

Aramex PJSC and its subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2011



Directors' Report

Dear Shareholders,

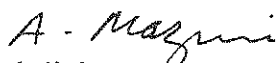
2011 was an exceptional year in the history of our company, as we strengthened our global network with expansion into a number of key emerging markets through a series of acquisitions and strategic partnerships. We also maintained our strong financial performance despite the global economic recession and the state of instability in a number of countries in the Middle East region.

In 2011, we maintained our robust financial performance following on the strong financial results in the year 2010, with our revenues growing by 16% from AED 2,212 million in 2010 to AED 2,576 million in 2011. Furthermore, net profits increased by 4% over the same period, from AED 204 million to AED 211.5 million.

We also continued our strategic plan for expansion in key emerging markets, with consolidation of our presence in China, the second largest global economy, along with significant expansion across Africa. We will work to expand our network further this year, particularly in Central Asia and Africa.

In this year, Aramex is well positioned and prepared to deal with all the challenges ahead. With the anticipated increase in operating costs and the continued instability affecting many of our core markets, we will strive to maintain a stable performance and we firmly believe that our business model will enable us to maintain flexibility in our costs, and provide us with capabilities for fast response to crisis as they arise.

We are confident of our ability to deliver on our promises to all our share holders, and we have a clear vision for achieving long term sustainable growth for the company in the coming years, despite the potential challenges we face ahead.


Abdullah M. Mazrui
Chairman


Fadi Ghandour
Founder and CEO

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAMEX PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Aramex PJSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Articles of Association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARAMEX PJSC (continued)**

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the Articles of Association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out; and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Group or on its financial position.



Signed by
Joseph Alexander Murphy
Partner
Registration No. 492

For Ernst and Young

26 February 2012
Dubai, United Arab Emirates

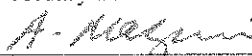
Aramex PJSC and its subsidiaries


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 AED'000	2010 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	445,360	332,144
Goodwill	5	1,010,109	863,199
Other intangible assets	6	30,357	8,927
Available-for-sale financial assets	7	2,219	3,988
Investments in joint ventures	8	18,108	19,165
Investment in an associate	9	1,271	-
Deferred tax assets	10	2,555	2,530
Other non-current assets		72	39
		<u>1,510,051</u>	<u>1,229,992</u>
Current assets			
Accounts receivable	11	499,671	404,028
Other current assets	12	169,048	97,699
Bank balances and cash	13	314,011	554,739
		<u>982,730</u>	<u>1,056,466</u>
TOTAL ASSETS		<u><u>2,492,781</u></u>	<u><u>2,286,458</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,464,100	1,464,100
Statutory reserve	15	87,312	62,274
Foreign currency translation reserve	15	(17,703)	(6,335)
Fair value reserve	15	(502)	1,268
Reserve arising from acquisition of non-controlling interests	15	(15,278)	(12,397)
Retained earnings	16	347,181	272,089
		<u>1,865,110</u>	<u>1,780,999</u>
Equity attributable to equity holders of the Parent		1,865,110	1,780,999
Non-controlling interests		30,972	24,577
		<u>1,896,082</u>	<u>1,805,576</u>
Non-current liabilities			
Interest-bearing loans and borrowings	17	9,637	6,503
Employees' end of service benefits	18	79,660	66,958
Other non-current liabilities		1,200	-
Deferred tax liabilities	10	1,117	1,295
		<u>91,614</u>	<u>74,756</u>
Current liabilities			
Accounts payable	19	163,222	129,148
Bank overdrafts	20	19,445	6,863
Interest-bearing loans and borrowings	17	12,001	6,715
Other current liabilities	21	310,417	263,400
		<u>505,085</u>	<u>406,126</u>
Total liabilities		<u>596,699</u>	<u>480,882</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,492,781</u></u>	<u><u>2,286,458</u></u>

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 26 February 2012.


Abdullah Al-Mazrui
(Chairman)


Eadi Ghandour
(Founder & CEO)


Emad Shishtawi
(Senior Vice President Finance)

The attached notes from 1 to 34 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Rendering of services	22	2,576,199	2,211,996
Cost of services	23	<u>(1,221,261)</u>	<u>(1,021,830)</u>
GROSS PROFIT		1,354,938	1,190,166
Share of results of joint ventures	8	(554)	(256)
Share of loss of an associate	9	(200)	-
Selling and marketing expenses		(122,719)	(108,285)
Administrative expenses	24	(470,823)	(410,802)
Operating expenses	25	(508,987)	(444,596)
Other income	26	2,498	3,168
OPERATING PROFIT		254,153	229,395
Finance income		7,360	16,283
Finance expense		(1,756)	(1,166)
PROFIT BEFORE TAX		259,757	244,512
Income tax	10	(17,799)	(14,935)
PROFIT FOR THE YEAR		241,958	229,577
Attributable to:			
Equity holders of the Parent		211,538	204,092
Non-controlling interests		30,420	25,485
		<u>241,958</u>	<u>229,577</u>
Earnings per share attributable to the equity holders of the Parent:			
-basic and diluted earnings per share	28	<u>AED 0.144</u>	<u>AED 0.139</u>

The attached notes from 1 to 34 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Profit for the year	<u>241,958</u>	<u>229,577</u>
Other comprehensive loss, net of tax:		
Exchange differences on translation of foreign operations	(11,520)	(3,603)
Net loss on available-for-sale financial assets	(1,770)	(977)
Other comprehensive loss for the year, net of tax	<u>(13,290)</u>	<u>(4,580)</u>
Total comprehensive income for the year	<u>228,668</u>	<u>224,997</u>
Total comprehensive income attributable to:		
Equity holders of the Parent	198,400	199,341
Non-controlling interests	30,268	25,656
	<u>228,668</u>	<u>224,997</u>

The attached notes from 1 to 34 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Parent								
	Share capital AED '000	Statutory reserve AED '000	Foreign currency translation reserve AED '000	Fair value reserve AED '000	Reserve arising from acquisition of non-controlling interests AED '000	Retained earnings AED '000	Total AED '000	Non- controlling interests AED '000	Total AED '000
At 1 January 2010	1,331,000	40,923	(2,561)	2,245	-	224,048	1,595,655	28,143	1,623,798
Total comprehensive income for the year	-	-	(3,774)	(977)	-	204,092	199,341	25,656	224,997
Acquisition of non-controlling interests	-	-	-	-	(12,397)	-	(12,397)	(1,376)	(13,773)
Issue of share capital – script dividends	133,100	-	-	-	-	(133,100)	-	-	-
Transfer to statutory reserve	-	21,351	-	-	-	(21,351)	-	-	-
Directors' fees paid	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(21,702)	(21,702)
Non-controlling interests	-	-	-	-	-	-	-	(6,144)	(6,144)
At 1 January 2011	1,464,100	62,274	(6,335)	1,268	(12,397)	272,089	1,780,999	24,577	1,805,576
Total comprehensive income for the year	-	-	(11,368)	(1,770)	-	211,538	198,400	30,268	228,668
Acquisition of non-controlling interests	-	-	-	-	(2,881)	-	(2,881)	(1,134)	(4,015)
Transfer to statutory reserve	-	25,038	-	-	-	(25,038)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	2,072	2,072
Non-controlling interests	-	-	-	-	-	-	-	(11,033)	(11,033)
Introduction of capital of subsidiaries	-	-	-	-	-	-	-	537	537
Cash dividends paid to shareholders	-	-	-	-	-	(109,808)	(109,808)	-	(109,808)
Directors' fees paid	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(14,315)	(14,315)
At 31 December 2011	1,464,100	87,312	(17,703)	(502)	(15,278)	347,181	1,865,110	30,972	1,896,082

The attached notes from 1 to 34 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
OPERATING ACTIVITIES			
Profit before tax		259,757	244,512
Adjustment for:			
Depreciation of property, plant and equipment	4	53,137	47,741
Amortisation of intangible assets	6	2,194	962
Provision for employees' end of service benefits	18	19,445	13,002
Provision for doubtful accounts, net		7,453	7,974
Net finance income		(5,604)	(15,117)
Share of results of joint ventures		554	256
Share of loss of an associate		200	-
Loss on disposal of property, plant and equipment		8	459
		<u>337,144</u>	<u>299,789</u>
Working capital adjustments:			
Accounts receivable		(38,985)	(60,854)
Accounts payable		11,965	9,912
Other current assets		(71,298)	(10,978)
Other current liabilities		43,983	23,840
		<u>282,809</u>	<u>261,709</u>
Cash from operations		282,809	261,709
Employees' end of service benefits paid	18	(5,897)	(5,795)
Income tax paid		(15,016)	(9,534)
		<u>261,896</u>	<u>246,380</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(160,241)	(136,893)
Proceeds from sale of property, plant and equipment		2,439	1,841
Interest received		7,360	16,283
Acquisition of subsidiaries, net of cash acquired	3	(217,087)	(11,908)
Other non-current assets		(32)	(21)
Margin deposits		(2,353)	(3,513)
Intangible assets		(2,734)	(13)
Investments in joint ventures		-	(12,487)
Investment in an associate		(1,471)	-
		<u>(374,119)</u>	<u>(146,711)</u>
FINANCING ACTIVITIES			
Interest paid		(1,756)	(1,166)
Repayment of loans and borrowings		8,419	(908)
Acquisition of non-controlling interests	3	(3,456)	(13,773)
Dividends paid to non-controlling interests		(14,315)	(21,702)
Non-controlling interests		(10,496)	(8,234)
Directors' fees paid		(1,600)	(1,600)
Dividends paid to shareholders		(109,808)	-
		<u>(133,012)</u>	<u>(47,383)</u>
Net cash flows used in financing activities		(133,012)	(47,383)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(245,235)	52,286
Net foreign exchange difference		(10,428)	(834)
Cash and cash equivalents at 1 January		536,542	485,090
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	280,879	536,542

The attached notes from 1 to 34 form part of these consolidated financial statements

1 ACTIVITIES

Aramex PJSC (“the Parent Company”) is a Public Joint Stock Company registered in the Emirate of Dubai, United Arab Emirates on 15 February 2005 under UAE Federal Law No 8 of 1984 (as amended). The consolidated financial statements of the Company as at 31 December 2011 comprise the Parent Company and its subsidiaries (collectively referred to as “the Group” and individually as “Group entities”).

The Parent Company was listed on the Dubai Financial Market on 9 July 2005.

The Principal activities of the Group are to invest in the freight, express, logistics and supply chain management businesses through acquiring and owning controlling interests in companies in the Middle East and other parts of the world.

The Parent Company’s registered office is Business Center Towers, 2302A, Media City (TECOM), Sheikh Zayed Road, Dubai, United Arab Emirates.

The consolidated financial statements were authorised for issue by the Board of Directors on 26 February 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of UAE Federal Law No. 8 of 1984 (as amended).

The consolidated financial statements are presented in UAE Dirhams (AED), being the functional currency of the Parent Company. Financial information is presented in AED and all values are rounded to the nearest thousand (AED ‘000), except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention, except for available for sale financial assets and derivative financial instruments that have been measured at fair value.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value (note 3).
- IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirement in notes 17 and 20.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The components of the comprehensive income of the Group does not require analysis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

Other amendments resulting from Improvements to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group does not expect any impact on the financial position or performance of the Group. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will have no impact on the financial position of the Group as the Group accounts for its joint ventures using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Significant accounting judgments, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in note 34. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Identifiable assets and liabilities taken over on acquisition of subsidiaries

The Group separately recognises assets and liabilities on the acquisition of a subsidiary when it is probable that the associated economic benefits will flow to the acquirer or when, in the case of liability, it is probable that an outflow of economic resources will be required to settle the obligation and the fair value of the asset or liability can be measured reliably. Intangible assets and contingent liabilities are separately recognised when they meet the criteria for recognition set out in IFRS 3. Intangible assets, acquired on acquisition, mainly represent lists of customers, bound by a contract, valued on the basis of minimum cash flows.

2.5 Summary of significant accounting policies**Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Except for capital work in progress, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	over 4-7 years
Buildings	over 8-35 years
Furniture and fixtures	over 5-10 years
Warehousing racks	over 15 years
Office equipment	over 3-7 years
Computers	over 3-5 years
Vehicles	over 4-5 years

Land is not depreciated

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the Group identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity.

In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any.

The useful lives of these intangible assets are assessed as either finite or indefinite.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Other intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with finite lives are amortised over their economic lives which are between 3 to 10 years.

Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or determined to be impaired, at which time the cumulative loss is in the consolidated income statement in finance costs and removed from the fair value reserve.

Impairment losses on equity instruments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in the fair value reserve.

Investments in joint ventures

The Group's investments in its joint ventures are accounted for using the equity method.

A joint venture is a jointly controlled entity whereby the venturer has a contractual arrangement that establishes joint control over the economic activities of the entity.

Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net asset of the joint venture.

The consolidated income statement reflects the share of the results of operations of the joint venture.

Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net asset of the associate.

The consolidated income statement reflects the share of the results of operations of the associate.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Prepaid agency fees

Amounts paid in advance to agents to purchase or alter their agency rights are accounted for as prepayments. As these amounts are paid in lieu of annual payments they are expensed to consolidated income statement over the period equivalent to the number of years of agency fees paid in advance.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts and cash margin.

Accounts receivable

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Foreign currency translation

The Group's consolidated financial statements are presented in AED, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated income statement.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Loans and borrowings and other financial liabilities

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisations are included in finance cost in the consolidated income statement.

Other financial liabilities including deferred consideration on acquisition of subsidiaries are measured at amortised cost.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' end of service benefits

The provision for employees' end of service benefits, disclosed as a long-term liability, is calculated in accordance with IAS19 for Group's entities where their respective labour laws require providing indemnity payments upon termination of relationship with their employees.

Pensions and other post employment benefits

The Group provides for a number of post employment defined benefit plans required under several jurisdictions in which Aramex PJSC and its subsidiaries operate. These benefits are un-funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for the defined benefit plans are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested.

The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on high quality corporate bonds. The Group has not allocated any assets to such plans.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Social security

Payments made to the social security institutions in connection with government pension plans applicable in certain jurisdictions are dealt with as payments to defined contribution plans, where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the social security institutions on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the period to which the employees' service relates.

Revenue recognition

Revenue represents the value of services rendered to customers and is stated net of discounts and sales taxes or similar levies.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty or discounts. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Express revenue

Express revenue is recognised upon receipt of shipment from the customer as the sales process is considered complete and the risks are transferred to the customer.

Freight forwarding revenue

Freight forwarding revenue is recognised upon the delivery of freight to the destination or to the air carrier.

Catalogue shopping and shop 'n' ship services revenue

Catalogue shopping and shop 'n' ship services revenue is recognised upon the receipt of the merchandise by the customers.

Revenue from magazines and newspapers distribution

Revenue from magazines and newspapers distribution is recognised when it is delivered to the customers.

Revenue from logistics and document storage services

Revenue from logistics and document storage services is recognised when the services are rendered.

Interest income

Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Taxation

Current income tax

The Group provides for income taxes in accordance with IAS 12. As the Parent Company is incorporated in the UAE, profits from operations of the Parent Company are not subject to taxation. However, certain subsidiaries of the Parent Company are based in taxable jurisdictions and are therefore liable to tax. Income tax on the profit or loss for the year comprises of current and deferred tax on the profits of these subsidiaries. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting, are taken directly to the consolidated income statement.

Impairment and uncollectibility of financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Summary of significant accounting policies (continued)****Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for the issue of bonus shares.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3 BUSINESS COMBINATION AND ACQUISITION OF NON - CONTROLLING INTERESTS***Business acquisitions – year ended 31 December 2011*****Berco Express (Proprietary) Limited (South Africa)**

During December 2011, the Group acquired 100% of the voting shares of Berco Express (Proprietary) Limited, a company specializing in logistics and transportation services based in South Africa. .

Assets acquired and liabilities assumed

The provisional fair values of the identifiable assets and liabilities of Berco Express (Proprietary) Limited and the corresponding carrying amounts, as at the date of acquisition were:

	<i>Provisional fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Assets		
Property, plant and equipment (note 4)	10,394	10,394
Trade and other receivables	63,427	63,427
Intangible assets	17,147	-
Deferred tax and other non-current assets	507	507
	<u>91,475</u>	<u>74,328</u>
Liabilities		
Trade and other payables	(21,580)	(21,580)
Bank overdrafts	(3,485)	(3,485)
	<u>(25,065)</u>	<u>(25,065)</u>
Total identifiable net assets at fair value	66,410	
Goodwill arising on acquisition (note 5)	137,253	
Purchase consideration transferred	<u>203,663</u>	

3 BUSINESS COMBINATION AND ACQUISITION OF NON - CONTROLLING INTERESTS (continued)

Business acquisitions – year ended 31 December 2011 (continued)

Berco Express (Proprietary) Limited (South Africa) (continued)

	<i>AED'000</i>
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	(3,485)
Cash paid	<u>(203,663)</u>
Net cash outflow on acquisition (included in cash flows from investing activities)	<u><u>(207,148)</u></u>
Purchase consideration	<i>AED</i>
Cash paid	(119)
Capital increase	<u>(203,662,411)</u>
Cost of investment	<u><u>(203,662,530)</u></u>

The goodwill of AED 137.2 million comprises of the value of expected synergies arising from the acquisition. Goodwill was allocated to international express, domestic express, freight forwarding and logistics.

From the date of acquisition, the acquired company has contributed AED 8,447 thousand of revenue and AED 594 thousand to the net profit before tax to the Group. If the combination had taken place at the beginning of the year, revenue for the Group would have been AED 2,717 million and the profit before tax for the Group would have been AED 279 million.

Transaction costs of AED 683 thousand have been expensed and included in administrative expenses.

The net assets recognised were based on a provisional assessment of fair value as the Group has not finalised the purchase price allocation (PPA) exercise at the date of the financial statements and the fair values of the acquiree's identifiable assets and liabilities could not be determined with certainty by the end of the period in which the combination was effected.

One World Courier Limited (Kenya)

During January 2011, the Group acquired 70% of the voting shares in two companies specialising in freight forwarding, based in Africa.

The Group has elected to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

3 BUSINESS COMBINATION AND ACQUISITION OF NON - CONTROLLING INTERESTS (continued)

Business acquisitions – year ended 31 December 2011 (continued)

One World Courier Limited (Kenya) (continued)

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired entities and the corresponding carrying amounts, as at the date of acquisition were:

	<i>Fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Assets		
Property, plant and equipment (note 4)	252	252
Trade and other receivables	1,051	1,051
Intangible assets	2,039	-
Bank balances and cash	344	344
	<u>3,686</u>	<u>1,647</u>
Liabilities		
Trade and other payables	(896)	(896)
Employees' end of service benefits	(92)	(92)
	<u>(988)</u>	<u>(988)</u>
Total identifiable net assets at fair value	2,698	
Non-controlling interests	(2,072)	
Goodwill arising on acquisition (note 5)	9,657	
	<u>10,283</u>	
	<i>AED'000</i>	
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiaries	344	
Cash paid	(10,283)	
	<u>(9,939)</u>	
Net cash outflow on acquisition (included in cash flows from investing activities)	(9,939)	

The Group has finalised the purchase price allocation (PPA) exercise, within the timelines specified under IFRS 3– Business Combinations.

The goodwill of AED 9.7 million comprises of the value of expected synergies arising from the acquisition. Goodwill was allocated to International Express, Domestic Express and Freight Forwarding.

From the date of acquisition, the acquired companies have contributed AED 10,099 thousand of revenue and AED 594 thousand of the net profit before tax to the Group.

Transaction costs of AED 220 thousand have been expensed and included in administrative expenses.

If the combination had taken place at the beginning of the year, revenue for the Group would have been AED 2,577 million and the profit before tax for the Group would have been AED 260 million.

3 BUSINESS COMBINATION AND ACQUISITION OF NON - CONTROLLING INTERESTS
(continued)

Acquisition of additional interest in Aramex International GmbH – Germany

On 31 August 2011, the Group acquired an additional 49% interest of the voting shares of Aramex International GmbH - Germany increasing its ownership interest to 100%. A consideration of AED 690 thousand was paid to the non-controlling interest shareholders. The carrying value of the net assets of Aramex International GmbH Germany at the acquisition date was AED 904 thousand, and the carrying value of the additional interest acquired was measured at AED 443 thousand. The difference of approximately AED 248 thousand between the consideration paid and the carrying value of the interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

Acquisition of additional interest in Aramex International Services Co. LTD – Sudan

On 1 June 2011, the Group acquired an additional 20% interest of the voting shares of Aramex International Services Co. LTD - Sudan, increasing its ownership interest to 80%. A consideration of AED 1.47 million was paid to the non-controlling interest shareholders. The carrying value of the net assets of Aramex International Services Co. LTD - Sudan at the acquisition date was a deficit of AED 1.21 million, and the carrying value of the additional interest acquired was measured at a deficit of AED 242 thousand. The difference of approximately AED 1.71 million between the consideration paid and the carrying value of the interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

Acquisition of additional interest in Info-fort Amman

On 1 June 2011 the Group acquired an additional 33% interest of the voting shares of Info-fort Amman, increasing its ownership interest to 83%. A consideration of AED 1.3 million was paid to the non-controlling interest shareholders. The carrying value of the net assets of Info-fort Amman at the acquisition date was AED 2.8 million, and the carrying value of the additional interest acquired was AED 933 thousand. The difference of approximately AED 363 thousand between the consideration paid and the carrying value of the interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

Capital increase of Aramex Ghana

On 1 June 2011, Aramex Ghana increased its capital by AED 2.96 million. The total amount was paid by Aramex Group, increasing the Group's ownership interest to 75%. The difference of AED 560 thousand between the amount paid and the interest acquired has been recognised within equity as a reserve arising from acquisition of non – controlling interests.

Business acquisitions – year ended 31 December 2010

During the year ended 31 December 2010, the Group acquired a controlling stake in a number of companies specialising in courier and logistics services, based in Africa and the Far East.

The Group has elected to measure the non-controlling interests in the acquirees' at the proportionate share of the acquirees' identifiable net assets.

3 BUSINESS COMBINATION AND ACQUISITION OF NON - CONTROLLING INTERESTS (continued)

Business acquisitions – year ended 31 December 2010 (continued)

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired entities, as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	<i>Fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Assets		
Property and equipment	177	177
Trade and other receivables	1,812	1,812
Intangible assets	4,146	-
Bank balances and cash	4,499	4,499
	<u>10,634</u>	<u>6,488</u>
Liabilities		
Trade and other payables	(1,729)	(1,729)
Term loan	(180)	(180)
	<u>(1,909)</u>	<u>(1,909)</u>
Total identifiable net assets at fair value	8,725	
Non-controlling interests	(2,090)	
Goodwill arising on acquisition	9,772	
	<u>16,407</u>	
	<i>AED'000</i>	
Analysis of cash flow on acquisition:		
Net cash acquired with the subsidiaries	4,499	
Cash paid	(16,407)	
	<u>(11,908)</u>	
Net cash flow on acquisition (included in cash flows from investing activities)	(11,908)	

The Group has finalized the purchase price allocation (PPA) exercise.

The goodwill of AED 9.77 million comprises the value of expected synergies arising from the acquisitions. Goodwill was allocated to International Express, Domestic Express, Freight Forwarding and Logistics.

From the date of acquisition to 31 December 2010, the new companies have contributed AED 8.6 million of revenue and AED 771 thousand of net profit before tax to the Group. If the combination had taken place at the beginning of the year, revenue for 2010 would have been AED 2,231 million and the profit before tax for the Group would have been AED 244.4 million.

Transaction costs of AED 139 thousand have been expensed and included in administrative expenses.

**3 BUSINESS COMBINATION AND ACQUISITION OF NON - CONTROLLING INTERESTS
(continued)**

Business acquisitions – year ended 31 December 2010 (continued)

Acquisition of additional interest in Aramex Hava Cargo – year ended 31 December 2010

On 1 December 2010 the Group acquired an additional 50% interest of the voting shares of Aramex Hava Cargo, increasing its ownership interest to 100%.

A consideration of AED 13.77 million was paid to the non-controlling interest shareholders.

The carrying value of the net assets of Aramex Hava Cargo at the acquisition date was AED 2.75 million. The carrying value of the additional interest acquired was AED 1.38 million.

The difference of AED 12.4 million between the consideration paid and the carrying value of the interest acquired has been recognised in equity as a reserve arising from acquisition of non-controlling interests.

Transaction costs of AED 51 thousand have been expensed and included in administrative expenses.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

4 PROPERTY, PLANT AND EQUIPMENT

	Land AED '000	Leasehold improvements AED '000	Buildings AED '000	Furniture and fixtures AED '000	Warehousing racks AED '000	Office equipment AED '000	Computers AED '000	Vehicles AED '000	Capital work-in- progress AED '000	Total AED '000
Cost:										
At 1 January 2011	12,279	44,598	77,884	19,876	38,834	51,597	82,929	66,094	107,113	501,204
Additions	-	12,933	56,894	4,596	8,922	17,980	17,856	13,866	27,194	160,241
Acquisition of subsidiaries	-	48	-	1,751	-	5,467	4,625	21,339	-	33,230
Transfers	-	660	85,517	(293)	3,490	6,300	77	(52)	(95,699)	-
Disposals	(9)	(2,169)	-	(1,147)	(726)	(718)	(3,591)	(5,597)	-	(13,957)
Exchange differences	(130)	(1,025)	-	(394)	(375)	(835)	(1,707)	(1,749)	-	(6,215)
At 31 December 2011	12,140	55,045	220,295	24,389	50,145	79,791	100,189	93,901	38,608	674,503
Depreciation:										
At 1 January 2011	-	22,703	17,354	10,875	11,958	24,340	46,664	35,166	-	169,060
Charge for the year	-	5,777	5,765	2,500	2,729	8,319	14,544	13,503	-	53,137
Acquisition of subsidiaries	-	10	-	1,470	-	4,822	4,001	12,281	-	22,584
Transfers	-	192	-	(91)	(9)	(106)	32	(18)	-	-
Disposals	-	(1,372)	-	(968)	(554)	(542)	(2,911)	(5,163)	-	(11,510)
Exchange differences	-	(697)	-	(269)	(127)	(536)	(1,324)	(1,175)	-	(4,128)
At 31 December 2011	-	26,613	23,119	13,517	13,997	36,297	61,006	54,594	-	229,143
Net carrying amount:										
At 31 December 2011	12,140	28,432	197,176	10,872	36,148	43,494	39,183	39,307	38,608	445,360

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land AED '000	Leasehold improvements AED '000	Buildings AED '000	Furniture and fixtures AED '000	Warehousing racks AED '000	Office equipment AED '000	Computers AED '000	Vehicles AED '000	Capital work-in- progress AED '000	Total AED '000
Cost:										
At 1 January 2010	12,529	43,091	74,392	22,687	33,773	57,274	89,933	61,950	30,872	426,501
Additions	-	6,501	3,492	2,760	5,047	7,472	18,565	16,815	76,241	136,893
Acquisitions of subsidiaries	-	-	-	20	-	64	57	737	-	878
Transfers	-	1,040	-	(849)	393	(5,610)	1,621	3,405	-	-
Disposals	-	(5,461)	-	(4,039)	(182)	(6,655)	(26,036)	(16,175)	-	(58,548)
Exchange differences	(250)	(573)	-	(703)	(197)	(948)	(1,211)	(638)	-	(4,520)
At 31 December 2010	12,279	44,598	77,884	19,876	38,834	51,597	82,929	66,094	107,113	501,204
Depreciation:										
At 1 January 2010	-	22,245	12,498	13,625	9,714	28,860	58,102	34,540	-	179,584
Charge for the year	-	4,899	4,856	2,142	2,200	6,587	13,501	13,556	-	47,741
Acquisitions of subsidiaries	-	-	-	17	-	55	40	589	-	701
Transfers	-	1,000	-	(798)	300	(4,076)	1,161	2,413	-	-
Disposals	-	(5,378)	-	(3,829)	(160)	(6,253)	(25,256)	(15,372)	-	(56,248)
Exchange differences	-	(63)	-	(282)	(96)	(833)	(884)	(560)	-	(2,718)
At 31 December 2010	-	22,703	17,354	10,875	11,958	24,340	46,664	35,166	-	169,060
Net carrying amount:										
At 31 December 2010	12,279	21,895	60,530	9,001	26,876	27,257	36,265	30,928	107,113	332,144

Capital work in progress includes a warehouse under construction in Cairo and a building under construction in Amman (2010: warehouse under construction in Dubai).

Property, plant and equipment includes:

- Vehicles with a net book value of AED 12.01 million (2010: AED 11.45 million) that have been obtained under finance leases (note 17).
- Vehicles amounting to AED 66 thousand have been pledged against bank facilities as of 31 December 2011 (2010: AED 134 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

5 GOODWILL

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
At 1 January	863,199	853,427
Goodwill resulting from acquisition of One World Courier Limited (Kenya)	9,657	-
Goodwill resulting from acquisition of Berco Express (Proprietary) Limited (South Africa)	137,253	-
Goodwill resulting from acquisition of Expo Express Services	-	2,718
Goodwill resulting from acquisition of Avanti Worldwide Express	-	7,054
	<u>1,010,109</u>	<u>863,199</u>
At 31 December	<u>1,010,109</u>	<u>863,199</u>

Annual impairment testing for goodwill has been carried out by the management at 31 December 2011. The impairment test is based on the "value in use" calculation. These calculations have used five year cash flow projections based on actual operating results and future expected performance. A discount rate of 12% has been used in discounting the cash flows projected.

The goodwill was allocated to the following groups of cash generating units:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Express shipping	309,935	291,576
Freight forwarding	191,713	190,146
Domestic shipping	303,830	183,826
Logistics	86,056	79,075
Documents storage	109,388	109,388
Publication and distribution	9,187	9,188
	<u>1,010,109</u>	<u>863,199</u>

Key assumptions used in value-in-use calculations

The calculation of the value-in-use is most sensitive to the following assumptions:

Transaction volumes - these are based on budgeted performance of individual cash generating units.

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry which is 12%. Cost of debt is not deemed to have any significant impact on the rate.

Growth rate estimates - Growth rate used of 3% is based on actual operating results and future expected performance.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

At 31 December 2011

6 OTHER INTANGIBLE ASSETS

	2011 AED'000	2010 AED'000
Cost:		
At 1 January	13,435	9,276
Acquisition of subsidiaries	19,186	4,146
Acquisition of customer list	4,438	-
Additions net of amounts written off	-	13
At 31 December	<u>37,059</u>	<u>13,435</u>
Amortisation:		
At 1 January	(4,508)	(3,546)
Amortisation during the year	(2,194)	(962)
At 31 December	<u>(6,702)</u>	<u>(4,508)</u>
Net carrying amount at 31 December	<u><u>30,357</u></u>	<u><u>8,927</u></u>

7 AVAILABLE FOR SALE FINANCIAL ASSETS

This item represents investment in shares of a listed company in the Dubai Financial Market.

All available-for-sale financial instruments are measured using level 1 of the fair value hierarchy.

8 INVESTMENTS IN JOINT VENTURES

The Group has a 50% interest in Aramex Mashreq for Logistics Services, 50% interest in Aramex Delmege Logistics (PVT) LTD and 50% interest in Aramex Logistics LLC, located in Egypt, Sri-lanka and Oman, respectively.

Aramex Mashreq Logistics Services, Aramex Delmege Logistics (PVT) and Aramex Logistics LLC are private entities that are not listed in any public exchange. The following tables illustrates summarised financial information of the Group's investment in each entity:

Share of the joint ventures' statement of financial position:

	2011				2010			
	<i>Aramex Mashreq for Logistics Services</i> AED'000	<i>Aramex Delmege Logistics (PVT)</i> AED'000	<i>Aramex Logistics LLC</i> AED'000	<i>Total</i> AED'000	<i>Aramex Mashreq for Logistics Services</i> AED'000	<i>Aramex Delmege Logistics (PVT)</i> AED'000	<i>Aramex Logistics LLC</i> AED'000	<i>Total</i> AED'000
Non-current assets	22,319	5	2	22,326	6,292	5	3	6,300
Current assets	9,494	55	2,048	11,597	17,755	48	2,246	20,049
Non-current liabilities	(12,246)	-	(10)	(12,256)	(83)	(6)	(5)	(94)
Current liabilities	(3,306)	(51)	(202)	(3,559)	(6,920)	(35)	(135)	(7,090)
Net assets	<u>16,261</u>	<u>9</u>	<u>1,838</u>	<u>18,108</u>	<u>17,044</u>	<u>12</u>	<u>2,109</u>	<u>19,165</u>

8 INVESTMENTS IN JOINT VENTURES (continued)**Share of the joint ventures' revenue and loss**

	2011				2010			
	<i>Aramex Mashreq for Logistics Services</i>	<i>Aramex Delmege Logistics (PVT)</i>	<i>Aramex Logistics LLC</i>	<i>Total</i>	<i>Aramex Mashreq for Logistics Services</i>	<i>Aramex Delmege Logistics (PVT)</i>	<i>Aramex Logistics LLC</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	12,946	-	-	12,946	10,826	302	-	11,128
(Loss) profit	(286)	3	(271)	(554)	204	(190)	(270)	(256)
Carrying amount of the investments	16,261	9	1,838	18,108	17,044	12	2,109	19,165

9 INVESTMENT IN AN ASSOCIATE

During the year ended 31 December 2011, the Group invested in an associate named Aramex Tunisia Limited which is involved in the business of freight forwarding. The Group has a 49% interest in Aramex Tunisia Limited.

Aramex Tunisia Limited is a private entity that is not listed in any public exchange.

The following table illustrates summarised financial information of the Group's investment in Aramex Tunisia Limited:

Share of the associate's statement of financial position:

	<i>2011</i> <i>AED'000</i>
Non-current assets	102
Current assets	668
Current liabilities	(360)
Net assets	<u>410</u>

Share of the associate's revenue and loss:

	<i>2011</i> <i>AED'000</i>
Revenues	<u>319</u>
Loss	<u>(200)</u>
Carrying amount of the investment	<u>1,271</u>

At 31 December 2011

10 INCOME TAX

The charge for income tax on results of operations of foreign subsidiaries comprises the following:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Current tax expense	17,312	15,517
Deferred income tax	940	(796)
Exchange differences	(453)	214
Income tax expense for the year	<u>17,799</u>	<u>14,935</u>

Deferred tax relates to the following:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Provision for doubtful accounts	410	208
Depreciation	(1,047)	(830)
Termination indemnities	1,026	302
Net operating losses carried forward	1,482	1,733
Capital allowance	(106)	(306)
Others	(327)	128
	<u>1,438</u>	<u>1,235</u>
<i>Recognised as follows:</i>		
As deferred tax assets	2,555	2,530
As deferred tax liabilities	(1,117)	(1,295)
	<u>1,438</u>	<u>1,235</u>

The Group's consolidated effective tax rate for 2011 is 6.85 % (2010: 6.11%).

In some countries, the tax returns for certain years have not yet been reviewed by the tax authorities. In certain tax jurisdictions, the Group has provided for its tax exposures based on the current interpretation and enforcement of the tax legislation in the jurisdiction. However, the Group's management is satisfied that adequate provisions have been made for potential tax contingencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

11 ACCOUNTS RECEIVABLE

	2011 AED'000	2010 AED'000
Trade receivables	538,700	439,911
Less: allowance for doubtful accounts	(39,029)	(35,883)
	<u>499,671</u>	<u>404,028</u>

Geographic concentration of trade receivables as of 31 December is as follows:

	2011 %	2010 %
- Middle East and Africa	74	73
- Europe	16	17
- North America	2	2
- Asia	8	8

As at 31 December 2011, trade receivables at nominal value of AED 39,029 thousand (2010: AED 35,883 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2011 AED'000	2010 AED'000
At 1 January	35,883	33,963
Charge for the year	9,354	9,833
Acquisition of a subsidiary	583	-
Unused amounts reversed	(1,901)	(1,859)
Amounts written-off	(4,890)	(6,054)
At 31 December	<u>39,029</u>	<u>35,883</u>

As at 31 December, the ageing of unimpaired trade accounts receivable was as follows:

	<i>Past due but not impaired</i>					
	<i>Total</i> AED'000	<i>0-60</i> <i>days</i> AED'000	<i>61-90</i> <i>days</i> AED'000	<i>91-180</i> <i>days</i> AED'000	<i>181-365</i> <i>days</i> AED'000	<i>More than</i> <i>1 year</i> AED'000
2011	499,671	390,711	66,221	29,812	12,927	-
2010	404,028	312,316	54,888	26,046	10,778	-

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

At 31 December 2011

12 OTHER CURRENT ASSETS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Prepaid expenses	41,999	32,955
Advances and other receivables *	127,049	64,744
	<u>169,048</u>	<u>97,699</u>

* Advances and other receivables include an amount of AED 15 million (2010: AED 15 million) due from a related party in connection with employees participating in an incentive plan as at 31 December 2011 and 2010.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Cash and short term deposits	314,011	554,739
Less: cash margin	(13,687)	(11,334)
Less: bank overdrafts (note 20)	(19,445)	(6,863)
	<u>280,879</u>	<u>536,542</u>

Included in cash and short term deposits are amounts totalling AED 163,335 thousand (31 December 2010: AED 197,975 thousand) held at foreign banks abroad.

14 SHARE CAPITAL

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<i>Authorised, issued and paid up</i>		
1,464,100,000 ordinary shares of AED 1 each (2010: 1,464,100,000 ordinary shares of AED 1 each)	<u>1,464,100</u>	<u>1,464,100</u>

15 RESERVES**Statutory reserve**

In accordance with the Articles of Association of certain entities in the Group and Article 255 of the UAE Federal Commercial Companies Law of 1984 (as amended), a minimum of 10% of the net profit for the year of the individual entities to which the law is applicable has been transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid up share capital of the applicable entities. This reserve is non distributable except in certain circumstances. The consolidated statutory reserve reflects transfers made post-acquisition for subsidiary companies together with transfers made by the parent company. It does not, however, reflect the additional transfers to the consolidated statutory reserves which would be made if the retained post-acquisition profits of the subsidiaries were distributed to the Parent Company.

Fair value reserve

The reserve records fair value changes on available-for-sale financial assets until the investments are derecognised or impaired.

15 RESERVES (continued)**Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Reserve arising from acquisition of non-controlling interests

The reserve represents the difference between the consideration paid to acquire non-controlling interests and the carrying amount of those interests at the date of acquisition.

16 RETAINED EARNINGS**Dividends**

The General Assembly approved in its meeting held on 30 May 2011 a cash dividend for 2010 of 7.5% of the Company's share capital.

During the year ended 31 December 2010, the Company's share capital was increased by the issue of bonus shares of AED 133.1 million, being 10% of the share capital of the Company as at 31 December 2009 as approved by the shareholders in the Company's annual General Meeting held on 18 April 2010.

Directors' fees paid

Directors' fees of AED 1.6 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2010 were paid in 2011 (2010: AED 1.6 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2009 were paid).

17 LOANS AND BORROWINGS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Non-current		
Term loan	2,336	199
Notes payable	1,944	284
Finance lease obligations (a)	5,357	6,020
	<u>9,637</u>	<u>6,503</u>
Current		
Term loan	1,178	506
Notes payable	3,979	170
Finance lease obligations (a)	6,844	6,039
	<u>12,001</u>	<u>6,715</u>

At 31 December 2011

17 LOANS AND BORROWINGS (continued)**(a) Finance lease obligation**

Future minimum annual payments under all non-cancellable finance leases are as follows:

	<i>Future minimum lease payments AED'000</i>	<i>Interest AED'000</i>	<i>Present value of minimum lease payments AED'000</i>
Less than one year	7,726	882	6,844
Between one and five years	6,030	673	5,357
31 December 2011	13,756	1,555	12,201
Less than one year	6,761	722	6,039
Between one and five years	6,463	443	6,020
31 December 2010	13,224	1,165	12,059

Finance lease obligations are denominated in Saudi Riyals (SR), GBP, Egyptian Pound (EGP) and Malaysian Ringgit (MYR) and have maturities between 2012 and 2016. Interest rates on finance lease obligations range from 6% to 13%.

18 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2011 AED'000</i>	<i>2010 AED'000</i>
Provision as at 1 January	66,958	59,618
Provided during the year	19,445	13,002
Acquisition of a subsidiary	92	-
Paid during the year	(5,897)	(5,795)
Exchange differences	(938)	133
Provision as at 31 December	79,660	66,958
Actuarial gains and losses	-	-
Present value of the defined benefit obligations	79,660	66,958

19 ACCOUNTS PAYABLE

Trade payables mainly include payables to third party suppliers against invoices received from them for line haul, freight services, handling and delivery charges.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

20 BANK OVERDRAFTS

The Group maintains overdrafts and lines of credit with various banks. Aramex International Limited (AIL) has provided a corporate guarantee of AED 1.8 million to Audi Bank in Lebanon to secure the bank facilities given for the Aramex subsidiary in Lebanon. The outstanding balance of the overdrafts and lines of credit amounted to AED Nil (2010: AED 848 thousand).

The newly acquired company in South Africa (Berco Express Limited) has outstanding lines of credit of AED 9.776 million as at 31 December 2011 from (ABSA – member of the BARCLAYS group). The bank has Aramex PJSC's limited suretyship that covers up to AED 15.84 million.

Two Way Group has outstanding bank overdrafts and lines of credit of AED 9.669 million as at 31 December 2011 (2010: AED 6.01 million), which are secured by a floating charge over the assets of the Two Way Group together with inter-company guarantees within the Group. Two Way Group also has an invoice discounting facility which is secured by a charge over the book debts of Two Way.

21 OTHER CURRENT LIABILITIES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Accrued expenses	250,566	208,799
Deferred revenue	13,782	12,621
Sales and other taxes	8,074	6,281
Income taxes payable	21,069	18,590
Customers' deposits	492	86
Social security taxes payable	6,997	5,181
Others	9,437	11,842
	<u>310,417</u>	<u>263,400</u>

22 REVENUE

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
International express	836,638	689,112
Freight forwarding	1,073,301	924,101
Domestic express	373,120	331,153
Logistics	110,760	103,764
Publications and distribution	28,318	30,035
Others*	154,062	133,831
	<u>2,576,199</u>	<u>2,211,996</u>

* Represents revenues from other special services which the Group renders, including airline ticketing and travel, visa services and revenues from document retention business. All related costs are reflected in cost of services.

23 COST OF SERVICES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
International express	291,546	228,867
Freight forwarding	778,535	660,673
Domestic express	91,104	74,224
Logistics	20,733	21,236
Publications and distribution	21,166	22,807
Others	18,177	14,023
	<u>1,221,261</u>	<u>1,021,830</u>

Aramex PJSC and its subsidiaries

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24 ADMINISTRATIVE EXPENSES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Salaries and benefits	227,531	193,409
Rent	48,909	45,675
Depreciation	34,281	32,430
Communication expenses	21,340	19,959
Repairs and maintenance	13,456	10,898
Travel expenses	12,328	10,107
Allowance for impairment losses (note 11)	7,453	7,974
Utilities	9,762	7,818
Printing and stationary	6,596	5,504
Entertainment	5,008	4,535
Vehicle running expenses	3,636	3,320
Insurance	3,231	3,328
Conference and meeting expenses	739	1,422
Sponsorship fees	629	1,068
Government fees and taxes	4,190	2,923
Corporate Social Responsibility	6,106	6,240
Others	65,628	54,192
	<u>470,823</u>	<u>410,802</u>

25 OPERATING EXPENSES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Salaries and benefits	338,020	294,318
Vehicle running and maintenance	63,127	57,371
Supplies	20,169	18,580
Communication expenses	5,662	5,294
Depreciation	18,856	15,311
Rent	37,642	35,145
Others	25,511	18,577
	<u>508,987</u>	<u>444,596</u>

26 OTHER INCOME

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Exchange gain	228	1,264
Loss on sale of property, plant and equipment	(8)	(459)
Miscellaneous income	2,278	2,363
	<u>2,498</u>	<u>3,168</u>

At 31 December 2011

27 RELATED PARTY TRANSACTIONS

Certain related parties (directors, officers of the Group and companies which they control or over which they exert significant influence) were suppliers of the Company and its subsidiaries in the ordinary course of business. Such transactions were made on substantially the same terms as with unrelated parties.

Transactions with related parties included in the consolidated income statement are as follows:

	<i>Related party</i>			<i>Total</i>	
	<i>Officers</i> <i>AED'000</i>	<i>Companies controlled by the directors</i> <i>AED'000</i>	<i>Directors</i> <i>AED'000</i>	<i>2011</i>	<i>2010</i>
				<i>AED'000</i>	<i>AED'000</i>
Rent expense	<u>184</u>	<u>1,437</u>	<u>5,394</u>	<u>7,015</u>	<u>7,367</u>

Compensation of key management personnel of the Group

Compensation of the key management personnel, including executive officers, comprises the following:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Salaries and other short term benefits	24,045	23,256
End of service benefits	378	183
	<u>24,423</u>	<u>23,439</u>

Significant subsidiaries of the Group include:

Aramex Amman, Jordan
Jordan Distribution Agency, Amman
Aramex India Private Limited, India
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex, Bahrain
Aramex Emirates LLC, Dubai
Two Way Forwarding & Logistics (Ireland) Limited
Two Way Holland BV

All of the above subsidiaries are 100% owned by the Parent Company.

Certain subsidiaries of the Group are controlled through shareholder agreements and accordingly consolidated in these consolidated financial statements.

28 EARNINGS PER SHARE

	<i>31 December</i> <i>2011</i>	<i>31 December</i> <i>2010</i>
Profit attributable to shareholders of the Parent (AED'000)	<u>211,538</u>	<u>204,092</u>
Weighted average number of shares during the year (shares)	<u>1,464 million</u>	<u>1,464 million</u>
Basic and diluted earnings per share (AED)	<u>0.144</u>	<u>0.139</u>

29 OPERATING LEASES**As lessee**

The Group leases land, office space, warehouses and transportation equipments under various operating leases, some of which are renewable annually. Rent expense related to these leases amounted to AED 86.55 million for the year ended 31 December 2011 (2010: AED 80.82 million). The Group believes that most operating leases will be renewed at comparable rates to the expiring leases.

The approximate minimum rental commitments of the Group under the existing lease agreements are as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Less than one year	91,072	75,261
Between one and five years	327,869	266,382
More than five years	52,610	105,254
	<u>471,551</u>	<u>446,897</u>

30 SEGMENTAL INFORMATION

For management purposes, the Group is organised into five operating segments.

- International express: includes delivery of small packages across the globe to both, retail and wholesale customers.
- Freight forwarding: includes forwarding of loose or consolidated freight through air, land and ocean transport, warehousing, customer clearance and break bulk services.
- Domestic express: includes express delivery of small parcels and pick up and deliver shipments within the country.
- Logistics: includes warehousing and its management distribution, supply chain management, inventory management as well as other value added services.
- Other operations: includes catalogue shipping services, document storage, airline ticketing and travel, visa services, and publication and distribution.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Transfer prices between operating segments are on an arm's - length basis in a manner similar to transactions with third parties.

The following table presents revenue and profit information regarding the Group's operating segments for the years ended 31 December 2011 and 2010, respectively.

Aramex PJSC and its subsidiaries

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At 31 December 2011

30 SEGMENTAL INFORMATION (continued)

	International express AED '000	Freight forwarding AED '000	Domestic express AED '000	Logistics AED '000	Others AED '000	Elimination AED '000	Total AED '000
Year ended 31 December 2011							
Revenue							
Third party	836,638	1,073,301	373,120	110,760	182,380	-	2,576,199
Inter-segment	373,728	179,387	17,000	2,368	4,570	(577,053)	-
Total revenues	1,210,366	1,252,688	390,120	113,128	186,950	(577,053)	2,576,199
Gross profit	545,092	294,766	282,016	90,027	143,037	-	1,354,938
Year ended 31 December 2010							
Revenue							
Third party	689,112	924,101	331,153	103,764	163,866	-	2,211,996
Inter-segment	312,005	175,410	15,129	1,318	4,244	(508,106)	-
Total revenues	1,001,117	1,099,511	346,282	105,082	168,110	(508,106)	2,211,996
Gross profit	460,245	263,428	256,929	82,528	127,036	-	1,190,166

Transactions between stations are priced at agreed upon rates. All material intra group transactions have been eliminated on consolidation. The Group does not segregate assets and liabilities by business segments and, accordingly, such information is not presented.

Geographical segments

The business segments are managed on a worldwide basis, but operate in four principal geographical areas, Middle East and Africa, Europe, North America and Asia. In presenting information on the geographical segments, segment revenue is based on the geographical location of customers. Segments assets are based on the location of the assets.

Aramex PJSC and its subsidiaries

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At 31 December 2011

30 SEGMENTAL INFORMATION (continued)

Revenues, assets and liabilities by geographical segment are as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Revenues		
Middle East and Africa	1,775,517	1,564,778
Europe	504,284	408,105
North America	47,530	46,878
Asia	248,868	192,235
	<u>2,576,199</u>	<u>2,211,996</u>
Assets		
Middle East and Africa	2,071,639	2,072,099
Europe	296,697	109,432
North America	24,993	23,621
Asia	99,452	81,306
	<u>2,492,781</u>	<u>2,286,458</u>
Non- current assets*		
Middle East and Africa	448,014	323,467
Europe	24,877	18,034
North America	9,677	7,320
Asia	12,528	11,415
	<u>495,096</u>	<u>360,236</u>
Liabilities		
Middle East and Africa	432,887	347,228
Europe	111,526	86,680
North America	15,050	14,968
Asia	37,236	32,006
	<u>596,699</u>	<u>480,882</u>

*Non-current assets for this purpose consist of property, plant and equipment, other intangible assets, investments in joint ventures and investment in an associate. Goodwill is allocated to business segments (note 5).

31 COMMITMENTS AND CONTINGENCIES

Contingent liabilities

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Letters of guarantee	<u>60,822</u>	<u>51,143</u>

Capital commitments

As at 31 December 2011, the Group has capital commitments of AED 9.04 million (2010: AED 81.74 million) towards purchase/construction of property, plant and equipment.

32 RISK MANAGEMENT**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts, notes payable and term loans).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant. There is no other direct impact on the Group's equity.

	<i>Increase/ (decrease) in basis points</i>	<i>Effect on profit for the year AED'000</i>
2011		
Variable rate instruments	+100	(144)
Variable rate instruments	-100	144
2010		
Variable rate instruments	+100	(72)
Variable rate instruments	-100	72

Credit risk

This is the risk that other parties will fail to discharge their obligations to the Group. The Group manages credit risk with its customers by establishing credit limits for customers' balances and also disconnects the service for customers exceeding certain limits for a certain period of time. Also, the diversity of the Group's customer base (residential, corporate, government agencies) limits the credit risk. The Group also has a credit department that continuously monitors the credit status of the Group's customers.

The Group also deposits its cash balances with a number of major high rated financial institutions and has a policy of limiting its balances deposited with each institution.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 74 percent of the Group's trade receivables are based in Middle East and Africa.

Management has established a credit policy under which new customers are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for customers, who represent the maximum open amount without requiring approval from senior Group management; these limits are reviewed regularly.

A significant portion of the Group's customers have been transacting with the Group for a number of years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are an agent, wholesaler, retailer or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

32 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturities of the group's financial liabilities at 31 December, based on contractual undiscounted payments:

At 31 December 2011

	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1-2 year AED'000</i>	<i>2-5 years AED'000</i>	<i>> 5 years AED'000</i>	<i>Total AED'000</i>
Term loans	178	1,215	2,127	318	-	3,838
Notes payable	1,455	2,874	1,935	93	-	6,357
Finance lease obligations	2,233	5,493	4,801	1,229	-	13,756
Bank overdrafts	19,445	-	-	-	-	19,445
Trade and other payables	431,100	-	-	-	-	431,100
	<u>454,411</u>	<u>9,582</u>	<u>8,863</u>	<u>1,640</u>	<u>-</u>	<u>474,496</u>

At 31 December 2010

	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1-2 year AED'000</i>	<i>2-5 years AED'000</i>	<i>> 5 years AED'000</i>	<i>Total AED'000</i>
Term loans	151	385	182	23	-	741
Notes payable	68	126	91	221	-	506
Finance lease obligations	1,946	4,814	4,647	1,816	-	13,223
Bank overdrafts	6,863	-	-	-	-	6,863
Trade and other payables	361,337	-	-	-	-	361,337
	<u>370,365</u>	<u>5,325</u>	<u>4,920</u>	<u>2,060</u>	<u>-</u>	<u>382,670</u>

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Group is exposed to currency risk mainly on purchases and sales that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the United States Dollar (USD), Euro, Egyptian Pound, Sterling (GBP) and the Indian Rupee (INR). The currencies in which these transactions are primarily denominated are Euro, USD, and GBP. The Parent Company's and a number of other Group entities' functional currencies are either the USD or currencies that are pegged to the USD. As a significant portion of the Group's transactions are denominated in USD, this reduces currency risk. The Group also has currency exposures on intra group transactions in the case of Group entities where the functional currency is not the USD or a currency that is not pegged to the USD. Intra Group transactions are primarily denominated in USD.

At 31 December 2011

32 RISK MANAGEMENT (continued)**Currency risk (continued)**

The Group hedges some of its trade payables denominated in certain foreign currencies, mainly Euros. However, a significant portion of the Group's trade payables and all of its foreign currency receivables, denominated in a currency other than the functional currency of the respective Group entities, are subject to risks associated with currency exchange fluctuation. The Group reduces some of this currency exposure by maintaining some of its bank balances in foreign currencies in which some of its trade payables are denominated. This provides an economic hedge.

The following table demonstrates the sensitivity to a reasonably possible change in the AED exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	<i>Changes in currency rate to AED %</i>	<i>Effect on profit before tax AED'000</i>
2011		
EUR	+10	806
INR	+10	146
GBP	+10	2,407
EGP	+10	(730)
2010		
EUR	+10	150
INR	+10	1,191
GBP	+10	1,384
EGP	+10	(1,122)

The effect of decreases in exchange rates are expected to be equal and opposite to the effects of the increases shown.

Equity price risk

The Group's listed equity securities are susceptible to market price risks.

The following table shows the effect of changes in year -end prices of equity securities:

	<i>Changes in market year end price %</i>	<i>Effect on equity for the year AED'000</i>
2011		
Dubai financial market	+5	111
Dubai financial market	-5	(111)
2010		
Dubai financial market	+5	199
Dubai financial market	-5	(199)

Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interest and retained earnings, and is measured at AED 1,883,315 thousand as at 31 December 2011 (2010: AED 1,786,066 thousand).

32 RISK MANAGEMENT (continued)

Capital management (continued)

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group currently has minimal borrowings. In the medium to long term, the Group believes that having a debt to equity ratio of up to 50% would still enable the Group to achieve its objective of maintaining a strong capital base.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements other than the statutory requirements in the jurisdictions where the Group entities are incorporated.

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables, available-for-sale financial assets and other current assets. Financial liabilities consist of loans and borrowings, bank overdrafts, trade payables and other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair values of all instruments measured at fair value are determined using level 1 in the fair value hierarchy.

34 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the statement of financial position date, gross trade accounts receivable were AED 538,700 thousand (2010: AED 439,911 thousand) and the provision for doubtful debts was AED 39,029 thousand (2010: AED 35,883 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

34 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

As part of the identification and measurement of assets and liabilities in the acquisition of Acquaship customer list, the Group identified an element of contingent consideration with a fair value of AED 2,716 thousand at the acquisition date, remeasured to AED 1,704 thousand as at the reporting date, which is classified as current and non-current liabilities.

Goodwill impairment

The impairment test is based on the "value in use" calculation. These calculations have used cash flow projections based on actual operating results and future expected performance. A discount rate of 12% has been used in discounting the cash flows projected (refer to note 5).

Provision for tax

The Group reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

End of service benefits

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the related countries. Future salary increases are based on expected future inflation rates for the respective country.

Useful lives of intangible assets with finite lives

The Group's management determines the estimated useful lives of its intangible assets with finite lives for calculating amortisation. This estimate is determined after considering the expected pattern of consumption of future economic benefits embodied in the asset. Management reviews the amortisation period and amortisation method for an intangible with a finite life at least each financial year end and future amortisation charges will be adjusted where the management believes the useful lives differ from previous estimates.