus using the internet for launching our flights to Birmingham, Chennai(emiratesindia.com) and Dusseldorf. As part of our pan-national campaign we highlighted chauffeur-drive, Skywards, cabin crew and our lounges on a micro-promotional site.





SYDNEY



TEHRAN



Passenger Communications

As market leaders in the airline industry, we continued to evaluate inflight entertainment systems including video on-demand and e-mail. At the time of going to press, we were carrying out trials with e-mail at 37,000 feet and hopefully will introduce it this year.

Product improvement in the past year has included the introduction of Chinese films as well as upgrading the programmes on our short haul flights. The department is now working with SriLankan Airlines to support their inflight entertainment activities.

Graphic Design Unit

Our in-house graphic design unit illustrated the immense value of such a creative resource by following up last year's liveries for Emirates and SriLankan by producing a new logo and livery for Dnata, following this eye-catching blue and green design with new logos for Abela and MMI.



Emirates

Emirates SkyCargo

Emirates Holidays

Dnata

Al Maha Desert Resort

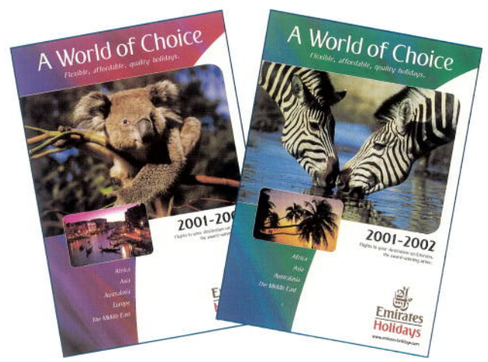
Arabian Adventures
THE DUBAI DESTINATION MANAGEMENT COMPANY

Emirates Abela Catering Company

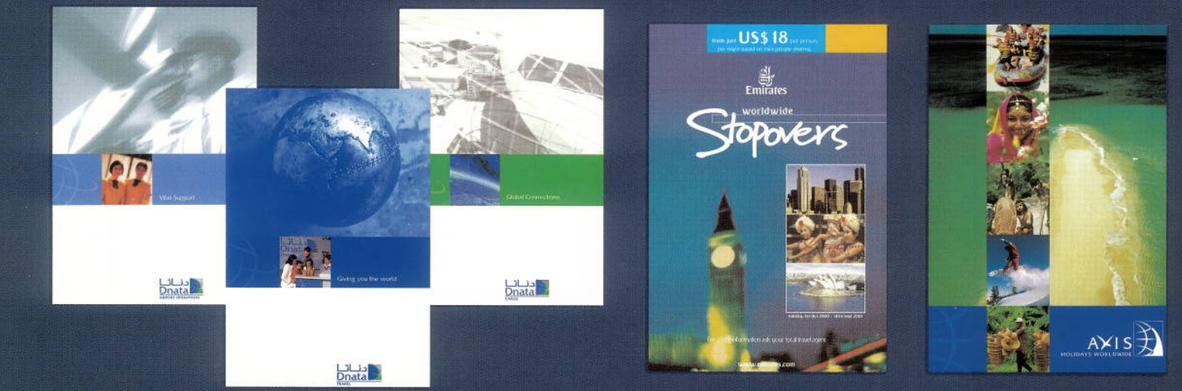
mmi maritime & mercantile international

SriLankan Airlines

Logos produced in Corporate Communications' Graphic Design Unit.

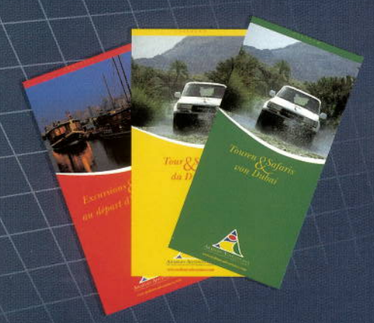


Emirates Holidays brochures.



Brochures and Posters.

TRIPOLI





Promotional material.

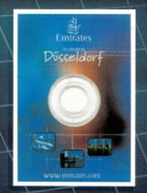
ZURICH



Internet competitions.



EmPower website.



CD-Rom

Corporate Structure

Group

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

Emirates

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

Dnata

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

Operating statistics

Emirates

	2000-01	1999-00	1998-99	1997-98	1996-97
*Consolidated financial statements**					
Total revenue (AED'000)	6,417,372	5,113,875	4,442,987	4,089,114	3,292,079
Total expenditure (AED'000)	5,970,725	4,812,975	4,130,028	3,826,701	3,180,554
Operating profit (AED'000)	665,653	513,316	437,215	434,544	259,228
Net profit (AED'000)	421,825	300,900	312,959	262,413	111,525
Average employee strength (number)	7,996	6,524	5,652	4,978	4,540
Revenue per employee (AED)	802,573	783,856	786,091	821,437	725,128
Value added per employee (AED)	295,231	303,596	306,973	308,897	261,916
Emirates operating statistics					
Performance indicators					
Yield (Fils per RTKM)	173	185	195	212	217
Unit Cost (Fils per ATKM)	114	119	126	136	143
Breakeven load factor (%)	65.7	64.5	64.7	63.9	65.6
Fleet					
No. of aircraft	35	32	26	22	19
Average age (months)	36	48	59	58	61
Production					
Destination cities	55	50	47	44	41
Overall capacity (ATKM million)	4,761	3,824	3,111	2,670	2,118
Available seat kilometers (ASKM'000)	27,254,862	22,425,775	18,673,830	16,368,191	12,810,309
Aircraft departures (number)	35,310	32,482	28,677	26,115	23,060
Traffic					
Passengers carried (number)	5,718,818	4,775,478	4,252,759	3,683,474	2,997,790
Passenger seat kilometres (RPKM'000)	20,468,473	16,129,796	13,908,191	11,450,569	9,109,572
Average distance flown per pax (kms)	3,579	3,378	3,270	3,109	3,039
Passenger seat factor (%)	75.1	71.9	74.5	70.0	71.1
Cargo carried (Kg'000)	335,194	269,919	214,215	200,138	159,720
Overall load carried (RTKM million)	3,310	2,613	2,158	1,850	1,461
Overall load factor (%)	69.5	68.3	69.4	69.3	69.0
Employee					
Average employee strength (number)	7,571	6,524	5,652	4,978	4,540
Capacity per employee (ATKM)	628,850	586,100	550,494	536,432	466,520
Load carried per employee (RTKM)	437,148	400,485	381,731	371,657	321,806

* Emirates has issued consolidated financial statements for the first time. 1999-00 figures have been re-classified to conform with current year presentation. Figures for financial years' prior to 1999-00 exclude adjustments which have been processed against the opening retained earnings as at 1st April 1999.

Operating statistics

Dnata

	2000-01	1999-00	1998-99	1997-98	1996-97
Consolidated financial statements					
Total revenue (AED'000)	740,988	673,390	564,096	509,167	426,069
Total expenditure (AED'000)	631,460	545,972	448,074	400,370	343,398
Operating profit (AED'000)	79,312	104,463	95,197	90,584	68,022
Net profit (AED'000)	109,528	127,418	116,022	108,797	82,671
Average employee strength (number)	6,001	5,258	4,926	4,519	4,370
Revenue per employee (AED)	123,477	128,070	114,514	112,672	97,499
Value added per employee (AED)	94,995	99,869	92,709	91,175	79,197
Airport operating statistics					
Performance indicators					
Aircraft handled (number)	60,689	56,956	50,452	47,947	43,757
Passengers handled (number)	12,793,174	11,198,318	10,028,115	9,290,016	8,240,740
Cargo handled (Kg'000)	572,778	498,058	429,089	426,813	366,467
Employee					
Average employee strength (number)					
Airport operations	3,555	3,087	2,813	2,578	2,426
Cargo	1,027	940	981	930	933
Aircraft handled per employee (number)	17	18	18	19	18
Passengers handled per employee (number)	3,599	3,628	3,565	3,604	3,397
Cargo handled per employee (Kgs)	557,720	529,849	437,400	458,939	392,783

THE EMIRATES GROUP

Financial statistics

Group

		2000-01	1999-00	% Change
Total revenue*	AED (million)	6,921.4	5,581.0	24.0
Total costs*	AED (million)	6,365.2	5,152.7	23.5
Operating profit	AED (million)	745.0	617.8	20.6
Net profit	AED (million)	531.3	428.3	24.1
Group liquid funds	AED (million)	1,719.8	1,126.9	52.6
Shareholders' funds	AED (million)	2,816.5	2,342.2	20.3
Return on shareholders' funds	%	20.6	19.9	0.7 pts
Value added	AED (million)	2,926.3	2,502.2	17.0
Emirates				
Total revenue	AED (million)	6,417.4	5,113.9	25.5
Total costs	AED (million)	5,970.7	4,813.0	24.1
Operating profit	AED (million)	665.7	513.3	29.7
Net profit	AED (million)	421.8	300.9	40.2
Value added	AED (million)	2,360.7	1,980.7	19.2
Dnata				
Total revenue	AED (million)	741.0	673.4	10.0
Total costs	AED (million)	631.5	546.0	15.7
Operating profit	AED (million)	79.3	104.5	(24.1)
Net profit	AED (million)	109.5	127.4	(14.0)
Value added	AED (million)	570.1	525.1	8.6

*After eliminating inter company trading of AED 236.9 million in 2000-01 (1999-00: AED 206.3 million), comprising operating income / expense of AED 232.5 million (1999-00: AED 202.7 million) and interest income / expense of AED 4.4 million (1999-00: AED 3.6 million).

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

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

Income

Group operating profit for 2000-01 was higher by 20.6% at AED 745 million (1999-00: AED 618 million) continuing to represent a very healthy margin of 10.9%.

Group profit net of minority interest and before tax increased by AED 106 million (24.4%) to AED 542 million.

After provision for taxation payable to overseas governments, group net profit registered a 24.1% increase to AED 531 million from AED 428 million last year.

Return on shareholders' funds improved to 20.6% as compared with 19.9% in 1999-00.

At a company level, Emirates and Dnata achieved operating profit margins of 10.5% (AED 666 million) and 11.2% (AED 79 million) respectively.

Emirates' income before tax increased substantially by AED 124 million (40.3%) to AED 432 million and net profit by AED 121 million (40.2%) to AED 422 million. Dnata's profit before and after tax decreased by 14% to AED 109 million reflecting the full year impact of additional costs associated with the move to the new Sheikh Rashid Terminal at Dubai International Airport.

Emirates' cash profit from operations (or EBITDA) was AED 1,176 million, an increase of AED 188 million (19.1%) over 1999-00.

Revenue

Total Group revenue in 2000-01 was AED 6,921 million, an increase of AED 1,340 million (24%) over the previous year. Group revenue consisted of operating revenue of AED 6,582 million and other income of AED 339 million (1999-00: AED 5,407 million and AED 174 million).

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

Emirates operating revenue rose by AED 1,148 million (23.1%) to AED 6,113 million. Other income for the year increased to AED 305 million up 104.4% from AED 149 million in 1999-00, boosted by aircraft financing gains.

Passenger revenue at AED 4,628 million was 17.7% higher than last year, while cargo and related revenue grew by 25.1% to AED 1,055 million. Passenger and cargo revenue (including courier, mail and excess baggage) constituted 93.9% of Emirates' total operating revenue.

Dnata's operating revenue increased by 8.9% over last year to AED 702 million. Other income for the year increased to AED 39 million from AED 29 million in 1999-00.

Expenditure

Group operating costs at AED 6,092 million were AED 1,180 million (24%) up over last year.

Total expenditure including financing costs and taxation was AED 6,365 million, a rise of AED 1,213 million (23.5%) over last year. The increase in costs came mainly from higher staff expenditure (up AED 232 million or 17.8%), aircraft operating lease costs (up AED 215 million or 67.4%), aviation fuel (up AED 161 million or 26.6%), corporate overheads (up AED 173 million or 31.8%) and sales and marketing costs (up AED 130 million or 20.4%).

Capital expenditure

Group capital expenditure for 2000-01 was AED 615 million, 43.3% of the previous year's level of AED 1,420 million. Aircraft, spares and spare engines comprised 55% of the total capital spend. This included disbursements for aircraft deliveries during the year and progress payments for future deliveries. The lower capital expenditure was on account of additions to the aircraft fleet taken on operating leases. Capital expenditure on non aircraft related assets was at the same monetary level as the previous financial year.

Financial position

At 31 March 2001, the Group's financial position showed significant improvement with liquid funds up 52.6% to AED 1,720 million (1999-00: AED 1,127 million). Shareholders' funds at 31 March 2001 were AED 2,817 million, up AED 474 million (20.3%) from 31 March 2000.

The Group invests its surplus funds largely in high quality short-term liquid instruments, notably bank deposits.

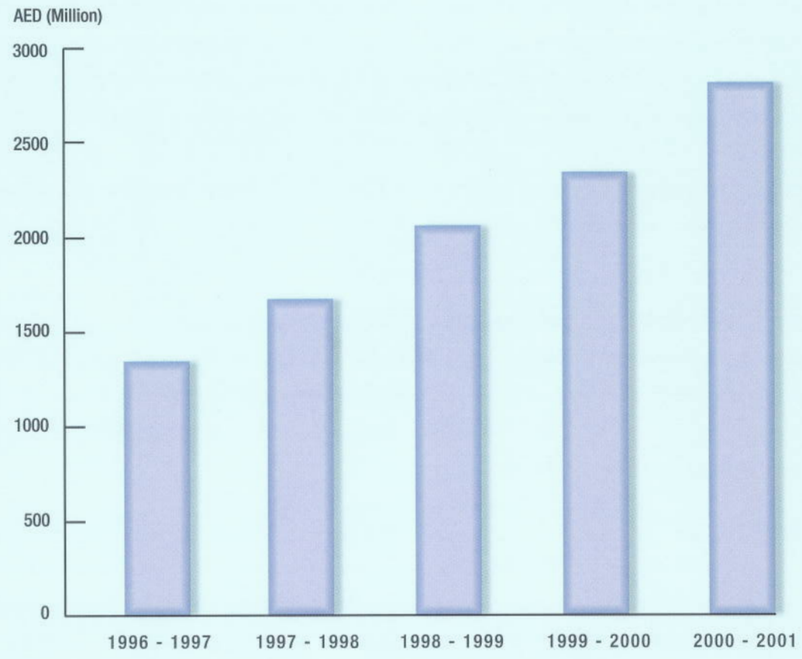
The Group seeks to minimise its foreign currency exposure through a policy of matching receipts and payments. Therefore, surplus funds are repatriated into US Dollars as far as possible, and where appropriate, aircraft financing leases are structured in currencies in which revenues are being generated to create a natural hedge. Emirates financed two of its aircraft as Sterling Operating Leases during 2000-01, to form a natural hedge against a portion of Sterling inflows from Emirates' United Kingdom operations.

Emirates long term debt (net of cash) amount to AED 1,831 million at 31 March 2001, a decrease of AED 682 million over 31 March 2000, of which 56% is on fixed rate basis with the balance 44% at floating rates. This decrease is mainly on account of debt repayments relating to phase-out of the A300/A310 fleet.

At 31 March 2001, Emirates long-term debt on a fixed interest rate basis carried a weighted average rate of 6.2% (1999-00: 6.4%)

At 31 March 2001, Emirates net long term debt / shareholders' funds ratio is 80% (1999-00: 133%).

SHAREHOLDERS' FUNDS



Value added

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

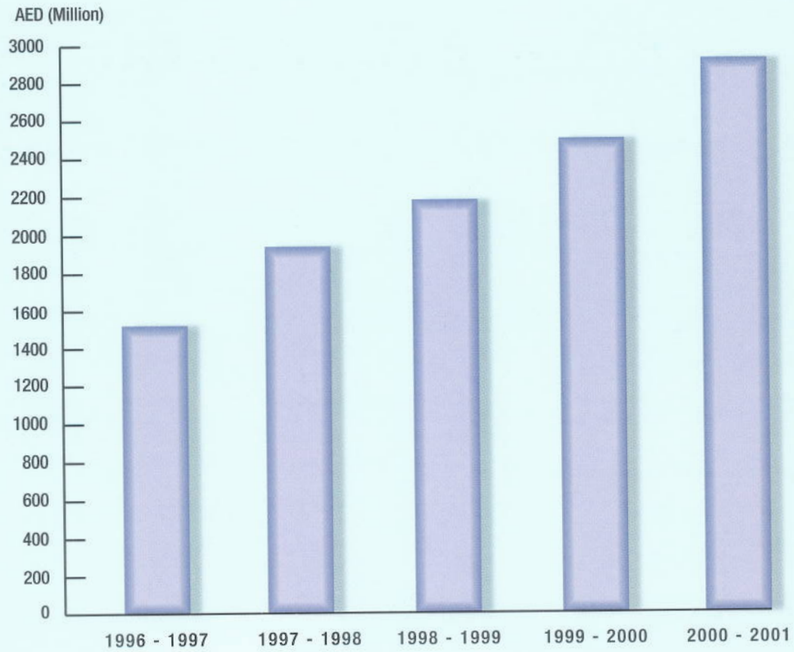
	2000-01	1999-00	1998-99	1997-98	1996-97
	AED'000	AED'000	AED'000	AED'000	AED'000
Group operating revenue	6,582,365	5,406,980	4,679,264	4,361,528	3,544,800
Less: Purchase of goods and services	3,995,112	3,078,810	2,643,568	2,494,002	2,066,740
	2,587,253	**2,328,170**	**2,035,696**	**1,867,526**	**1,478,060**
Add: Other operating income	203,417	108,514	48,636	28,735	28,178
Investment income	91,956	59,075	32,238	38,306	12,255
Profit on sale of investments	-	-	61,558	-	5,018
Profit / (loss) on sale of fixed assets	50,998	14,561	3,036	5,322	(2,279)
Share of profit / (loss) of associated companies	(7,325)	(8,159)	2,735	2,304	2,355
Total value added by the Group	**2,926,299**	**2,502,161**	**2,183,899**	**1,942,193**	**1,523,587**
Distribution of value added:					
To employees – salaries and other employee costs	1,537,339	1,305,537	1,117,199	990,665	856,534
To overseas governments -					
Corporation and other taxes	10,272	7,079	12,237	8,115	5,415
To suppliers of Capital -					
Dividends	140,000	40,000	40,000	40,000	25,000
Interest	263,149	233,298	187,725	186,413	142,249
Retained for re-investment and future growth -					
Depreciation and amortisation	584,186	527,929	437,757	385,790	325,193
Retained profits	391,353	388,318	388,981	331,210	169,196
Total distribution of value added	**2,926,299**	**2,502,161**	**2,183,899**	**1,942,193**	**1,523,587**

In 2000-01, the total 'value added' of the Group increased by AED 424 million (17%) to AED 2,926 million (1999-00: AED 2,502 million). The increase came mainly from increased operating revenue (AED 1,175 million) and other operating income (AED 95 million) while the cost of purchases of goods and services increased by AED 916 million.

Staff received AED 1,537 million (52.5% of the total value added) in the form of salaries and other related costs including a profit share whilst distributions as taxation, interest and dividends were AED 413 million (14.1%).

The amount retained in the business for future growth was AED 976 million (33.3%).

VALUE ADDED



Emirates

Revenue

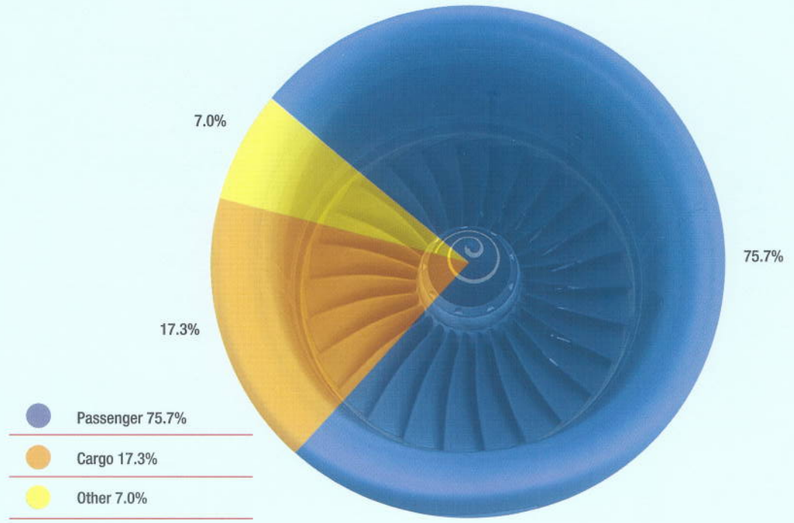
	2000-01		1999-00	
	AED million	%	AED million	%
Passenger	4,628	75.7	3,933	79.2
Cargo	968	15.8	768	15.5
Courier	71	1.2	62	1.3
Excess baggage	57	0.9	54	1.1
Mail	16	0.3	13	0.3
Transport Revenue	**5,740**	**93.9**	**4,830**	**97.4**
Sale of consumer goods (see (a) below)	251	4.1	-	-
Destination and leisure (see (b) below)	91	1.5	67	1.3
Catering (see (c) below)	-	-	43	0.8
Other	31	0.5	25	0.5
Total operating revenue	**6,113**	**100.0**	**4,965**	**100.0**

(a) Consequent to the acquisition of interests in Maritime & Mercantile International Management L.L.C. during the current year, revenue from sale of consumer goods is included in the operating revenue.

(b) Destination and leisure revenue reflects the net income after removal of inter company trading and direct operating costs. Total package sales achieved for 2000-01 were AED 495 million up 25.6% on previous year (1999-00: AED 394 million).

(c) Consequent to investment in Emirates-Abela Catering Co. L.L.C., catering revenue of the current year is included under share of results from associated companies.

REVENUE



Emirates

Expenditure

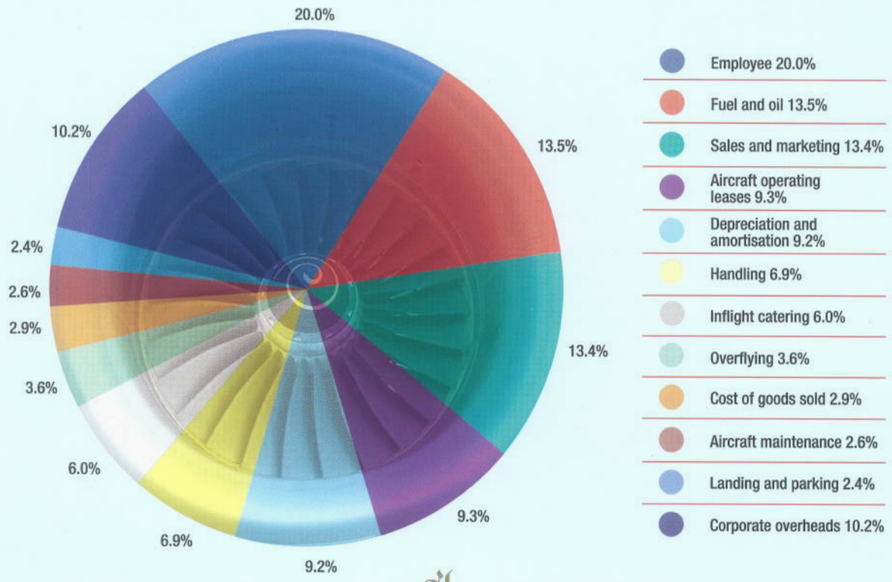
	2000-01		1999-00	
	AED million	%	AED million	%
Employee (see (a) below)	1,136	20.0	958	21.0
Fuel and oil	767	13.5	606	13.3
Sales and marketing	763	13.4	634	13.9
Aircraft operating leases	533	9.3	318	7.0
Depreciation and amortisation	525	9.2	478	10.4
Handling	390	6.9	354	7.7
Inflight Catering	344	6.0	350	7.7
Overflying	204	3.6	176	3.9
Cost of goods sold (see (b) below)	164	2.9	-	-
Aircraft maintenance	149	2.6	155	3.4
Landing and parking	139	2.4	117	2.5
Corporate overheads	579	10.2	423	9.2
Total operating costs (see (c) below)	**5,693**	**100.0**	**4,569**	**100.0**

(a) Includes in-house engineering employees.

(b) Consequent to the acquisition of interests in Maritime & Mercantile International Management L.L.C. during the current year, the cost of consumer goods sold is included in operating costs.

(c) Excludes interest and financing costs.

EXPENDITURE



EMIRATES

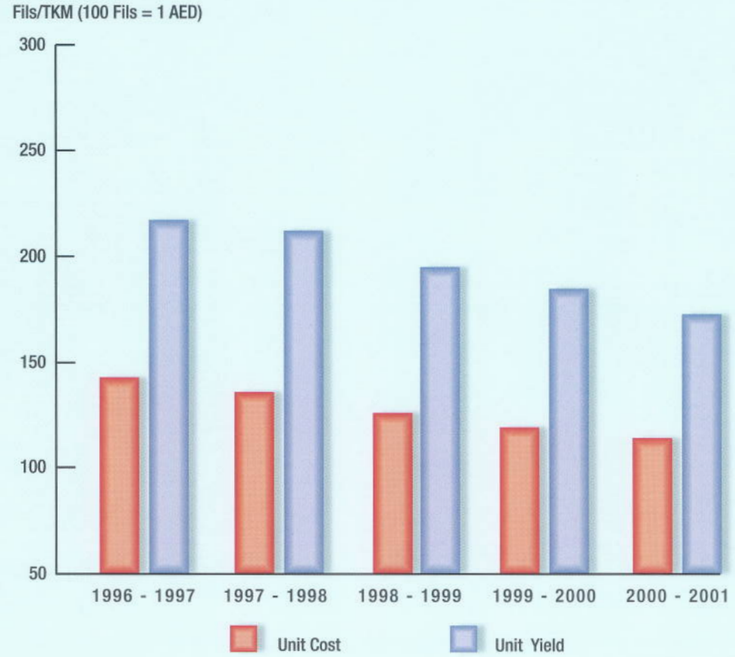
Yield, unit cost and breakeven load factor

Overall yield reduced by 6.2% to 173 fils per tonne-kilometre. Passenger yield dropped by 7.3% while cargo yield fell by 1.1%. This can be attributed to increased long haul activity with the average distance flown per pax 6% higher compared with the previous year. Weaker currencies on account of the strong US Dollar contributed 4.7 percentage points to the overall yield reduction.

Unit cost improved by 5 fils (4.6%) to 114 fils per capacity tonne-kilometre, despite the steep increase in aviation fuel prices. An effective fuel purchasing policy generated considerable savings in the face of increasing aviation fuel prices.

Breakeven load factor increased to 65.7% from 64.5% last year on account of the drop in yield.

YIELD & UNIT COST



Capacity, traffic and load factor

Traffic increased 26.7% to 3,310 million tonne-kilometres, 2.2 percentage points higher than the capacity increase (24.5% to 4,761 million tonne-kilometres). Aircraft departures increased by 8.7% to 35,310 while aircraft utilisation remained at one of the highest in the industry at over 12 hours per day.

The increase in traffic came principally from:

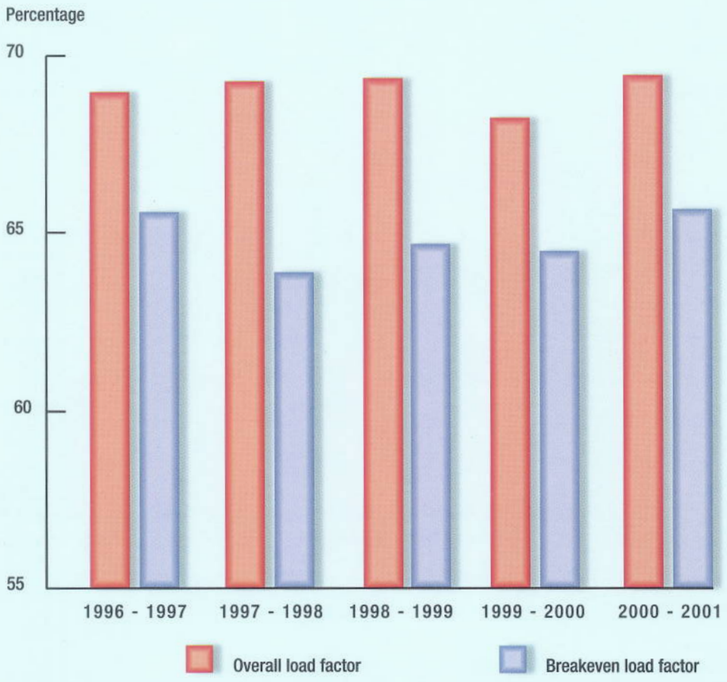
- Introduction of new services to Sydney, Dusseldorf, Milan, Madras and Birmingham.
- Increased capacity to existing destinations with two new B777-300 and 7 new A330 Airbus aircraft.
- Increased frequencies to existing destinations, mainly Saudi Arabia.
- Increase in freighter operations (25% higher compared with the previous year).

Passenger seat factor improved by 3.2 percentage points to 75.1%. Passengers uplifted reached 5.7 million in 2000-01, representing an increase of 19.8% over last year.

Cargo carried in 2000-01 improved by 24.2% at 335,194 tonnes (1999-00: 269,919 tonnes), recording strong growth across the network.

Overall load factor improved by 1.2 percentage points to 69.5%, reflecting a very strong performance considering the large increase in capacity.

OVERALL & BREAKEVEN LOAD FACTOR



Employee strength and productivity

In the year under review, the average workforce rose by 1,472 (22.6%) to 7,996. The average number of employees in the airline grew by 1,047 (16%) to 7,571 as a result of the significant growth in traffic.

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

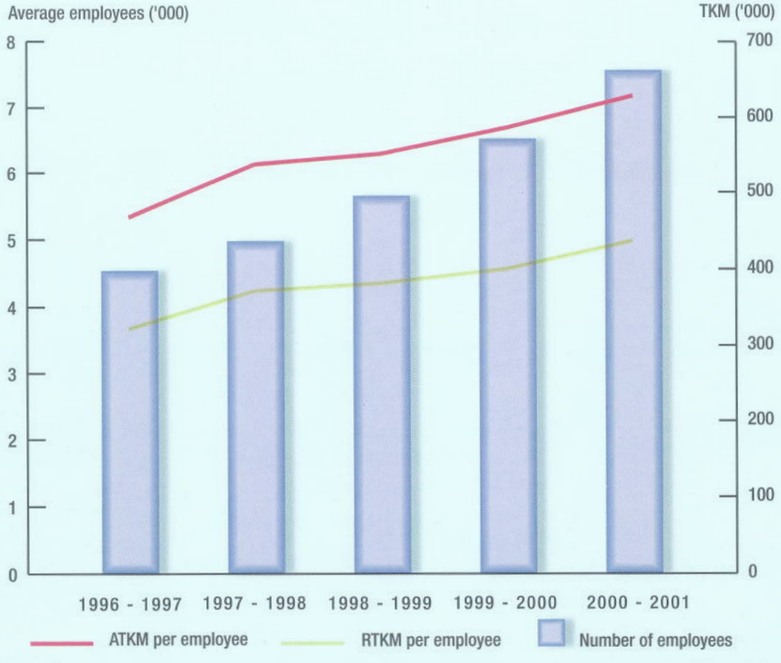
	2000-01	1999-00
UAE		
Cabin crew	2,299	1,944
Flight deck crew	498	432
Engineering	756	673
Other	2,593	2,222
	6,146	**5,271**
Overseas stations	1,425	1,253
Total Emirates	**7,571**	**6,524**
Subsidiary company	**425**	-
Average staff strength	**7,996**	**6,524**

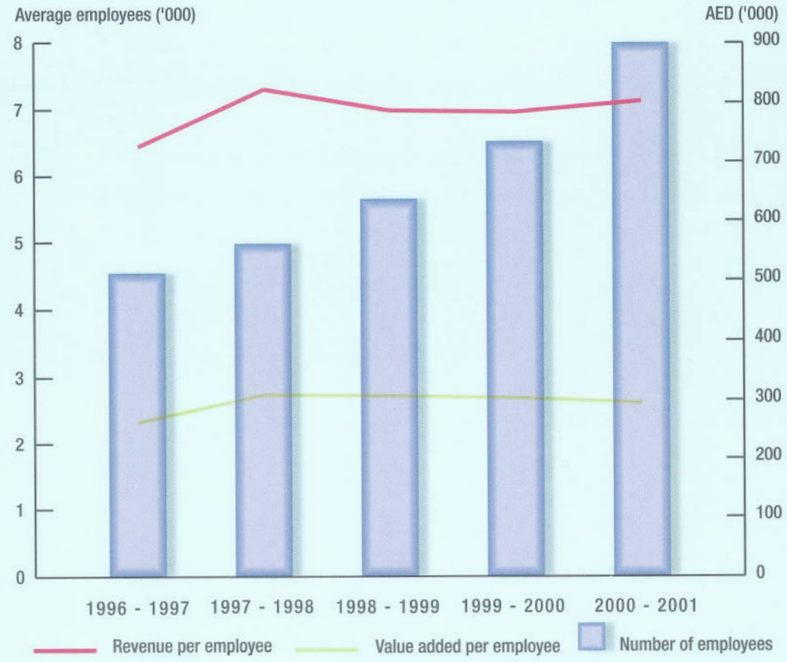
Employee productivity, measured in terms of revenue per employee, improved by 2.3% to AED 802,573 from AED 783,856 in 1999-00.

Value added, which is a measure of wealth created by Emirates during the year, was AED 2,361 million up 19.2% on last year (1999-00: AED 1,981 million). This is equivalent to AED 295,231 per employee compared with AED 303,596 in the previous year.

Capacity per airline employee improved for the eleventh year with a 7.3% increase in ATKM's to 628,850 (1999-00: 586,100). In addition, load carried per airline employee increased by 9.2% to 437,148 RTKM's (1999-00: 400,485).

Employee strength and productivity





Emirates

Fleet information

Aircraft	In operation	On firm order	On option
B777-200	9	-	4
B777-300	4	-	-
A310-300	4	-	-
A300-600R	2*	-	-
A330-200	16	5**	5
A340-500	-	6	10
Total	**35**	**11**	**19**

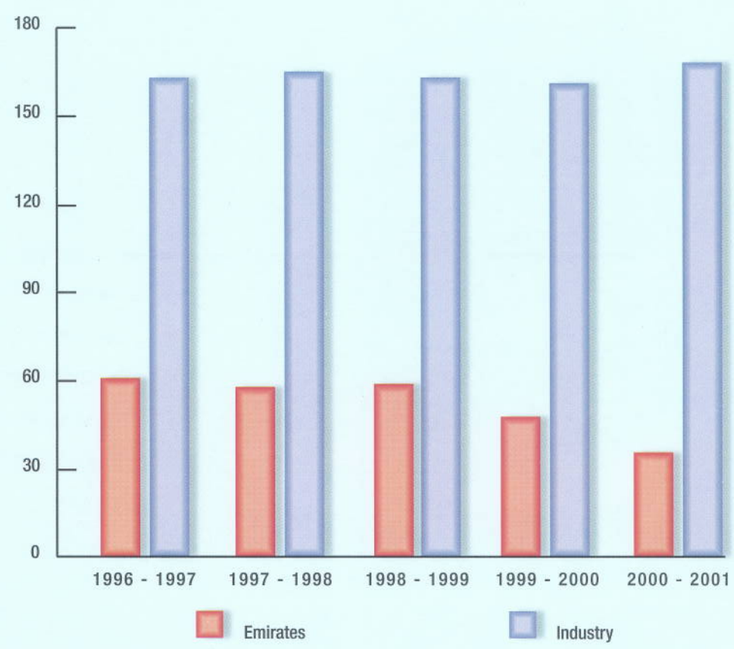
In addition to the above, Emirates has entered into a contract with International Leasing Finance Corporation in respect of the operating lease of six B777-300 aircraft to be delivered between April 2002 and September 2003 respectively.

* One A300-600R has been retired from the fleet since the end of the financial year.

** One A330-200 has been delivered since the end of the financial year.

Emirates operates the youngest fleet in the industry with an average age of 36 months as compared with an industry average of 168 months.

AVERAGE FLEET AGE: EMIRATES & INDUSTRY



Emirates

Revenue

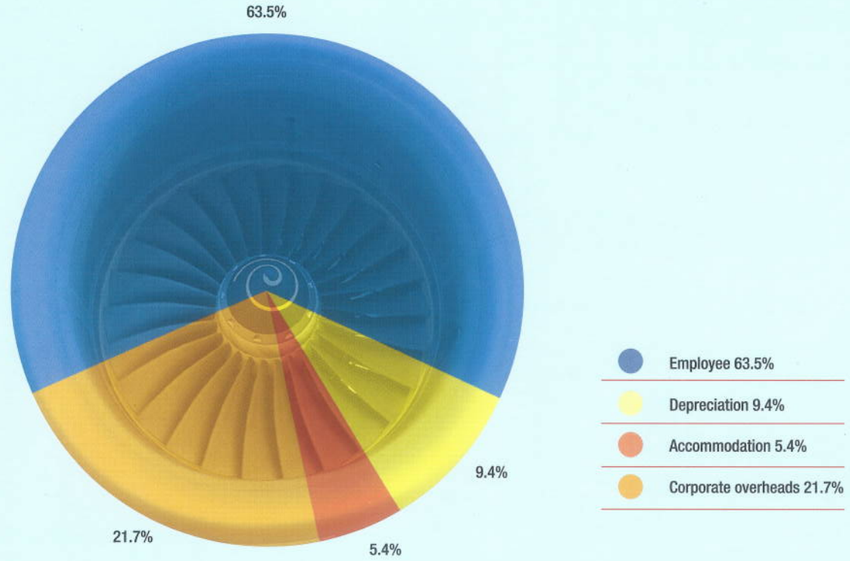
	2000-01		1999-00	
	AED million	%	AED million	%
Airport operations	290	41.3	273	42.3
Information technology	122	17.3	116	17.9
Cargo handling	110	15.6	101	15.7
Agency commission	73	10.4	64	10.0
Reservations system	64	9.2	54	8.4
Property rentals	20	2.9	18	2.8
Other	23	3.3	19	2.9
Total operating revenue	**702**	**100.0**	**645**	**100.0**

REVENUE

Expenditure

	2000-01		1999-00	
	AED million	%	AED million	%
Employee	401	63.5	347	63.6
Depreciation	59	9.4	50	9.2
Accommodation	34	5.4	29	5.3
Corporate overheads	137	21.7	120	21.9
Total operating costs	**631**	**100.0**	**546**	**100.0**

EXPENDITURE

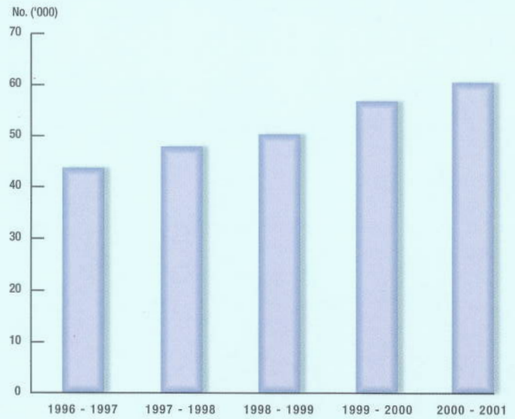


Aircraft, passengers and cargo handled

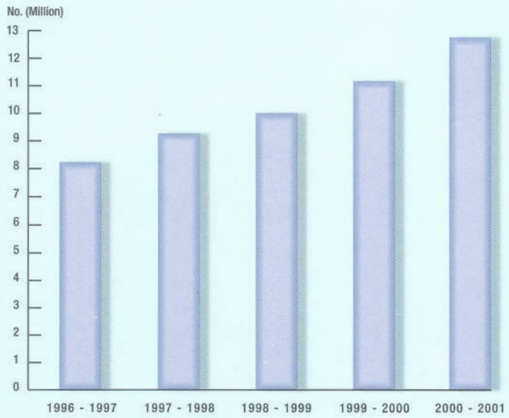
Dubai International Airport has maintained its impressive growth. For the year 2000 it has been ranked among the top 10 fastest growing airports within the 100 busiest airports world-wide as far as passenger movement is concerned. Additionally, it has been ranked as the fastest growing cargo airport among the top 30 airports world-wide.

- The number of aircraft handled during the year rose 6.6% to 60,689 compared with 56,956 during 1999-00.
- The number of passengers handled were 12.8 million, an increase of 14.3% or 1.6 million over the previous year.
- The volume of cargo at 572,778 tonnes was 15% higher than the previous year (1999-00: 498,058 tonnes).
- Dnata handled 95 (1999-00: 100) scheduled international airlines operating to Dubai International Airport.

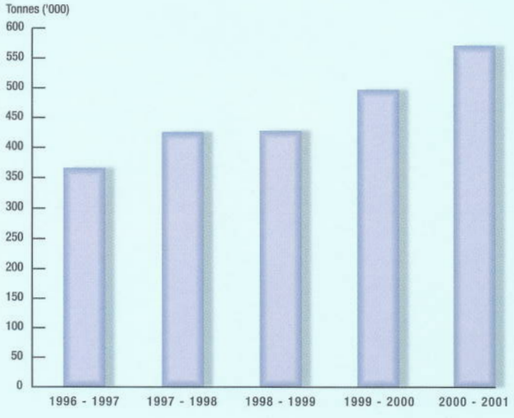
AIRCRAFT HANDLED



PASSENGERS HANDLED



CARGO HANDLED



Employee strength and productivity

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

	2000-01	1999-00
Airport operations	3,555	3,087
Cargo handling	1,027	940
Dnata agencies	469	409
Other	836	796
Total Dnata	**5,887**	**5,232**
Subsidiary companies	**114**	**26**
Average staff strength	**6,001**	**5,258**

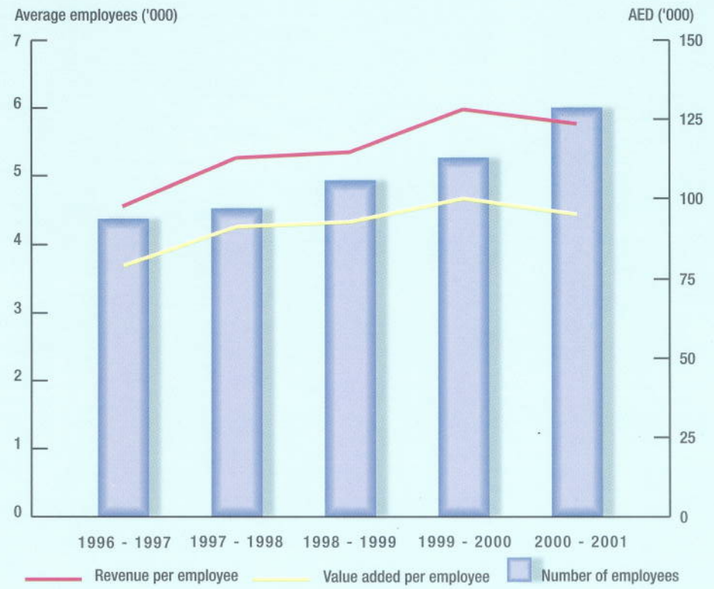
During the year under review the average workforce rose by 743 (14.1%) to 6,001. The average number of employees of Dnata grew by 655 (12.5%) on account of the significantly expanded facilities at the new Sheikh Rashid Terminal at Dubai International Airport. As a result, revenue per employee decreased 3.6% to AED 123,477 from AED 128,070 in 1999-00.

Value added which is a measure of wealth created by Dnata during the year, was AED 570 million (1999-00: AED 525 million). This is equivalent to AED 94,995 per employee compared with AED 99,869 in the previous year.

During the year, aircraft handled per airport employee stood at 17 while passengers handled per airport employee was marginally down 0.8% to 3,599 (1999-00: 3,628) reflecting the growth in employee numbers necessitated by the departure gates and check-in counters more than doubling at the new terminal.

Cargo handled per cargo handling employee increased by 5.3% from 529,849 kgs to 557,920 kgs in 2000-01 reflecting the strong growth in the region.

EMPLOYEE STRENGTH & PRODUCTIVITY



Independent auditors' report to the Government of Dubai

We have audited the accompanying consolidated balance sheet of Emirates (" the company") and its subsidiary (together referred to as "Emirates") as at 31 March 2001 and the related consolidated statements of income and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated 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 2001 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PRICEWATERHOUSECOOPERS
Chartered Accountants

Dubai
25 April 2001

Consolidated income statement for the year ended 31 March 2001

	Notes	2001 AED'000	2000 AED'000
Operating revenue	2	6,112,648	4,964,799
Other operating income	3	245,877	117,503
Operating costs	4	(5,692,872)	(4,568,986)
Operating profit		**665,653**	**513,316**
Net financing costs	5	(199,938)	(196,171)
Associated companies - share of results		(8,796)	(9,166)
Profit before taxation		**456,919**	**307,979**
Taxation	6	(10,272)	(7,079)
Profit after taxation and before minority interest		**446,647**	**300,900**
Minority interest	7	(24,822)	-
Profit for the year		**421,825**	**300,900**

The accounting policies on pages 61 to 63 and the notes on pages 64 to 74 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2001

	Notes	2001	2000
		AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	5,301,306	5,781,539
Goodwill	9	209,601	7,001
Investments in associates	10	15,116	57,658
Other investments	11	3,357	485
		5,529,380	**5,846,683**
Current assets			
Inventories	12	363,302	294,030
Trade and other receivables	13	1,402,964	1,035,031
Cash and bank balances	25	1,448,367	948,167
		3,214,633	**2,277,228**
Total assets		**8,744,013**	**8,123,911**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	14	652,214	612,214
Reserves		1,640,179	1,271,866
		2,292,393	**1,884,080**
Minority interest	7	**49,027**	-
Non-current liabilities			
Borrowings and lease commitments	15	3,279,741	3,463,827
Provisions	19	113,895	236,597
Deferred credits	20	550,577	284,745
		3,944,213	**3,985,169**
Current liabilities			
Trade and other payables	21	1,998,422	1,579,238
Taxation		2,233	2,518
Borrowings and lease commitments	22	457,725	672,906
		2,458,380	**2,254,662**
Total liabilities		**6,402,593**	**6,239,831**
Total equity and liabilities		**8,744,013**	**8,123,911**

The consolidated financial statements were approved on the 25th day of April 2001 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Group Managing Director

The accounting policies on pages 61 to 63 and the notes on pages 64 to 74 form an integral part of the consolidated financial statements.

Emirates

Consolidated statement of changes in equity for the year ended 31 March 2001

	Capital	Exchange adjustments	Retained earnings	Total
	AED'000	AED'000	AED'000	AED'000
1 April 1999				
as previously reported	**612,214**	-	**1,080,446**	**1,692,660**
effect of presenting consolidated financial statements (Note 28)	-	(8,560)	(96,370)	(104,930)
as restated	**612,214**	**(8,560)**	**984,076**	**1,587,730**
Profit for the year	-	-	300,900	300,900
Additions during the year	-	(4,550)	-	(4,550)
1 April 2000	**612,214**	**(13,110)**	**1,284,976**	**1,884,080**
effect of adopting IAS 37 (Note 19(a))	-	-	46,488	46,488
as restated	**612,214**	**(13,110)**	**1,331,464**	**1,930,568**
Additions during the year	40,000	-	-	40,000
Profit for the year	-	-	421,825	421,825
Dividend	-	-	(100,000)	(100,000)
31 March 2001	**652,214**	**(13,110)**	**1,653,289**	**2,292,393**

The accounting policies on pages 61 to 63 and the notes on pages 64 to 74 form an integral part of the consolidated financial statements.

Emirates

Consolidated statement of cash flows for the year ended 31 March 2001

	2001	2000
	AED'000	AED'000
Operating activities		
Profit for the year before taxation and minority interest	432,097	307,979
Adjustments for:		
Depreciation (Note 4)	466,308	470,502
Amortisation (Note 4)	58,758	7,000
Net financing costs	199,938	196,171
(Profit) / loss on sale of property, plant and equipment	(48,501)	(14,704)
Associated companies – share of results	8,796	9,166
Net transfer from aircraft maintenance provision (Note 19(a))	(95,866)	(91,730)
Transfer to provident fund and end of service benefit provision	69,806	58,781
Deferred credits recognised (Note 20)	(15,077)	(3,486)
Operating cash flows before working capital changes	**1,076,259**	**939,679**
Contributions to provident fund and end of service benefit payments	(58,435)	(48,316)
Changes in working capital:		
Inventories	(24,922)	(34,395)
Trade and other receivables	(285,896)	(150,766)
Current liabilities and deferred accounts	532,919	277,443
Tax paid	(10,557)	(8,236)
Net cash provided from operating activities	**1,229,368**	**975,409**
Investing activities		
Proceeds from sale of property, plant and equipment	664,588	245,990
Capital expenditure (Note 26)	(235,990)	(117,750)
Investments in associates (Note 10)	(93,275)	(23,034)
Investment in subsidiary (Note 29)	(198,122)	-
Other investments made during the year	(2,872)	-
Interest income	51,772	38,873
Dividends received from associate	41,044	2,896
Net cash provided from investing activities	**227,145**	**146,975**
Financing activities		
Net loan repayments	(195,839)	(27,450)
Aircraft financing costs	(252,757)	(207,610)
Other finance charges	(703)	(172)
Net lease commitments	(528,684)	(445,242)
Dnata account	(5,453)	(53,771)
Capital introduced	40,000	-
Dividend paid to minority shareholders	(13,770)	-
Net cash used in financing activities	**(957,206)**	**(734,245)**
Net increase in cash and cash equivalents	**499,307**	**388,139**
Cash and cash equivalents at beginning of year	878,950	490,811
Cash and cash equivalents at end of year (Note 25)	**1,378,257**	**878,950**

The accounting policies on pages 61 to 63 and the notes on pages 64 to 74 form an integral part of the consolidated financial statements.

Emirates

Principal accounting policies

EMIRATES

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

Basis of preparation

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

Basis of consolidation

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

Revenue

Passenger and cargo sales are recognised as revenue when the transportation is provided. Tickets sold but unused are held in the balance sheet as passenger and cargo sales in advance and released to income on a systematic basis.
Other operating revenue is recognised when goods are delivered or services rendered during the year and are stated net of discounts and returns.

Foreign currency

Foreign currency transactions are translated into UAE Dirhams at rates approximating those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the rate ruling at the balance sheet date with the exception of lease commitments and the related matched term deposits where the translation rates are fixed in the related agreement. Exchange differences relating to the investment in associates and subsidiaries are classified as equity until the disposal of the investment. All other exchange differences are dealt with in the income statement.

Taxation

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

Emirates

Principal accounting policies (continued)

Property, plant and equipment

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

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

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

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

Manufacturers' credits

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

Capital projects

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

Finance and operating leases

Where property, plant and equipment have been financed by lease agreements under which substantially all of the risks and rewards of ownership are transferred to the lessee, they are treated as if they had been purchased outright. The cost of property, plant and equipment represents the lower of the present value of the minimum lease payments and the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. Interest on the outstanding liability at current rates together with depreciation on the asset are charged to the income statement.

Profits arising on sale and leaseback transactions are recognised as part of income to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Profits arising on the portion of the sale proceeds which exceed the fair value are deferred and amortised over the lease term.

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

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 subsidiary and associated companies at the date of acquisition. Goodwill is amortised over a period of two to twenty years. The carrying amount of goodwill is reviewed annually and written down for impairment.

Investments in associates

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

A listing of associated companies is shown in Note 10.

Other investments

Other investments are stated at cost with a provision being made, where in the opinion of the Directors, diminution in value is other than temporary. Such diminution in value is recognised as an expense in the period in which the diminution occurs.

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 inventory of consumer goods which is determined on first-in-first-out (FIFO) basis.

End of service benefit provision

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

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

Provident fund

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

Frequent flyer programme

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

Cash and cash equivalents

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

Notes to the consolidated financial statements for the year ended 31 March 2001

1. Establishment and operations

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

The main activities of Emirates comprise:

- commercial air transportation which includes passenger, cargo and postal carriage services
- wholesale and retail of consumer goods through its subsidiary Maritime & Mercantile International Management L.L.C.
- aircraft handling and catering services at Bandaranaike International Airport through its associated company SriLankan Airlines Limited
- catering and related services to airlines using Dubai International Airport through its associated company Emirates-Abela Catering Co. L.L.C..

2. Operating revenue

	2001	2000
	AED'000	AED'000
Services		
Passenger	4,628,083	3,932,505
Cargo	967,833	768,018
Destination and leisure	90,937	66,539
Courier	70,943	62,495
Excess baggage	57,320	54,310
Licensed engineering	17,318	14,794
Mail	16,317	13,120
Duty free	12,894	10,526
Catering (see (a) below)	-	42,492
	5,861,645	**4,964,799**
Sale of consumer goods (see (b) below)	**251,003**	-
	6,112,648	**4,964,799**

(a) Consequent to investment in Emirates-Abela Catering Co. L.L.C., catering revenue of the current year is included under share of results from associated companies (Note 10).

(b) Consequent to the acquisition of interests in Maritime & Mercantile International Management L.L.C. during the current year, revenue from sale of consumer goods and the related cost of goods sold are included in the operating revenue and operating costs respectively (Note 10).

2. Operating revenue (continued)

Segment information

Primary reporting format - geographical segments

	Middle East	Europe	Far East	Indian Sub-continent	Africa	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2001						
Total Revenue	1,549,877	1,997,120	1,644,101	836,349	331,078	6,358,525
Segment results	800,646	636,200	399,917	278,533	78,460	2,193,756
Unallocated costs						(1,528,103)
Operating profit						**665,653**
Share of results from associates	(8,796)	-	-	-	-	(8,796)
2000						
Total Revenue	1,095,560	1,670,265	1,256,504	768,317	291,656	5,082,302
Segment results	586,722	502,969	295,585	268,962	76,317	1,730,555
Unallocated costs						(1,217,239)
Operating profit						**513,316**
Share of results from associates	(9,166)	-	-	-	-	(9,166)

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

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

Secondary reporting format - business segments

	Airline	Consumer goods	Total
	AED'000	AED'000	AED'000
2001			
Total Revenue	6,107,522	251,003	6,358,525
2000			
Total Revenue	5,082,302	-	5,082,302

Emirates operates predominantly in two industries, airline and consumer goods. The carrying amount of total assets at 31 March 2001 comprised airline related assets of AED 8,574.9 million (2000: AED 8,123.9 million) and assets deployed in the consumer goods segment of AED 169.1 million (2000: AED Nil). The related capital expenditure for the year ended 31 March 2001 was AED 557.9 million (2000: AED 1,343.9 million) and AED 3.6 million (2000: AED Nil) respectively.

3. Other operating income

Other operating income includes profit on sale and lease back of aircraft amounting to AED 132.1 million (2000: AED 32.4 million).

4. Operating costs

	2001	2000
	AED'000	AED'000
Employee (see (a) & (e) below)	1,135,920	958,271
Fuel and oil (see (b) below)	767,149	605,823
Sales and marketing	763,463	633,603
Aircraft operating leases (see (c) below)	533,085	318,412
Depreciation	466,308	470,502
Handling (see (d) below)	390,177	354,206
Inflight catering	343,706	349,936
Overflying (see (d) below)	204,195	176,699
Cost of goods sold (Note 2(b))	163,696	-
Aircraft maintenance	148,980	154,574
Landing and parking (see (d) below)	138,756	116,925
Amortisation (Note 9)	58,758	7,000
Corporate overheads (see (f) below)	578,679	423,035
	5,692,872	**4,568,986**

(a) Employee costs include AED 23.6 million (2000: AED 18.3 million) in respect of end of service benefit provision, AED 46.2 million (2000: AED 40.5 million) in respect of provident fund contributions and AED 33.1 million (2000: AED 27.2 million) in respect of Emirates' profit share scheme.

(b) Surpluses / deficits arising from forward purchase contracts in respect of fuel are included in fuel costs as and when the contracts are closed out.

(c) Aircraft operating lease charges include AED 427.2 million (2000: AED 233.5 million) in respect of twenty aircraft (2000: thirteen) and AED 105.9 million (2000: AED 84.8 million) in respect of the wet lease of freighter aircraft.

(d) 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 19.5 million (2000: AED 24.5 million).

(e) Average employee strength during the year was 7,996 (2000: 6,524).

(f) Corporate overheads include a net loss from foreign currency transactions of AED 26.1 million (2000: AED 4.6 million).

5. Net financing costs

	2001	2000
	AED'000	AED'000
Aircraft financing costs	(262,446)	(233,126)
Interest charges	(5,135)	(3,784)
Interest income	67,643	40,739
	(199,938)	**(196,171)**

6. Taxation

Taxation relates to certain overseas stations where the company is subject to income tax and where tax exemptions are not likely to be obtained.

7. Minority Interest

	2001	2000
	AED'000	AED'000
Acquisition (Note 29)	37,975	-
Share of net profit	24,822	-
Dividend paid	(13,770)	-
Closing balance	**49,027**	-

8. Property, plant and equipment

	Aircraft	Aircraft engines and rotable spares	Buildings	Other property, plant and equipment	Capital projects	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
1 April 2000	5,665,529	990,744	564,128	606,877	173,238	8,000,516
Additions	3,806	156,187	3,394	38,108	360,015	561,510
Transfers from capital projects	305,125	-	39,269	41,983	(386,377)	-
Acquisition of subsidiary (Note 29)	-	-	34,159	39,412	-	73,571
Net transfer to Dnata	-	-	-	(362)	-	(362)
Disposals	(1,380,256)	(66,693)	(3,120)	(11,593)	-	(1,461,662)
31 March 2001	**4,594,204**	**1,080,238**	**637,830**	**714,425**	**146,876**	**7,173,573**
Depreciation						
1 April 2000	1,460,389	271,939	150,782	335,867	-	2,218,977
Charge for the year	304,935	66,080	28,686	66,608	-	466,309
Net transfer to Dnata	-	-	-	(227)	-	(227)
Acquisition of subsidiary (Note 29)	-	-	6,642	26,141	-	32,783
Disposals	(793,942)	(38,663)	(1,468)	(11,502)	-	(845,575)
31 March 2001	**971,382**	**299,356**	**184,642**	**416,887**	-	**1,872,267**
Net book value						
31 March 2001	**3,622,822**	**780,882**	**453,188**	**297,538**	**146,876**	**5,301,306**
31 March 2000	4,205,140	718,805	413,346	271,010	173,238	5,781,539

8. Property, plant and equipment (continued)

The net book value of aircraft includes an amount of AED 3,499.2 million (2000: AED 3,603.7 million) in respect of assets held under finance leases (Note 17) and AED 123.6 million (2000: AED 601.4 million) in respect of assets acquired under term loans (Note 16).

Aircraft fleet

At 31 March 2001 the aircraft fleet comprised thirty five aircraft (2000: thirty two)

4	Airbus A310-300	(1 under operating lease)
2	Airbus A300-600R	(1 under operating lease)
16	Airbus A330-200	(11 under operating lease)
9	Boeing B777-200	(3 under operating lease)
4	Boeing B777-300	(4 under operating lease)

The company has entered into contracts to purchase five A330-200 aircraft to replace the existing fleet of A310-300 and A300-600R aircraft. Additionally, contracts to purchase six A340-500 aircraft have been entered into (Note 23).

Capital projects

Capital projects include pre-delivery payments of AED 286.9 million (2000: AED 263.8 million) in respect of Airbus aircraft (Note 23) due for delivery between 2001 and 2003 and non-refundable option deposits of AED 10.3 million (2000: AED 10.3 million) held in respect of B777 aircraft.

9. Goodwill

	2001
	AED'000
Balance brought forward	**7,001**
Additions during the year	261,358
Amortisation for the year (Note 4)	(58,758)
Balance carried forward	**209,601**
Cost	**392,703**
Accumulated amortisation	(183,102)
Closing balance	**209,601**

10. Investments in subsidiary and associates

The subsidiary and associated companies are:

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Subsidiary			
Maritime & Mercantile International Management L.L.C.	49.0	Wholesale and retail of consumer goods	U A E
Emirates has the ability to govern the operating and the financial policies of its subsidiary.			
Associated companies			
Emirates-Abela Catering Co. L.L.C.	45.0	Catering services to airlines	U A E
SriLankan Airlines Limited	43.6	Air transportation, aircraft handling and catering	Sri Lanka

Investments in Maritime & Mercantile International Management L.L.C. and Emirates-Abela Catering Co. L.L.C. were made in July 2000 and April 2000 respectively. Emirates' equity share in SriLankan Airlines Limited was 29.6% in 2000.

11. Other investments

	2001	2000
	AED'000	AED'000
Quoted investments (Note 27(ii))	485	485
Unquoted investments	2,872	-
	3,357	**485**

12. Inventories

Engineering	281,263	253,201
Inflight consumables	40,769	29,260
Consumer goods	30,532	-
Other	10,738	11,569
	363,302	**294,030**

13. Trade and other receivables

Trade receivables:		
Airlines	56,883	44,013
Agents	502,226	508,451
Dnata (Note 18)	2,887	1,865
Other	171,400	51,338
	733,396	**605,667**
Other receivables:		
Prepayments and deposits (see below)	248,053	285,881
Operating lease deposits	247,902	52,415
Other	173,613	91,068
	669,568	**429,364**
	1,402,964	**1,035,031**

Other receivables include AED 118.3 million (2000: AED 120.6 million) which are not expected to be realised within one year.

Trade receivables are carried at anticipated realisable values. Regular reviews of the collectibility of outstanding receivables are carried out and provision is made for any debts which in the opinion of the Directors are doubtful of recovery. There are no significant concentrations of credit risk.

14. Capital

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

15. Borrowings and lease commitments - non-current

	2001	2000
	AED'000	AED'000
Lease commitments (Note 17)	3,179,142	3,311,616
Term loans (Note 16)	30,128	80,583
Dnata account (Note 18)	70,471	71,628
	3,279,741	**3,463,827**

16. Term loans

Balance brought forward	**276,422**	**303,872**
Net repayment during the year	(195,839)	(27,450)
Balance carried forward	**80,583**	**276,422**
Loans are repayable as follows:		
Within one year (Note 22)	**50,455**	**195,839**
2-5 years	30,128	80,583
Total over one year (Note 15)	**30,128**	**80,583**

17. Lease commitments

Finance leases

Gross liabilities under lease commitments	4,884,169	5,501,568
Future interest	(1,096,890)	(1,524,510)
Term deposits	(270,977)	(257,592)
Net commitments	**3,516,302**	**3,719,466**
Net lease commitments are repayable as follows:		
Within one year (Note 22)	**337,160**	**407,850**
2-5 years	1,497,384	1,536,781
After 5 years	1,681,758	1,774,835
Total over one year (Note 15)	**3,179,142**	**3,311,616**

The lease commitments are secured on the related aircraft.

In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2001, the penalties would have been AED 114.1million (2000: AED 113.9 million).

17. Lease commitments (continued)

Operating leases

Future minimum lease payments are as follows:

	2001	2000
	AED'000	AED'000
Less than 1 year	616,176	369,110
2-5 years	2,364,750	1,371,063
After 5 years	3,149,075	2,256,047
	6,130,001	**3,996,220**

In the event of these leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2001, the penalties would have been AED 312.9 million (2000: AED 164.9 million).

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

18. Dnata account

Emirates and Dnata share senior management and central corporate functions. The amount payable to Dnata shown in Note 15 arises from the net recharge of expenses between Emirates and Dnata, charges raised in respect of services provided and the transfer of funds. This liability has been classified as long term on the basis that there are no fixed repayment terms and repayment is not expected within one year. Interest is paid to Dnata in line with UAE Dirham bank deposit rates.

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

Common Emirates / Dnata management costs are fully recharged except where the basis of recharge would be arbitrary and in these instances no recharge is made. The net effect of these arrangements does not materially affect profit for the year.

19. Provisions

	2001	2000
	AED'000	AED'000
Aircraft maintenance provision (see (a) below)	-	142,354
End of service benefit provision (see (b) below)	113,895	94,243
	113,895	**236,597**
Movement in end of service benefit provision		
Balance brought forward	**94,243**	
Acquisition of subsidiary	8,281	
Charge for the year	23,589	
Payments made during the year	(12,218)	
Balance carried forward	**113,895**	

19. Provisions (continued)

(a) During the previous year, costs associated with heavy maintenance checks were provided for on the basis of a predetermined amount for each block hour flown. The actual costs of such maintenance were charged against this provision. IAS 37-Provisions, contingent liabilities and contingent assets became effective during the current year and has been adopted in these financial statements. In accordance with the transitional provisions of IAS 37, the impact of prior years amounting to AED 46.5 million, has been reported as an adjustment to retained earnings with the balance being carried forward as an accrual against a contractual obligation.

(b) The end of service benefit provision relates to employees who do not participate in the company provident fund. Senior employees based in the UAE and all UAE national employees participate in the company provident fund, an independent provident fund for which Emirates guarantees these employees will receive at the end of their contracts, at a minimum, benefits equal to their end of service benefit entitlements in accordance with their contracts of employment. At 31 March 2001, the benefits secured by Emirates' contributions exceeded employees' contractual end of service benefit entitlements.

In accordance with the provisions of IAS 19 (revised), management has carried out an exercise to assess the net present value of its obligations at 31 March 2001, in respect of employees' end of service benefits payable under UAE labour law. The assessment assumed average expected salary increases between 0% and 5% and a discount rate of 8%. The present values of the obligations at 31 March 2001, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with UAE labour law.

20. Deferred credits

	2001	2000
	AED'000	AED'000
Balance brought forward	**284,745**	**94,913**
Additions during the year	280,909	193,318
Recognised during the year	(15,077)	(3,486)
Balance carried forward	**550,577**	**284,745**

21. Trade and other payables

Trade payables and accruals	1,216,287	963,357
Passenger and cargo sales in advance	682,135	615,881
Dividend payable	100,000	-
	1,998,422	**1,579,238**

22. Borrowings and lease commitments - current

Lease commitments (Note 17)	337,160	407,850
Term loans (Note 16)	50,455	195,839
Bank overdrafts (Note 25)	70,110	69,217
	457,725	**672,906**

23. Commitments

	2001	2000
	AED'000	AED'000
Capital commitments		
Authorised and contracted	4,259,719	5,220,423
Authorised but not contracted	6,344,926	405,671
	10,604,645	**5,626,094**

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

Financial year	Airbus
2001 - 2002	4
2002 - 2003	4
2003 - 2004	3

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

Operational commitments		
Purchase commitments	1,585,454	1,468,419
Letters of credit	16,545	11,441
	1,601,999	**1,479,860**

Purchase commitments mainly include forward purchase contracts entered into in respect of fuel.

24. Contingent liabilities

Guarantees provided in the normal course of business	59,836	6,307

25. Cash and cash equivalents

Short term bank deposits	1,226,699	857,088
Cash and bank	221,668	91,079
	1,448,367	**948,167**
Bank overdrafts (Note 22)	(70,110)	(69,217)
	1,378,257	**878,950**

Short term bank deposits bear interest at rates of 4% to 7.38% (2000: 4% to 7.25%) per annum.

26. Analysis of capital expenditure

Purchase of property, plant and equipment	561,510	1,343,889
Less: Assets acquired under finance leases	(325,520)	(1,226,139)
Capital expenditure	**235,990**	**117,750**

27. Financial instruments

(i) Interest risk

The company has financial liabilities which bear interest at floating rates. A 1% increase in interest rates in respect of these financial instruments would increase the charge to the income statement in the next financial year by AED 25.5 million (2000: AED 21.8 million). Aircraft related financing bears interest at rates of 4.44% to 7.04% (2000: 3.76% to 7.68%) per annum.

(ii) Fair values

Other than the beneficial interest of shares in quoted investments, the carrying amounts of the financial assets and financial liabilities as reflected in these consolidated financial statements approximate to their fair values. In respect of the quoted investments, the sale of these shares are subject to certain restrictions. Therefore, Emirates' interest is stated at cost. However, based on the quoted value of US Dollars 24 per share as at 31 March 2001 (31 March 2000: US Dollars 85), the Directors are of the view that the fair value of the beneficial interest in 592,695 shares is significantly higher than the cost.

28. Consolidated financial statements

Emirates is presenting consolidated financial statements for the first time. Consolidation has necessitated equity accounting for the investment in SriLankan Airlines Limited which has resulted in restatement of prior year figures in these financial statements.

29. Acquisition

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

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

Independent auditors' report to the Government of Dubai

We have audited the accompanying consolidated balance sheet of Dnata ("the company") and its subsidiaries ("the group") as at 31 March 2001 and the related consolidated statements of income and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2001 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PRICEWATERHOUSECOOPERS

Chartered Accountants

Dubai

25 April 2001

Consolidated income statement for the year ended 31 March 2001

	Notes	2001 AED'000	2000 AED'000
Operating revenue	2	702,234	644,863
Other operating income		8,538	5,572
Operating costs	3	(631,460)	(545,972)
Operating profit		**79,312**	**104,463**
Interest income		28,745	21,948
Associated companies - share of results		1,471	1,007
Profit for the year		**109,528**	**127,418**

The accounting policies on pages 80 and 81 and the notes on pages 82 to 89 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2001

	Notes	2001 AED'000	2000 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	167,751	171,105
Investments in associates	5	10,059	13,593
Other investment	6	73,460	73,460
Long term receivable	7	70,471	71,628
		321,741	**329,786**
Current assets			
Inventories		9,952	9,494
Trade and other receivables	8	165,582	151,810
Cash and bank balances	14	368,001	281,347
		543,535	**442,651**
Total assets		**865,276**	772,437
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	11	62,615	62,615
Reserves		461,503	395,455
		524,118	**458,070**
Non-current liabilities			
End of service benefit provision	9	**93,150**	**84,842**
Current liabilities			
Trade and other payables	10	221,546	196,132
Bank overdrafts	14	26,462	33,393
		248,008	**229,525**
Total liabilities		**341,158**	**314,367**
Total equity and liabilities		**865,276**	772,437

The financial statements were approved on the 25th day of April 2001 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Group Managing Director

The accounting policies on pages 80 and 81 and the notes on pages 82 to 89 form an integral part of the consolidated financial statements.

Dnata

Consolidated statement of changes in equity for the year ended 31 March 2001

	Capital	Exchange adjustments	Retained earnings	Total
	AED'000	AED'000	AED'000	AED'000
1 April 1999	**62,615**	**(535)**	**309,101**	**371,181**
Profit for the year	-	-	127,418	127,418
Dividend	-	-	(40,000)	(40,000)
Additions during the year	-	(529)	-	(529)
1 April 2000	**62,615**	**(1,064)**	**396,519**	**458,070**
Profit for the year	-	-	109,528	109,528
Dividend	-	-	(40,000)	(40,000)
Additions during the year	-	(3,480)	-	(3,480)
31 March 2001	**62,615**	**(4,544)**	**466,047**	**524,118**

The accounting policies on pages 80 and 81 and the notes on pages 82 to 89 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 March 2001

	2001	2000
	AED'000	AED'000
Operating activities		
Profit for the year	109,528	127,418
Adjustments for:		
Depreciation (Note 3)	59,120	50,427
Interest income	(28,745)	(21,948)
Transfer to provident fund and end of service benefit provision	23,834	18,993
Associated companies - share of results	(1,471)	(1,007)
(Profit) / loss on sale of property, plant and equipment	(2,497)	143
Operating cash flows before working capital changes	**159,769**	**174,026**
Contributions to provident fund and end of service benefit payments	(15,526)	(11,659)
Changes in working capital:		
Inventories	(458)	1,217
Trade and other receivables	(5,978)	(32,059)
Trade and other payables	22,426	18,318
Net cash provided from operating activities	**160,233**	**149,843**
Investing activities		
Purchase of property, plant and equipment	(53,441)	(76,355)
Proceeds from sale of property, plant and equipment	3,014	652
Investment in associate	-	(6,688)
Acquisition of subsidiary (Note 16)	(3,042)	-
Other investment	-	(73,460)
Emirates account	5,453	53,771
Interest income	23,792	18,292
Dividends received from associate	500	-
Net cash used in investing activities	**(23,724)**	**(83,788)**
Financing activities		
Dividend paid	(40,000)	(40,000)
Net increase in cash and cash equivalents	**96,509**	**26,055**
Cash and cash equivalents at beginning of year	247,954	221,899
Effect of exchange rate changes	(2,924)	-
Cash and cash equivalents at end of year (Note 14)	**341,539**	**247,954**

The accounting policies on pages 80 and 81 and the notes on pages 82 to 89 form an integral part of the consolidated financial statements.

Principal accounting policies

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

Basis of preparation

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

Basis of consolidation

The consolidated financial statements of Dnata comprise Dnata, Dnata World Travel and its subsidiary companies, together with Dnata's share of results for the year of its associated companies. A separate balance sheet for Dnata has not been prepared as the amounts would not be materially different from those in the consolidated balance sheet. All material inter company transactions, balances and unrealised surpluses and deficits on transactions between Dnata and its subsidiaries and associates have been eliminated.

Revenue

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

Foreign currency

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

Property, plant and equipment

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

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

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

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

Principal accounting policies (continued)

Capital projects

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

Investments in associates

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

A listing of associated companies is shown in Note 5.

Other investments

Investments are stated at cost with a provision being made, where in the opinion of the Directors, there is diminution in value which is other than temporary. Such diminution in value is recognised as an expense in the period in which the diminution occurs.

Inventories

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

End of service benefit provision

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

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

Provident fund

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

Cash and cash equivalents

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

Notes to the consolidated financial statements for the year ended 31 March 2001

1. Establishment and operations

Dnata comprises Dnata, Dnata World Travel and its subsidiaries and associated companies which are set out in Note 5. Dnata was incorporated in the emirate of Dubai, with limited liability, under an Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 4 April 1987. On that date, Dnata took over for nil consideration, the total assets and liabilities of Dubai National Air Travel Agency with effect from 1 April 1987.

Dnata World Travel was incorporated in the emirate of Dubai, with limited liability, by an Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 27 February 1989. In view of the common ownership and the related business activities of Dnata and Dnata World Travel, the Directors consider it appropriate to prepare a single set of financial statements incorporating the two entities.

The main activities of Dnata comprise:

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

2. Operating revenue

	2001	2000
	AED'000	AED'000
Airport operations	290,416	272,400
Information technology	121,704	115,257
Cargo	109,594	101,311
Agency commission	72,892	64,319
Reservations system	64,429	54,380
Property rentals	20,227	18,261
Other	22,972	18,935
	702,234	**644,863**

3. Operating costs

Employee (see below)	401,419	347,266
Depreciation	59,120	50,427
Accommodation	33,940	28,486
Corporate overheads	136,981	119,793
	631,460	**545,972**

(a) Employee costs include AED 19.2 million (2000: AED 15.3 million) in respect of end of service benefit provision, AED 4.7 million (2000: AED 3.7 million) in respect of provident fund contributions and AED 11.1 million (2000: AED 9.9 million) in respect of Dnata's profit share scheme.

(b) Average employee strength during the year was 6,001 (2000: 5,258).

4. Property, plant and equipment

	Buildings	Airport plant and equipment	Office equipment and furniture	Motor vehicles	Capital projects	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
1 April 2000	21,713	139,771	270,312	9,919	14,824	456,539
Additions	-	17,859	28,765	1,273	5,544	53,441
Transfers from capital projects	-	-	14,569	-	(14,569)	-
Net transfer from Emirates	-	-	315	47	-	362
Acquisition of subsidiary (Note 16)	-	3,798	217	199	-	4,214
Disposals	-	(8,024)	(13,061)	(335)	-	(21,420)
31 March 2001	**21,713**	**153,404**	**301,117**	**11,103**	**5,799**	**493,136**
Depreciation						
1 April 2000	4,033	98,135	176,637	6,629	-	285,434
Charge for the year	1,228	15,620	40,898	1,374	-	59,120
Net transfer from Emirates	-	-	177	50	-	227
Acquisition of subsidiary (Note 16)	-	1,358	78	71	-	1,507
Disposals	-	(7,585)	(12,987)	(331)	-	(20,903)
31 March 2001	**5,261**	**107,528**	**204,803**	**7,793**	**-**	**325,385**
Net book value						
31 March 2001	**16,452**	**45,876**	**96,314**	**3,310**	**5,799**	**167,751**
31 March 2000	17,680	41,636	93,675	3,290	14,824	171,105

5. Investments in subsidiaries and associates

The subsidiaries and associated companies are:

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

Dnata-Wings Aviation Systems Corporation became a wholly owned subsidiary consequent to Dnata acquiring the residual 50% (2000-50%) equity during the year. Dnata-Wings Aviation Systems Corporation has been consolidated from the date on which it became a wholly owned subsidiary. The carrying value of the investment, based on the equity method of accounting, on the date of acquisition of the residual 50% has been transferred out of investments in associates. There were no other changes in the percentage of ownership interests during the two years ended 31 March 2001.

6. Other investment

The other investment represents guaranteed floating rate notes with Wisma (S) Limited, a 100% owned subsidiary of Emirates Bank International PJSC. The notes are guaranteed for principal and interest by Emirates Bank International PJSC. The investment has a maturity date of 15 December 2002 and earns interest at LIBOR plus 0.9% paid quarterly in arrears.

7. Long term receivable

	2001	2000
	AED'000	AED'000
Due from Emirates	70,471	71,628

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

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

Common Dnata / Emirates management costs are fully recharged except where the basis of recharge would be arbitrary and in these instances no recharge is made. The net effect of these arrangements does not materially affect profit for the year.

8. Trade and other receivables

	2001	2000
	AED'000	AED'000
Trade receivables:		
Travel agents	9,071	10,955
Airlines	28,301	25,203
Other	69,758	63,804
	107,130	**99,962**
Other receivables and prepayments:		
Prepayments and deposits	26,901	13,488
Other	31,551	38,360
	58,452	**51,848**
	165,582	**151,810**

Trade receivables are carried at anticipated realisable values. Regular reviews of the collectibility of outstanding receivables are carried out and provision is made for any debts which in the opinion of the Directors are doubtful of recovery. There are no significant concentrations of credit risk.

9. End of service benefit provision

	2001	2000
	AED'000	AED'000
Balance brought forward	**84,842**	77,508
Charge for the year	19,155	15,261
Payments during the year	(10,847)	(7,927)
Balance carried forward	**93,150**	**84,842**

The end of service benefit provision relates to employees who do not participate in the company provident fund. Senior employees based in the UAE and all UAE national employees participate in the company provident fund, an independent provident fund for which Dnata guarantees these employees will receive at the end of their contracts, at a minimum, benefits equal to their end of service benefit entitlements in accordance with their contracts of employment. At 31 March 2001, the benefits secured by Dnata's contributions exceeded employees' contractual end of service benefit entitlements.

In accordance with the provisions of IAS 19 (revised), management has carried out an exercise to assess the net present value of its obligations at 31 March 2001, in respect of employees' end of service benefits payable under UAE labour law. The assessment assumed average expected salary increases between 0% and 5% and a discount rate of 8%. The present values of the obligations at 31 March 2001, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with UAE labour law.

10. Trade and other payables

	2001	2000
	AED'000	AED'000
Payables and accruals	121,841	93,050
Dividend payable	40,000	40,000
Employee leave pay	18,347	16,112
Airlines:		
Emirates (Note 7)	2,887	1,865
Other	38,471	45,105
	221,546	**196,132**

11. Capital

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

12. Commitments

	2001	2000
	AED'000	AED'000
Capital commitments		
Authorised and contracted	12,872	12,361
Authorised but not contracted	153,945	91,814
	166,817	**104,175**
Operational commitments		
Letters of credit	92	1,190

The above were issued in the normal course of business.

13. Contingent liabilities

Guarantees provided in the normal course of business	8,887	10,128

14. Cash and cash equivalents

Short term bank deposits	355,008	270,186
Cash and bank	12,993	11,161
	368,001	**281,347**
Bank overdrafts	(26,462)	(33,393)
	341,539	**247,954**

Short term bank deposits bear interest at rates of 4% to 6.8% (2000: 4% to 6.5%) per annum.

15. Financial instruments

Fair values

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

16. Acquisition

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

	2001
	AED'000
Cash and cash equivalents	410
Property, plant and equipment	2,707
Current assets	6,149
Current liabilities	(2,988)
Fair value of net assets acquired	**6,278**
Less: Share of assets out of earlier acquisition (Note 5)	(2,826)
Less: Cash and cash equivalents	(410)
Cash outflow on acquisition	**3,042**

Offices and General Sales Agents

MIDDLE EAST & AFRICA

City	Address	Agent	Code	Telephone
ABU DHABI	Bin Hamal Travel & Tourism P.O. Box 45450 Abu Dhabi, UAE	GSA	971-2-	6315888
AJMAN	Travel Centre P O Box 3838 Ajman, UAE	GSA	971-6-	7448444
AL AIN	Bin Harmal Travel & Tourism P O Box 1446 Al Ain, UAE	GSA	971-3-	7662424
AL KHOBAR	Corner King Khaled/Dhahran St. Dammam P O Box 561 Al Khobar, Saudi Arabia	EMIRATES	966-3-	8325249
AMMAN	Astra Plaza Building (A) 4th floor Wadi Saqra Road , Jabal Amman P O Box 910325 Amman, 11191 Jordan	EMIRATES	962-6-	4615222 4612800
ASMARA	Red Sea Air Harnet Avenue, P O Box 222 Asmara, Eritrea	PSA	291-1-	120792
BAHRAIN	1F13-1F19,1F68-1F70 Al Al'Ali Shopping Complex Block 428, Road 2827, Bldg No 2210 Al Seef District P O Box 21354, Manama, State of Bahrain	EMIRATES	588700	801900 (Toll free)
BEIRUT	Gefinor Building Ground 2 Section D. No 60-63 Al Hamra Area Beirut, Lebanon	EMIRATES	961-1-	739042
CAIRO	18, Al-Batal Ahmed Abdul Aziz St. Mohandesen Cairo, Egypt	EMIRATES	20-2	3361555
CAIRO	Baron Hotel, Heliopolis Cairo, Egypt	EMIRATES	20-2-	2907730
DAMASCUS	Manaf Tours & Travel 29 Ayyar Street Damascus, Syria	GSA	963-11	2313450/1/2 2315211
DAR ES SALAAM	Haidery Plaza Ali Hassan Mwinyi Road P O Box 9594 Dar es Salaam, Tanzania	EMIRATES	255-22-	2116100/1/2/3
DAMMAM (DHAHRAN)	Al Dossary Towers Dhahran Street Post Box 561 Al Khobar, 31952 Dhahran, Saudi Arabia	EMIRATES	966-3-	8942723
DOHA	Abdulla Bin Jassem Street P O Box 22488, Doha, Qatar	EMIRATES	974-	4418877 4425577
DUBAI	Call Centre Al Ramoul Dubai, UAE	EMIRATES	971 4-	214 4444 (Eng) 204 4000 (Arabic)

DUBAI (SOUQ)	Ticket Office, Souq Naif Road Deira, Dubai, UAE	EMIRATES	971-4-	2260003
DUBAI	Ticket Office Sheikh Zayed Road Dubai, UAE	EMIRATES	971-4	3434204
ENTEBEE	Ground Floor, FNC Building Entebee, Uganda	EM IRATES	256-41	349941/2/3
FUJAIRAH	DNATA Bank Saderat Iran Bldg P O Box 445, Fujairah, UAE	GSA	971-9	2222985
JEDDAH	City Centre Building Medina Road P O Box 41142 Jeddah 21521, Saudi Arabia	Emirates	966-2-	6659405 (4 lines)
JOHANNESBURG	Sandton Office Tower 5th Floor, Sandton City C/o 5th Avenue & Rivonia Road Johannesburg, South Africa	EMIRATES	27-11-	3031900
KAMPALA	Hanover Travel FNC Building, Corner of Kimathi & Colville Street,P O Box 10109 Kampala, Uganda	GSA	256-41-	349941/2/3
KIGALI	Concorde Rwanda S.A.R.L. Boulevard De La Revolution Soras Building, P O Box 4152 Kigali, Rwanda	PSA	250	75988 75566 75988
KUWAIT	Boodai Aviation Agencies Kuwait Finance House Bldg Al Hilali Street, P O Box 5798 13058 Safat, Kuwait	GSA	965-	2425566
LAGOS	Paradise Travel & Tours Plot 8, Lagos, Nigeria	PSA	234-1-	2625545/6
LUSAKA	Premier Travel & Tours No. 7 Ground Floor Findeco House P O Box 370-12 Lusaka, Zambia	PSA	260-1	224138 222931 226121
MAKKAH	Al-Adliah Travel & Tours Co Al Ghamash Bldg, Shop No. 1 Near Municipality Office Main Maabdah P O Box 9803 Makkah, Saudi Arabia	GSA	966-2-	5748941 5748571 5745121 5745145
MAURITIUS (PORT LOUIS)	Ireland Blythe & Co Ltd (IBL) Tourism Division 10, Dr. Ferrier St. P O Box 56 Port Louis, Mauritius	GSA	230-	2125846
MEDINA	Al-Adlia Travel & Tours Co Abu Baker Al Saddeuq Street (Sultana), Al Ayoon Bldg P O Box 2321, Medina, Saudi Arabia	GSA	966-4-	8268244 8267097 8268164
MOMBASA	Mezzanine Floor, TSS Towers Nkrumah Road,P O Box 88704 Mombasa, Kenya	EMIRATES	11	226600 226343 316966
MUSCAT	Universal Travel and Tourism Agencies LLC P O Box 2802, Pin Code 112 Ruwi, Sultanate of Oman	EMIRATES	968-	786600

NAIROBI	View Park Towers, 20th Floor Monrovia Street P O Box 40993 Nairobi, Kenya	EMIRATES	254-2-	211900 211187 211315
RAS AL-KHAIMAH	Omest Travels P O Box 103 Ras Al Khaimah, UAE	GSA	971-7-	2229413
RIYADH	Cerecon Building No. 4 Opp Old Akhariya Mousa Bin Road Olaya, P O Box 57475 Riyadh 11574, Saudi Arabia	EMIRATES	966-1-	4657117
SANAA	Apollo Travel Co Ltd Hadda Street (Opp. Cinema Complex) P O Box 18286, Sanaa Republic of Yemen	GSA	967-1-	244208 244444
SHARJAH	Sharjah Tower (Al Soor Bldg) Ground Floor, Al Arooba St Sharjah, UAE	Emirates	971-6-	5724759
	SNTTA P O Box 17, Sharjah, UAE	GSA	971-6	5351411
TEHRAN	1/1209 Valiasr St. Opposite Tavanir St Tehran 15167, Iran	EMIRATES	98-21-	8796786
TRIPOLI	P O Box 91315 Dat Al Imad Complex Tower No 5, 5th Floor Tripoli, Libya	EMIRATES	218-21-	3350591/7/8
UMM AL-QUWAIN	UAQ National Travel Agency P O Box 601 Umm Al Quwain, UAE	GSA	971-6-	7666684

EUROPE , USA & CANADA

AMSTERDAM	Air Support Triport 1 Building Room 6150, Evert Van De Beekstraak 35, 118 CL Schiphol Airport, Netherlands	GSA	31-20-	3164222
ATHENS	189, L. Syngrou Avenue 1st floor, 171 21 - N. Smyrni Athens - Greece	EMIRATES	30-1-	9333400
	Amathus Aviation Hellas Ltd 5 Carolos Deal & Metropoleos 54623 Thessaloniki, Greece	GSA	30-31-	283015-17
BELGRADE	PMT Limited Knez Mihajova 6/6 Belgrade 11000, Yugoslavia	GSA	381-11	624435
BIRMINGHAM	Birmingham Intl. Airport	EMIRATES	0121	7678740 7678737
BRUSSELS	Air Agencies Belgium NV Vivoordelaan 153A B-1930 Zaventem, Belgium	EMIRATES	32-2-	7126447
BUCHAREST	World Travel Calea Mosilor, nr. 294, sect 2 Bucharest, Romania	GSA	40-1-	2100527 2100601
BUDAPEST	1052 Budapest Váci utca 19-21 Millennium Center, Hungary	GSA	36-1-	2668435

CHICAGO	150 North Martingale Road Suite 840, Schaumburg IL 60173, USA	EMIRATES	1-847	5923470 800-777 3999 (Tollfree)
DUSSELDORF	Terminal C, Room 1252B P.O. Box 300363, Dusseldorf, 40474	EMIRATES	0211	42170210
FRANKFURT	Escherscheimer Landstrasse 55 60322 Frankfurt, Germany	EMIRATES	0180	5364728
HOUSTON	5718 Westheimer Road Suite 1090, Houston Texas 77057, USA	EMIRATES	1-713-	2665491 800-777 3999 (Tollfree)
ISTANBUL	Inonu Caddesi 96, Devres Han Gumussuyu 80090 Istanbul, Turkey	EMIRATES	90-212-	2935050
LARNACA	Amathus Navigation Co Ltd Larnaca Airport Larnaca, Cyprus	GSA	357-4-	643070 643323
LONDON	First Floor, Gloucester Park 95, Cromwell Road London SW7 4DL United Kingdom	EMIRATES	0870	243 2222
LOS ANGELES	880 Apollo Street Suite 302, El Segundo CA 90245 USA	EMIRATES	1-310-	414-3250 800-777-3999 (Tollfree)
MADRID	Skyways S.L. Gran Via 67 6th Floor, Office 619 28013, Madrid, Spain	GSA	34-91-	5599897
MALTA (VALLETTA)	Air Services International Ltd 144 Old Bakery Street Valletta VLT, 09, Malta	GSA	356-	233121
MANCHESTER	Riverside Court Riverside Park Wilmslow Cheshire SK9 1DL	EMIRATES	0870 0870	2432222 2412195 (Arabic)
MILAN	Via Paolo Da Cannobio 10 5th Floor, 20122-Milan, Italy	EMIRATES	39-02-	72000370
MUNICH	Munich Airport Terminal Module C Level 4, Room 310 85356 Munchen, Germany	EMIRATES	0180	5364728
NEW YORK	405, Park Avenue Suite 403 New York, NY 10022, USA	EMIRATES	212	7583944 Ext. 200 800-777 3999 (Tollfree)
NICE (Paris)	Aeroport Nice Cote d'Azur Terminal 1 06281 Nice Cedex 3, France	EMIRATES	33-1-	53053535 (Paris)
NICOSIA	C/o Amathus Navigation Co. Ltd 66E Makarios Avenue P.O.Box 21601 Nicosia 1077, Cyprus	GSA	357-2-	374010/612 374302 376114
PARIS	Rue Scribe 75009 Paris France	EMIRATES	33-1-	53053535

PRAGUE	Globair S.R.O. Kozi 3 110 00 Prague 1 Czech Republic	GSA	420-2-	24810261
ROME	Piazza Guglielmo Marconi 25 Rome, Italy	EMIRATES		800-462256 (Tollfree)
SKOPJE	PMT Limited Mito Hazdivasilev 20 91000 Skopje FYR Macedonia	GSA	389 91	118692
STOCKHOLM	Aviation Marketing Scandinavia AB St. Goeransgatan 84 SE 112 38 Stockholm SWEDEN	GSA	46-8-	6512850
TORONTO	40 Sheppard Avenue West 7th Floor, Suite 707 North York, Ontario Canada M2N 6K9	EMIRATES	1- 800-	777 3999 (Tollfree)
VIENNA	Kustritz Touristik Ges MBH Schreyvogelgasse 5 A-1010 Wien Austria	GSA	43-1-	5326028
ZURICH	Imperial Khouse Thurgauerstrasse 548050 Zurich-Oerilikon Switzerland	EMIRATES	41-1-	3071111

WEST ASIA & PACIFIC RIM

AHMEDABAD	Hans Air Services MF-1 Nirman Bhavan Opp. Havmor Navrangpura Ahmedabad - 380009 India	PSA	91-79-	6569032 6420832 6445677
AUCKLAND	Level 5, PPMG Legal Building 22 Fanshawe Street Auckland, New Zealand	EMIRATES	64-9-	3776004
BANGALORE	Stic Travels Pvt Ltd G5, Imperial Court 33/1, Cunningham Road Bangalore 560052, India	PSA	91-80-	2202408/9 2256194/5
BANGKOK	2nd Floor, B B Building 54, Asoke Road Sukhumvit 21 Khet Wattana Bangkok 10110, Thailand	EMIRATES	66-2-	6641040
CALCUTTA	Global Aviation Services Pvt Ltd Hotel Hindustan International R.No. 101/103, 1st. Floor 235/1 A.J.C.B.Road Calcutta - 700 020, India	PSA	91-33-	2472550 2471230
CHENNAI (MADRAS)	Riaz Garden, 1st floor 12 & 13 Kodambakkam High Road Chennai 600 034, India	EMIRATES	91 44-	8240137 8223700 8232519
CHITTAGONG	ABC Air Limited 91 Agrabad Commercial Area Chittagong, Bangladesh	GSA	880-31-	725647 725648
COLOMBO	Hemas Bldg, 9th Floor 75 Baybrooke Place Colombo 02, Sri Lanka	GSA	94-1-	300200

DELHI	Kanchenjunga Building 18, Barakhamba Road New Delhi 110 001, India	EMIRATES	91-11	3328080 (5 lines)
DHAKA	116 Gulshan Avenue Gulshan Model Town Dhaka, Bangladesh	EMIRATES	880-2-	9885573/74
	ABC Air Limited 64, Motijheel Commercial Area Dhaka, Bangladesh	GSA	880-2	9563825/6/7
GOA	Phil Travels Durga Chambers, Shop No 8 & 9 18th June Road Panaji, Goa 403 001, India	PSA	91-832	235300
HANOI	Transviet Promotions 25 Ly Thuong Kiet, Hoan Kien District Hanoi, Vietnam	GSA	84-4-	9347240
HO CHI MINH	Transviet Promotions 114A Nguyen Hue Street District 1, Ho Chi Minh City Vietnam	GSA	84-8	8256575/6
HONG KONG	11/F,Henley Building 5 Queens Road Central Hong Kong	EMIRATES	852-	25267171
HYDERABAD	Global Aviation Services Pvt Ltd Kalpavruksha 3-6-475/3 1st. Floor, Himayat Nagar Hyderabad - 500 029	PSA	91-40-	6503450-53
ISLAMABAD	2-C Mohammadi Plaza Jinnah Avenue, Blue Area Islamabad, Pakistan	EMIRATES		0800-33777 (Tollfree)
JAKARTA	Sahid Jaya Hotel 2nd Floor Jalan Jend Sudiman Jakarta, Indonesia	EMIRATES	62-21-	5742440
JALANDHAR	Hans Air Services Pvt Ltd 111/112, Prestige Chambers G.T. Road Jalandhar - 144001 India	PSA	91-181-	57343/57344
JOHOR BAHRU	Maple Travel (M) SDN BHD G 125, Ground Floor Holiday Plaza, Jalan Dato Sulaiman, Taman Century 80250 Johor Bahru, Malaysia	GSA	60-7-	3325828
KARACHI	265 R A, Lines Sarwar Shaheed Road Karachi 74200, Pakistan	EMIRATES		0800-33777 (Tollfree)
KATHMANDU	Universal Tours & Travels (P) Ltd P O Box 939, Kantipath Kathmandu, Nepal	GSA	977-1-	220579 252048/49 252050
KUALA LUMPUR	Shangri-La Hotel Annexe Lot 25, Letter Box 103 1st Floor, UBN Tower 10 Jalan P Ramlee 50250 Kuala Lumpur, Malaysia	EMIRATES	60-3-	2325288
LAHORE	1-2 Cantonment Commercial Complex Abid Majeed Road Lahore Cantt, Pakistan	EMIRATES		0800-33777 (Tollfree)

MALE	Boduthakurufaanu Magu, Henveiru Male - Republic of Maldives	EMIRATES	960-	314945 325491
MALE	Universal Enterprises Ltd Orchid Magu Male - Maldives	PSA	960	315466/7
MANILA	18th Floor, Pacific Star Building Sen, Gil J Puyat Avenue Corner Makati Avenue Makati City, Philippines	EMIRATES	63-2-	8115278
MELBOURNE	Level 2 257 Collins Street Melbourne, Vic 3000 03-9667-0000, Australia	EMIRATES		1300-303777 (Tollfree)
MULTAN	House 1717, Kutchery Road, Multan Pakistan 60000	EMIRATES		0800 33777 (toll free)
MUMBAI (BOMBAY)	Mittal Chambers Office No. 3 Ground Floor 228, Nariman Point Mumbai 400021, India	EMIRATES	91-22	2871645 -52
OSAKA	Hommachi Hua Tong Bldg., 5F 4-5-16 Hommachi, Chuo-ku, Osaka, 541-0053, Japan	GSA	81-6-	62652511
PENANG	Maple Travel (M) SDN BHD Phase 2B Lot 4-32 Komtar Level 4 10000 Penang, Malaysia	GSA	60-4-	2631100
PESHAWAR	95-B, Saddar Road Peshawar Airport Pakistan	EMIRATES		0800 33777 (Tollfree)
PUNE	Goldchip Travel Agency Pvt Ltd 129/130 Ashoka Mall, 1st floor Bund Garden Road Pune - 411 001 India	PSA	91-20-	623773 609432 603713
SEOUL	Wooree Agency Corpn 5th Floor, Soon Hwa Bldg 5-2 Soon Hwa Dong Chung Gu, Seoul, Korea	GSA	82-2-	3190059
SINGAPORE	435, Orchard Road # 19-06 Wisma Atria Singapore 238877	EMIRATES	65-	7353535
SYDNEY	Level 4, 36 Clarence Street Sydney, N.S.W. 2000	EMIRATES	 61-2-	1300-303 777 (Toll Free) 92909700
SYLHET	ABC Air Limited 502, Taltola, Sylhet Bangladesh	GSA	880-821-	712159 711200 711300
TAIPEI	Sentra Travel Service Ltd 4F, 112, Sec 2 Chung Hsiao E Road Taipei, Taiwan Republic of China	GSA	886-2-	23966891
TOKYO	Air Systems Inc Toranomon TBL Bldg 8F 1-19-9 Toranomon, Minato-Ku, Tokyo 105-0001, Japan	GSA	81-3-	35936720

April 2001.

RECORD PROFITS FOR EMIRATES GROUP

The Emirates Group, facing up to the past year's challenge of volatile world markets and increasing costs, has achieved a tremendous 24.1 per cent increase in net profits to Dhs531 million (US$145 million).

The financial results of the Group, which comprises Emirates Airline and Dnata, were declared at a press conference today (Saturday 28th April) at its Dubai hub by Group Chairman, HH Sheikh Ahmed bin Saeed Al-Maktoum.

In the company's Annual Report, Sheikh Ahmed commented: "I had forecast another successful year for the Group, but the airline and travel industries are notoriously unpredictable and we had to make a number of major changes to our strategy and tactics to achieve what, in the end, was again a record year."

Total group revenue increased by 24 per cent to Dhs6.9 billion (US$1.9 billion) in the year ending 31st March 2001.
Of the net income of Dhs531 million (US$145 million), Emirates' profits rose 40.2 per cent from Dhs301 million (US$82 million) to Dhs422 million (US$115 million), with Dnata returning a net income of Dhs109 million (US$30 million) compared with Dhs127 million (US$35 million) the previous year.

Looking forward to a year of relative consolidation, events proved otherwise, as Sheikh Ahmed pointed out: "We were also hoping for a seamless, stable and positive financial scene across our network but the world markets became bearish, several of our destinations faced inflationary pressures and jet fuel prices continued to rise and still remain buoyant."

Although overall yield fell by 6.2% as a result of the strength of the dollar against major trading currencies, this was offset by the Group's continued strategy of cost-cutting, to drive down unit costs by 4.6%.

Group Managing Director, Maurice Flanagan, said: "All in all, it was not an easy time as other airlines' financial results will confirm, but the Emirates Group managed to change a lacklustre year from gloom to boom. It was a rare combination of creative cost-cutting without affecting the service to our clients, a round-the-clock sustained sales and marketing drive by world-class players, classy service by our frontline staff in the air and on the ground, and unstinting work of high quality from all the people behind the scenes"

As a result, Emirates saw an increase in passenger volumes by 19.8 per cent to 5.7 million, with 335,194 tonnes of cargo carried, an increase of 24.2 per cent.

Dnata rose to the challenge of increased traffic through the new Sheikh Rashid Terminal, handling 12.8 million passengers and 573,000 tonnes of cargo – increases of 14.3 per cent and 15 per cent respectively.

Mercator, the Group's Information Technology division, p!ayed its part in contributing to group revenue by winning competitive tenders in all five continents, to become a truly global IT business.

Sheikh Ahmed commented: "The high-class performances we have seen from the Group during this past year are the result of sustained quality standards from hardworking and loyal staff and management. They also underline the creative and lateral thinking which helps to make us market leaders."

Emirates Airline

The delivery of new Airbus A330-200 and Boeing 777-300 aircraft during the year increased the airline's overall capacity by 24.5 per cent, which was met by an increase in seat factors of 75.1 per cent and overall load factors of 69.5 per cent.

Cargo loads also rose by 24.2 per cent, confirming the strong demand forecast for the year, especially from the Asia Pacific Rim to Europe and Europe to the Middle East.

Mr Flanagan commented: "Emirates has shown a resilience which augers well for our next ambitious leap forward, as we plan to introduce the very long range A340-500 and the very large, indeed, A380. Interestingly, the fourth quarter pointed to the need for more and bigger aircraft already as average seat factors exceeded 90 per cent on many routes."

The year began with the launch of services to Milan and ended with the inauguration of daily flights to Düsseldorf, Emirates' 57th destination in 40 countries. During the year, services were launched also to Chennai, Birmingham and Tripoli. Berlin and Stockholm, which Emirates codeshares with SriLankan Airlines, were added to the network, in addition to Amsterdam, the airline's cargo-only destination.

New developments within the airline included the launch of Skywards, the frequent flyer programme of Emirates and SrilLankan Airlines, which now boasts more than 170,000 members worldwide.

A newly-acquired, leased Boeing 747-400F freighter, in Emirates SkyCargo's own livery, allows for increased payload and fuel efficiencies. The cargo division's contribution to the airline's operating revenue was 17.3 per cent, considered one of the highest in the industry.

Emirates' Destination and Leisure Management division, which includes the wholesale tour operating company Emirates Holidays, the Dubai Destination Management Company Arabian Adventures, and Al Maha Desert Resort, recorded an exceptional performance with passenger numbers reaching a record 179,000, to register a turnover of Dhs495 million (US$135 million).

With the arrival of the new aircraft, the fleet's average age was reduced from four years to three years – making it the youngest fleet in the world, and the fastest-growing airline, with some US$4 billion worth of aircraft on order (including options).

Dnata

Dnata went through significant changes during the year, including the unveiling of a new, stylish corporate logo. Dnata Airport Services, in partnership with Dubai Civil Aviation, inaugurated the new Sheikh Rashid Terminal which demanded an increase in staff numbers and logistics.

Dnata Cargo, in co-operation with Emirates SkyCargo, opened the new Emirates Cargo Centre while smoothly maintaining operations at its terminal.

Dnata Engineering opened its new workshop, covering an area of 9,600 square metres, for the maintenance of all ground support equipment.

Dnata Ground Operations handled 60,689 aircraft at Dubai International Airport, an increase of 6.6 per cent over the previous year.

Dnata Agencies experienced a substantial increase in revenues of 13.3 per cent over last year.

The highlight of the year for Dnata Airport Services was the award of the ISO9001 – 2000 for the provision of ground services at the airport, while Dnata Holidays was honoured with an award from the Government of India in the "Most India Friendly Overseas Tour Operator" category, on of only five such awards given worldwide.

PHOTOCAPTION:

HH Sheikh Ahmed bin Saeed Al Maktoum, Chairman of Emirates, and Maurice Flanagan, Group Managing Director, pictured at the press conference held to announce the Emirates Group's financial results for the year 2000/2001.

For the full Annual Report, please visit the Group's website: www.ekgroup.com

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