

Aramex PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

DIRECTOR'S REPORT

Dear Shareholders,

We have delivered another very strong set of results in 2013 which we believe reflects our fundamental financial strength, our commitment to growing shareowner value and our success in seizing opportunities in our key strategic growth areas.

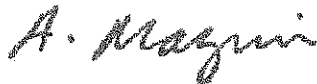
In 2013 our revenues reached AED 3,325 million, up 8% compared to AED 3,072 million in the previous year while net profits were AED 278 million, an increase of 14% compared to AED 244 million in 2012.

Our strong performance this year was driven by revenues across a number of different segments and geographies and our business in the Middle East and sub-Saharan Africa in particular continued to grow steadily.

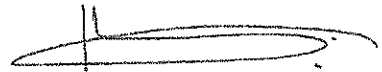
As the leading global logistics and transportation solutions provider, we are focused on building our business, both organically and inorganically across emerging markets. This will allow us to also bridge new trade corridors which remains key to our aggressive growth strategy as we continue to extend our industry supply chain solutions and services for clients.

Going forward, we are confident about the trajectory of our business and inspired by the potential of the company. We have made significant progress on our journey and we expect to deliver on our promises over the next few years.

I appreciate the investment you have made in our company and hope you will continue to follow our growth. We will strive to create even greater value for our customers and shareholders while continuing to make lasting contributions to our employees and the global community at large.



Abdullah M. Mazrui
Chairman
Officer



Hussein Hachem
Chief Executive

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 2013, and the consolidated income statement, consolidated statement of other 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Building a better
working world

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
Ashraf Abu- Sharkh
Partner
Registration No. 690
For Ernst and Young

2 March 2014
Dubai, United Arab Emirates

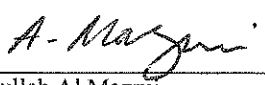
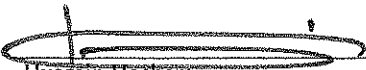
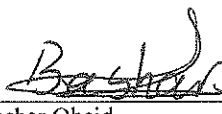
Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 AED '000	2012 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	4	541,577	569,876
Goodwill	5	973,629	999,152
Other intangible assets	6	23,912	26,906
Investments in joint ventures and an associate	9, 10	49,718	54,700
Deferred tax assets	11	2,382	2,824
Other non-current assets		6,801	9,205
		1,598,019	1,662,663
Current assets			
Accounts receivable, net	12	603,901	583,467
Other current assets	13	126,930	135,363
Bank balances and cash	14	656,972	333,673
		1,387,803	1,052,503
TOTAL ASSETS		2,985,822	2,715,166
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,464,100	1,464,100
Statutory reserve	16	145,254	121,886
Foreign currency translation reserve	16	(90,579)	(34,643)
Reserve arising from acquisition of non-controlling interests	16	(15,763)	(16,011)
Cash-flow hedge reserve	17	10	(2,960)
Retained earnings	18	586,953	481,271
Equity attributable to equity holders of the Parent		2,089,975	2,013,643
Non-controlling interests		36,870	32,428
Total equity		2,126,845	2,046,071
Non-current liabilities			
Interest-bearing loans and borrowings	19	128,095	12,366
Employees' end of service benefits	20	103,066	91,166
Other non-current liabilities		-	572
Deferred tax liabilities	11	1,425	1,314
		232,586	105,418
Current liabilities			
Accounts payable	21	163,159	156,193
Bank overdrafts	22	-	11,329
Interest-bearing loans and borrowings	19	49,302	15,704
Other current liabilities	23	413,930	380,451
		626,391	563,677
Total liabilities		858,977	669,095
TOTAL EQUITY AND LIABILITIES		2,985,822	2,715,166

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 2 March 2014.

		
Abdullah Al Mazrui (Chairman)	Hussein Hachem (Chief Executive Officer)	Bashar Obeid (Chief Financial Officer)

The attached notes from 1 to 37 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

		2013	2012
	<i>Notes</i>	AED'000	AED'000
Continuing operations			
Rendering of services	24	3,324,838	3,071,589
Cost of services	25	(1,523,538)	(1,417,247)
Gross profit		1,801,300	1,654,342
Share of results of joint ventures and an associate	9, 10	(4,974)	(3,995)
Selling and marketing expenses		(152,787)	(146,880)
Administrative expenses	26	(635,220)	(601,837)
Operating expenses	27	(664,713)	(609,749)
Other income	28	5,622	3,682
Operating profit		349,228	295,563
Finance income		6,281	4,294
Finance expense		(8,469)	(2,842)
Profit before tax from continuing operations		347,040	297,015
Income tax expense	11	(32,098)	(26,652)
Profit for the year from continuing operations		314,942	270,363
Discontinued operations			
Profit after tax from discontinued operations	8	186	1,149
Profit for the year		315,128	271,512
Attributable to:			
<i>Equity holders of the Parent</i>			
Profit for the year from continuing operations		277,835	243,356
Profit for the year from discontinued operations		123	763
		277,958	244,119
<i>Non-controlling interests</i>			
Profit for the year from continuing operations		37,107	27,007
Profit for the year from discontinued operations		63	386
		37,170	27,393
		315,128	271,512
Earnings per share attributable to the equity holders of the Parent:			
Basic and diluted earnings per share	30	AED 0.190	AED 0.167
Basic and diluted earnings per share from continuing operations		AED 0.190	AED 0.167

The attached notes from 1 to 37 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	<i>Note</i>	2013 AED'000	2012 AED'000
Profit for the year		315,128	271,512
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(56,371)	(16,438)
Gain (loss) on cash flow hedge	17	1,460	(2,960)
Cash flow hedge expense recycled to consolidated income statement	17	1,510	-
Gain on available-for-sale financial assets		-	782
Gain realized on sale of available – for – sale financial assets transferred to consolidated income statement		-	(280)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(53,401)	(18,896)
Other comprehensive income for the year, net of tax		(53,401)	(18,896)
Total comprehensive income for the year, net of tax		261,727	252,616
Attributable to:			
Equity holders of the Parent		224,992	224,721
Non-controlling interests		36,735	27,895
		261,727	252,616

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

Attributable to equity holders of the Parent										
	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Fair value of non-controlling interests AED'000	Reserve arising from acquisition of non-controlling interests AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total AED'000
For the year ended 31 December 2013										
At 1 January 2013	1,464,100	121,886	(34,643)	-	(16,011)	(2,960)	481,271	2,013,643	32,428	2,046,071
Total comprehensive income for the year	-	-	(55,936)	-	-	2,970	277,958	224,992	36,735	261,727
Disposal of a subsidiary	-	-	-	-	248	-	(248)	-	-	-
Transfer to statutory reserve	-	23,368	-	-	-	-	(23,368)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	874	874
Dividends paid to shareholders (note 18)	-	-	-	-	-	-	(146,410)	(146,410)	-	(146,410)
Directors fees paid (note 18)	-	-	-	-	-	-	(2,250)	(2,250)	-	(2,250)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(33,167)	(33,167)
At 31 December 2013	1,464,100	145,254	(90,579)	-	(15,763)	10	586,953	2,089,975	36,870	2,126,845
For the year ended 31 December 2012										
At 1 January 2012	1,464,100	87,312	(17,703)	(502)	(15,278)	-	347,181	1,865,110	30,972	1,896,082
Total comprehensive income for the year	-	-	(16,940)	502	-	(2,960)	244,119	224,721	27,895	252,616
Acquisition of non-controlling interests (note 3)	-	-	-	-	(733)	-	-	(733)	(185)	(918)
Transfer to statutory reserve	-	34,574	-	-	-	-	(34,574)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	1,822	1,822
Dividends paid to shareholders (note 18)	-	-	-	-	-	-	(73,205)	(73,205)	-	(73,205)
Directors fees paid (note 18)	-	-	-	-	-	-	(2,250)	(2,250)	-	(2,250)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(28,076)	(28,076)
At 31 December 2012	1,464,100	121,886	(34,643)	-	(16,011)	(2,960)	481,271	2,013,643	32,428	2,046,071

The attached notes from 1 to 37 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 AED'000	2012 AED'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		347,040	297,015
Profit before tax from discontinued operations	8	220	401
Profit before tax		347,260	297,416
Adjustments for:			
Depreciation of property, plant and equipment	4	77,248	69,542
Amortisation of other intangible assets	6	3,339	3,247
Provision for employees' end of service benefits	20	22,685	20,001
Provision for doubtful accounts, net	12	7,559	14,583
Net finance expense (income)		2,188	(1,452)
Gain from sale of available - for - sale financial assets		-	(280)
Share of results of joint ventures and an associate		4,974	3,995
(Gain) loss on disposal of property, plant and equipment		(277)	503
Gain on disposal of the discontinued operations	8	-	(771)
Gain from valuation of the investment in joint venture	9	-	(1,541)
Working capital changes:			
Accounts receivable		(31,047)	(98,810)
Accounts payable		8,866	(6,604)
Other current assets		7,123	36,736
Other current liabilities		30,401	65,717
Cash from operations		480,319	402,282
Employees' end of service benefits paid	20	(10,012)	(7,480)
Income tax paid		(25,633)	(24,617)
Net cash flows from operating activities		444,674	370,185
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(67,001)	(200,486)
Proceeds from sale of property, plant and equipment		3,068	4,576
Proceeds from sale of available - for - sale financial assets		-	3,000
Interest received		6,281	4,294
Proceeds from sale of a subsidiary, net of cash	8	460	176
Other non-current assets		28	(9,133)
Margin deposits		1,309	850
Investments in joint ventures		(4,042)	(37,719)
Net cash flows used in investing activities		(59,897)	(234,442)
FINANCING ACTIVITIES			
Interest paid		(8,469)	(2,842)
Acquisition of non-controlling interests	3	-	(918)
Net proceeds from loans and borrowings		149,326	6,505
Dividends of subsidiaries		(33,167)	(28,076)
Non-controlling interests		874	1,822
Directors' fees paid		(2,250)	(2,250)
Dividends paid to shareholders		(146,410)	(73,205)
Net cash flows used in financing activities		(40,096)	(98,964)
NET INCREASE IN CASH AND CASH EQUIVALENTS		344,681	36,779
Net foreign exchange difference		(8,744)	(8,151)
Cash and cash equivalents at 1 January	14	309,507	280,879
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	645,444	309,507

The attached notes from 1 to 37 form part of these consolidated financial statements

1 CORPORATE INFORMATION

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 2013 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 2 March 2014.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), 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 have been prepared under a historical cost basis, except for derivative financial instruments that have been measured at fair value.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 interests
- 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 OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards effective as of 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised 2011)

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 amendments became effective for annual periods beginning on or after 1 January 2013. The amendments did not have any impact on the Group's financial position or performance.

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

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, 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 revised standard became effective for annual periods beginning on or after 1 January 2013. The revised standard did not have an impact on the Group's financial statements or performance, as the Group already accounts for its investments in Joint Ventures using the equity method.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments became effective for annual periods beginning on or after 1 January 2013 and did not impact the Group's financial position or performance.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaced the portion of IAS 27 Consolidated and Separate Financial Statements that addressed the accounting for consolidated financial statements. It also addressed the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 established a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 requires management to exercise significant judgement 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 became effective for annual periods beginning on or after 1 January 2013. IFRS 10 did not have any impact on the currently held investments of the Group.

IFRS 11 Joint Arrangements

IFRS 11 replaced IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Ventures. IFRS 11 removed 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 the new standard did not have an impact on the financial position or performance of the Group as the Group already accounts for these investments using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosure is provided in Note 7.

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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosure is provided in note 36.

2.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's 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 was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. 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 not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 Impairment of Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

2.5 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 accompanying disclosures, and the disclosure of contingent liabilities. 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 37. 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.6 Summary of significant accounting policies****Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and 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 profit and loss 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 8-50 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.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic 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 when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment 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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred 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, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain 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 has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date, which are disclosed in Note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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 their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

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 are 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 are considered to modify 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 as the expense category that is consistent with the function of the intangible assets.

Intangible assets with finite lives are amortised over their economic lives which are between 3 to 15 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is de-recognized.

Investments in joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit (loss) of joint ventures and an associate in the consolidated income statement.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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.

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 of disposal and its value in use. Recoverable amount 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 of disposal, recent market transactions are taken into account. 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 companies 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 CGUs 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 properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following asset has specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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 on hand, bank balances, and short-term deposits as defined above, 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the Parent Company's functional currency. For each entity, the Group determines the 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's entities at their respective functional currency spot rates at the date of the transaction first qualify for recognition.

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss 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 of, at which time, the cumulative amount is reclassified to profit or loss.

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

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 translation of non-monetary items measured at fair value 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's, at the rate of exchange prevailing at the reporting date and their income statements are translated at the daily average exchange rate. 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 profit or loss.

Any goodwill arising on the acquisition of a foreign operation 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 spot rate of exchange at the reporting date.

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 profit or loss 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 amortisation is included in finance costs in the consolidated income statement.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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.

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

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.

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 since it is the primary obligor in all the revenue arrangements, has pricing latitude and is exposed to credit risks.

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 method (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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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 asset. 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.

Taxes

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 using the liability method on 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, the carry forward of unused tax credits and any 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 reporting 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. Unrecognised deferred tax assets are re-assessed to each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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 reporting date.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments (interest rate swaps) to hedge its interest rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when hedge item affects profit or loss.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, the Group's interest rate swaps are classified as cash flow hedges, as the Group is hedging the exposure to variability in cash flows that is attributable to the interest rate risk associated with a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of income.

The Group uses interest rate swap contracts as hedges of its exposure to interest rate risk. The ineffective portion relating to interest rate swap contracts is recognized in finance cost.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial expense is recognized.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the interest rate firm commitment is met.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

Impairment and uncollectability of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 observable data indicating 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

Group as a lessee

Finance leases, that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement 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 recognised in finance costs in the consolidated income statement.

A leased asset is depreciated over the shorter of the estimated useful life of the asset 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.

Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

3 ACQUISITION OF NON - CONTROLLING INTERESTS

Acquisition in 2012

Acquisition of non-controlling interest:

Acquisition of additional interest in Aramex Courier, Freight and Logistics Services LLC – Erbil

On 25 April 2012, the Group acquired an additional 20% interest of the voting shares of Aramex Courier, Freight and Logistics Services LLC - Erbil, increasing its ownership interest to 100%. Cash consideration of AED 918 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex Courier, Freight and Logistics Services LLC - Erbil at the acquisition date was AED 924 thousand, and the carrying value of the additional interest acquired was AED 185 thousand. The difference of AED 733 thousand between the consideration paid and the carrying value of the additional interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

4 PROPERTY, PLANT AND EQUIPMENT

2013 -	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	Total AED '000
Cost:									
At 1 January 2013	43,330	59,327	333,940	28,599	64,030	94,525	108,778	102,903	835,432
Additions	-	8,526	2,974	3,983	3,816	8,862	14,586	24,254	67,001
Transfers	-	(51)	-	79	(11)	(196)	270	(91)	-
Disposals	-	(1,739)	(2,237)	(1,872)	(582)	(4,321)	(9,697)	(18,158)	(38,606)
Exchange differences	(1,904)	(1,018)	(6,234)	(1,024)	(1,388)	(2,850)	(3,333)	(5,677)	(23,428)
At 31 December 2013	41,426	65,045	328,443	29,765	65,865	96,020	110,604	103,231	840,399
Depreciation:									
At 1 January 2013	-	29,881	33,350	14,522	17,306	43,280	68,754	58,463	265,556
Charge for the year	-	7,978	13,262	3,447	4,197	11,524	14,789	22,051	77,248
Transfers	-	(30)	-	36	(10)	(166)	216	(46)	-
Disposals	-	(1,617)	(2,237)	(1,691)	(377)	(3,974)	(9,251)	(16,668)	(35,815)
Exchange differences	-	(436)	(60)	(761)	(189)	(1,087)	(2,140)	(3,494)	(8,167)
At 31 December 2013	-	35,776	44,315	15,553	20,927	49,577	72,368	60,306	298,822
Net carrying amount:									
At 31 December 2013	41,426	29,269	284,128	14,212	44,938	46,443	38,236	42,925	541,577

Property, plant and equipment include vehicles with a net book value of AED 15.63 million (2012: AED 15.25 million) have been obtained under finance leases (note 19).

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

4 PROPERTY, PLANT AND EQUIPMENT (continued)

2012 -	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 2012	12,140	55,045	220,295	24,389	50,145	79,791	100,189	93,901	38,608	674,503
Additions	31,216	8,916	80,306	5,924	11,542	17,671	17,478	27,433	-	200,486
Transfers	-	(103)	-	(25)	503	(1,084)	28	681	-	-
Transfer from capital work-in-progress	-	-	33,488	777	1,959	2,384	-	-	(38,608)	-
Disposals	-	(4,505)	-	(2,324)	(187)	(3,326)	(8,435)	(17,623)	-	(36,400)
Exchange differences	(26)	(26)	(149)	(142)	68	(911)	(482)	(1,489)	-	(3,157)
At 31 December 2012	43,330	59,327	333,940	28,599	64,030	94,525	108,778	102,903	-	835,432
Depreciation:										
At 1 January 2012	-	26,613	23,119	13,517	13,997	36,297	61,006	54,594	-	229,143
Charge for the year	-	6,966	10,231	3,015	2,823	10,922	15,720	19,865	-	69,542
Transfers	-	(40)	-	(19)	478	(1,070)	22	629	-	-
Disposals	-	(3,630)	-	(1,870)	(28)	(2,546)	(7,609)	(15,638)	-	(31,321)
Exchange differences	-	(28)	-	(121)	36	(323)	(385)	(987)	-	(1,808)
At 31 December 2012	-	29,881	33,350	14,522	17,306	43,280	68,754	58,463	-	265,556
Net carrying amount:										
At 31 December 2012	43,330	29,446	300,590	14,077	46,724	51,245	40,024	44,440	-	569,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

5 GOODWILL

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
At 1 January	999,152	1,010,109
Exchange differences	(25,523)	(10,957)
At 31 December	973,629	999,152

The Group performed its annual impairment test at 31 December 2013 and 2012. The recoverable amounts of the cash generating units has been determined using cash flow projections from financial budgets approved by senior management covering a five year period.

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

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Express shipping	297,253	306,126
Freight forwarding	183,868	189,356
Domestic shipping	291,398	300,096
Logistics	82,535	84,999
Documents storage	109,388	109,388
Publication and distribution	9,187	9,187
	973,629	999,152

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 represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) for the industry which is 12% (2012: 12%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. Cost of debt is not deemed to have any significant impact on the rate.

Growth rate estimates – Growth rate used of 3% (2012: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

7 MATERIAL PARTLY – OWNED SUBSIDIARIES (continued)

The summarised financial information of this subsidiary are provided below. This information is based on amounts before intra-group eliminations.

Summarised income statements for 2013 and 2012:

	<u>2013</u>	<u>2012</u>
	<u>AED'000</u>	<u>AED'000</u>
Revenue	535,253	424,609
Cost of sales	(266,952)	(208,014)
Administrative expenses	(190,816)	(159,551)
Other expenses	(6,942)	(4,938)
Profit before tax	70,543	52,106
Income tax	(2,749)	(2,277)
Profit for the year	67,794	49,829
Total comprehensive income	67,794	49,829
Attributable to:		
non-controlling interests	33,897	24,915
Dividends paid to non-controlling interests	29,517	22,834

Summarised statements of financial position as at 31 December:

	<u>2013</u>	<u>2012</u>
	<u>AED'000</u>	<u>AED'000</u>
Cash and bank balances	46,802	34,583
Property, plant and equipment	38,328	36,284
Other current assets	136,594	107,421
Trade and other payable (current)	109,725	85,273
Interest-bearing loans and borrowing and deferred tax	16,185	15,442
Liabilities (non-current)	31,056	26,178
Total Equity	64,758	51,395
Attributable to:		
Equity holders of parent	32,379	25,698
Non-controlling interests	32,379	25,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

7 MATERIAL PARTLY – OWNED SUBSIDIARIES (continued)

Summarised cash flow information for the year ended 31 December:

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Operating	84,919	62,900
Investing	(7,569)	(9,840)
Financing	(65,154)	(59,202)
Net increase (decrease) in cash and cash equivalents	<u>12,196</u>	<u>(6,142)</u>

8 DISCONTINUED OPERATION

2013

Disposal of Aramex International GMBH (Germany)

On 30 April 2013, the Group disposed of 100% of its interest in Aramex International GMBH (Germany) for AED 931 thousand in cash and an amount of AED 80 thousand as a receivable. The cash flows generated by the sale of the discontinued operation during 2013 have been considered in the statement of cash flows as part of the investing activities.

The results of Aramex International GMBH (Germany) for the period are as follows:

	<i>2013</i> <i>AED'000</i> <i>Up to date</i> <i>of disposal</i>	<i>2012</i> <i>AED'000</i>
Revenue	6,634	19,833
Cost of services	(5,204)	(15,052)
Gross profit	<u>1,430</u>	<u>4,781</u>
Less: Overheads	(1,442)	(4,611)
Operating (loss) income	<u>(12)</u>	<u>170</u>
Other income (expense)	41	(414)
Profit (loss) from a discontinued operation	<u><u>29</u></u>	<u><u>(244)</u></u>
Cash inflow on sale:		
Consideration received	931	
Cash included as cash and cash equivalents at 30 April 2013 in the statement of cash flows	(351)	
Net cash inflow	<u><u>580</u></u>	

The net cash flows incurred by Aramex International GMBH (Germany) are as follows:

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Operating	299	(1,650)
Investing	-	(42)
Net cash inflow (outflow)	<u><u>299</u></u>	<u><u>(1,692)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

8 DISCONTINUED OPERATION (continued)**Disposal of Falloh Trade and Express Services (Syria)**

On 31 July 2013, the Group disposed of 100% of its interest in Falloh Trade and Express Services (Syria)

The results of Falloh Trade and Express Services (Syria) for the period are as follows:

	<i>2013 AED'000 Up to date of disposal</i>	<i>2012 AED'000</i>
Revenue	2,415	13,964
Cost of services	(1,023)	(8,700)
Gross profit	1,392	5,264
Less: Overheads	(1,664)	(4,156)
Operating (loss) income	(272)	1,108
Other income	463	450
Profit before tax from the discontinued operation	191	1,558
Income tax expense	(34)	(23)
Profit after tax for the period from the discontinued operation	157	1,535
Cash outflow on sale:		
Consideration received	-	
Cash included as cash and cash equivalents at 31 July 2013 in the statement of cash flows	(120)	
Net cash outflow	(120)	

The net cash flows incurred by Falloh Trade and Express Services (Syria) are as follows:

	<i>2013 AED'000</i>	<i>2012 AED'000</i>
Operating	(1,428)	(120)
Investing	-	(24)
Net cash outflow	(1,428)	(144)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

8 DISCONTINUED OPERATION (continued)**2012**

During 2012, the Group publicly announced the decision of its Board of Directors to dispose of 33.3% of its interest in PT Global Distribution Alliance Company (Indonesia) which resulted in decreasing its ownership in PT Global Distribution Alliance Company (Indonesia) from 75% to 50%, as a new local law in Indonesia restricting the investment of foreign entities is intended to go into effect in 2014. On 30 September 2012, the Group completed the sale of PT Global Distribution Alliance Company (Indonesia) for AED 367 thousand in cash and an amount of AED 514 thousand to be deducted from the buyer's share of the future profits of PT Global Distribution Alliance Company (Indonesia), resulting in a pre-tax gain of AED 771 thousand. The cash flows generated by the sale of the discontinued operation during 2012 have been considered in the statement of cash flows as part of the investing activities. The remaining investment in PT Global Distribution Alliance Company (Indonesia) was classified as an investment in a joint venture.

The results of PT Global Distribution Alliance Company (Indonesia) for the year are as follows:

	<i>2012 AED'000 Up to date of disposal</i>
Revenue	3,304
Expenses	(1,695)
Gross profit	1,609
Less: Overheads	(2,423)
Operating loss	(814)
Add: Other income	126
Less: Expenses	(225)
Loss before tax from a discontinued operation	(913)
Income tax expense	-
Gain on disposal of a discontinued operation	771
Loss after tax for the period from a discontinued operation	(142)
Cash outflow on sale:	
Consideration received	367
Cash included as cash and cash equivalents at 31 December 2011 in the statement of cash flows	(191)
Net cash inflow	176

The net cash flows incurred by PT Global Distribution Alliance Company are as follows:

	<i>2012 AED'000</i>
Operating	182
Investing	(431)
Financing	73
Net cash outflow	(176)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

9 INVESTMENTS IN JOINT VENTURES (continued)

The joint ventures are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the joint ventures, based on its IFRS financial statements, are set out below:

	2013				
	Aramex Mashreq for Logistics Services	Aramex Sinotrans Co. LTD	PT- Global Distribution Alliance	Aramex Logistics LLC	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Non-current assets	64,382	659	3,311	31	68,383
Current assets*	24,325	11,322	1,092	27,136	63,875
Non-current liabilities	(23,616)	-	(256)	(13,514)	(37,386)
Current liabilities**	(7,987)	(7,018)	(1,565)	(7,591)	(24,161)
Equity	57,104	4,963	2,582	6,062	70,711
Proportion of the Group's ownership	75%	50%	50%	50%	
Carrying amount of the investment	42,828	2,482	1,291	3,031	49,632

* The current assets of Aramex Mashreq include cash at banks amounted to AED 5,369 thousand, accounts receivable amounted to AED 6,930 thousand and other current assets amounted to AED 12,026 thousand.

** The current liabilities of Aramex Mashreq include deferred tax liabilities amounted to AED 864 thousand, accruals amounted to AED 835 thousand and other current liabilities amounted to AED 1,798 thousand.

	2012				
	Aramex			Aramex	
	Mashreq for	Aramex	PT- Global	Aramex	
	Logistics	Sinotrans	Distribution	Logistics	
	Services	Co. LTD	Alliance	LLC	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Non-current assets	54,445	733	3,438	3	58,619
Current assets*	39,203	6,076	882	23,350	69,511
Non-current liabilities	(21,896)	-	(183)	-	(22,079)
Current liabilities**	(6,377)	(3,437)	(950)	(20,446)	(31,210)
Equity	65,375	3,372	3,187	2,907	74,841
Proportion of the Group ownership	75%	50%	50%	50%	
Carrying amount of the investment	49,032	1,686	1,593	1,453	53,764

* The current assets of Aramex Mashreq include cash at banks amounted to AED 3,859 thousand, accounts receivable amounted to AED 5,757 thousand and other current assets amounted to AED 29,587 thousand.

** The current liabilities of Aramex Mashreq include deferred tax liabilities amounted to AED 590 thousand, accruals amounted to AED 492 thousand and other current liabilities amounted to AED 2,258 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

9 INVESTMENTS IN JOINT VENTURES (continued)

Summarized statement of profit or loss of the joint ventures:

	2013				
	<i>Aramex Mashreq for Logistics Services</i>	<i>Aramex Sinotrans Co. LTD</i>	<i>PT- Global Distribution Alliance</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>
Revenue	35,162	30,008	4,533	-	69,703
Cost of sale	(15,087)	(25,599)	(2,311)	-	(42,997)
Administrative expenses*	(19,322)	(10,970)	(2,945)	(1,602)	(34,839)
Profit (loss) before tax	753	(6,561)	(723)	(1,602)	(8,133)
Income tax expense	(355)	-	42	-	(313)
Profit (loss) for the year	398	(6,561)	(681)	(1,602)	(8,446)
Group share of profit (loss) for the year	298	(3,281)	(340)	(801)	(4,124)

* The administrative expenses of Aramex Mashreq include depreciation expense amounted to AED 3,924 thousand.

	2012				
	<i>Aramex Mashreq for Logistics Services*</i>	<i>Aramex Sinotrans Co. LTD</i>	<i>PT- Global Distribution Alliance</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>
Revenue	34,006	12,510	1,131	-	47,647
Cost of sale	(17,551)	(10,823)	(580)	-	(28,954)
Administrative expenses*	(15,150)	(9,329)	(876)	(770)	(26,125)
Profit (loss) before tax	1,305	(7,642)	(325)	(770)	(7,432)
Income tax expense	(347)	-	(18)	-	(365)
Profit (loss) for the year	958	(7,642)	(343)	(770)	(7,797)
Group share of profit (loss) for the year	718	(3,821)	(172)	(385)	(3,660)

* The administrative expenses of Aramex Mashreq include depreciation expense amounted to AED 2,805 thousand.

The joint ventures have capital commitments of AED 7 million towards construction of property, plant and equipment (2012: AED 16.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

10 INVESTMENT IN AN ASSOCIATE

The Group has a 49% interest in Aramex Tunisia Limited which is involved in the business of freight forwarding.

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

The Group's interest in Aramex Tunisia Limited is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investment in Aramex Tunisia Limited.

	2013 <i>AED'000</i>	2012 <i>AED'000</i>
Non-current assets	208	280
Current assets	2,081	695
Current liabilities	(3,905)	(856)
Equity	(1,616)	119
Proportion of the Group's ownership	49%	49%
Group's share	(792)	58
Add: Embedded goodwill	878	878
Carrying amount of the investment	86	936

Share of the associate's revenue and loss:

	2013 <i>AED'000</i>	2012 <i>AED'000</i>
Revenues	4,003	3,166
Cost	(2,234)	(1,453)
Administrative expenses	(3,500)	(2,394)
Profit before tax	(1,731)	(681)
Income tax expense	(4)	(3)
Loss for the year	(1,735)	(684)
Group's share of loss for the year	(850)	(335)

The associate has no contingent liabilities or capital commitments as at 31 December 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

11 INCOME TAX

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

	2013 AED'000	2012 AED'000
Current income tax expense	31,682	26,875
Deferred income tax	553	(72)
Foreign exchange rate	(137)	(151)
Income tax expense reported in the consolidated income statement	32,098	26,652

Deferred tax relates to the following:

	2013 AED'000	2012 AED'000
Provision for doubtful accounts	492	347
Depreciation	(134)	(104)
Employees end of service benefits	(230)	654
Net operating losses carried forward	432	2
Capital allowance	(302)	(155)
Others	699	766
	957	1,510
<i>Recognised as follows:</i>		
As deferred tax assets	2,382	2,824
As deferred tax liabilities	(1,425)	(1,314)
	957	1,510

Reconciliation between accounting profit and taxable profit:

	2013 AED'000	2012 AED'000
Accounting profit before income tax	347,040	297,015
Non-deductible expenses	76,693	78,027
Losses carried forward	-	(2,254)
Taxable profit	423,733	372,788
Income tax expense reported in the consolidated income statement	32,098	26,652
Effective income tax rate	9.25%	8.97%

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 2013

12 ACCOUNTS RECEIVABLE

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Trade receivables	653,231	630,865
Less: allowance for doubtful accounts	(49,330)	(47,398)
	<u>603,901</u>	<u>583,467</u>

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

	<i>2013</i> <i>%</i>	<i>2012</i> <i>%</i>
- Middle East and Africa	79	75
- Europe	13	15
- North America	1	2
- Asia	7	8

As at 31 December 2013, trade receivables at nominal value of AED 49,330 thousand (2012: AED 47,398 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
At 1 January	47,398	39,029
Charge for the year	8,288	15,520
Unused amounts reversed	(729)	(1,027)
Amounts written-off	(5,627)	(6,124)
At 31 December	<u>49,330</u>	<u>47,398</u>

As at 31 December, the ageing analysis of trade receivables was as follows:

<i>Past due but not impaired</i>						
	<i>Total</i>	<i>0-60</i>	<i>61-90</i>	<i>91-180</i>	<i>181-365</i>	<i>More than</i>
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>1 year</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>
2013	603,901	489,298	64,720	36,314	13,569	-
2012	583,467	472,945	64,029	32,521	13,972	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

13 OTHER CURRENT ASSETS

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Prepaid expenses	42,054	43,494
Advances and other receivables *	84,876	91,869
	<u>126,930</u>	<u>135,363</u>

* Advances and other receivables include an amount of AED 6 million (2012: AED 12 million) due from a related party in connection with employees participating in an incentive plan as at 31 December 2013 and 2012.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Cash and short term deposits	656,972	333,673
Less: cash margin	(11,528)	(12,837)
Less: bank overdrafts (note 22)	-	(11,329)
	<u>645,444</u>	<u>309,507</u>

Included in cash and short term deposits are amounts totalling AED 199,703 thousand (31 December 2012: AED 175,789 thousand) held at foreign banks abroad.

15 SHARE CAPITAL

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
<i>Authorised, issued and paid up</i>		
1,464,100,000 ordinary shares of AED 1 each (2012: 1,464,100,000 ordinary shares of AED 1 each)	<u>1,464,100</u>	<u>1,464,100</u>

16 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.

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.

16 RESERVES (continued)

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.

17 DERIVATIVE FINANCIAL INSTRUMENTS

During January 2012, the Group entered into a loan agreement with Arab Bank for an amount of USD 50 million. The loan bears interest at USD three month LIBOR plus 225 basis points per annum. The Group had drawn down the loan during January 2013. The purpose of the loan is to finance expected acquisition costs. The loan is repayable in 20 consecutive equal quarterly instalments of USD 2.5 million each, commencing after withdrawal of the full loan amount.

Derivative financial instruments - interest rate swaps

The Group's loan with Arab Bank is in the form of variable interest rate loan. To mitigate its exposure to fluctuations in market interest rates, the Group entered into interest rate swap contracts that effectively fix the interest rate on 100% of its available facilities with Arab Bank. Under the terms of these contracts, the Group pays a pre-determined fixed rate (1.19%) of interest on a notional principal balance equal to amounts expected to be drawn down and receives from the counter-party a floating rate of interest on the same notional principal balance equals to USD three month LIBOR.

For the purpose of hedge accounting, the Group's interest rate swap contracts are classified as cash flow hedges, as the Group is hedging exposure to variability in cash flows that is attributable to the interest rate risk associated with a highly probable forecast transaction.

As of 31 December 2013, the cash flow hedges were assessed to be highly effective and an unrealized gain of AED 1,460 thousand was included in other comprehensive income, while an expense of AED 1,510 thousand was reclassified from other comprehensive income to the consolidated income statement and the corresponding negative fair value of the interest rate swap deal amounted to AED 1,500 thousand (2012: AED 2,960 thousand) was recorded as a liability in the consolidated statement of financial position.

18 RETAINED EARNINGS

Dividends

The General Assembly approved in its meeting held on 16 April 2013 a cash dividend for 2012 of 10% of the Company's share capital.

The General Assembly approved in its meeting held on 11 April 2012 a cash dividend for 2011 of 5% of the Company's share capital.

Directors' fees paid

Directors' fees of AED 2.25 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2012 were paid in 2013 (2012: AED 2.25 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2011 were paid in 2012).

19 LOANS AND BORROWINGS

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Non-current		
Term loan*	120,679	2,614
Notes payable	83	2,321
Finance lease obligations (a)	7,333	7,431
	<u>128,095</u>	<u>12,366</u>
Current		
Term loan*	38,464	3,142
Notes payable	1,987	4,551
Finance lease obligations (a)	8,851	8,011
	<u>49,302</u>	<u>15,704</u>

* During January 2012, the Group entered into a loan agreement with Arab Bank for an amount of USD 50 million (AED 184 million). The loan bears interest at USD three month LIBOR plus 225 basis points per annum. The Group had drawn down the loan during January 2013. The purpose of the loan is to finance expected acquisitions. The loan is repayable in 20 consecutive equal quarterly instalments of USD 2.5 million (AED 9 million) each, the first instalment was due in April 2013.

(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	9,907	1,056	8,851
Between one and five years	7,694	361	7,333
31 December 2013	<u>17,601</u>	<u>1,417</u>	<u>16,184</u>
Less than one year	9,218	1,207	8,011
Between one and five years	7,992	561	7,431
31 December 2012	<u>17,210</u>	<u>1,768</u>	<u>15,442</u>

Finance lease obligations have maturities till 2016. Interest rate on finance lease obligations is 8%. (2012: 8%).

20 EMPLOYEES' END OF SERVICE BENEFITS

Movements on provision for employees' end of service benefits were as follows:

	2013 AED'000	2012 AED'000
Provision as at 1 January	91,166	79,660
Provided during the year	22,685	20,001
Paid during the year	(10,012)	(7,480)
Disposal of a subsidiary	(307)	(105)
Exchange differences	(466)	(910)
Provision as at 31 December	103,066	91,166
Actuarial gains and losses	-	-
Present value of the defined benefit obligations	103,066	91,166

21 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.

22 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 as of 31 December 2013 (2012: AED 173 thousand).

Aramex Ireland Limited has outstanding bank overdrafts and lines of credit (that includes invoicing discounting) of AED Nil as at 31 December 2013 (2012: AED 7.76 million), which are secured by a floating charge over the assets of Aramex Ireland Limited together with inter-company guarantees within the Group.

Aramex Emirates LLC has outstanding overdrafts from the Arab Bank of AED Nil as at 31 December 2013 (2012: AED 3.39 million) with guarantees amounted to AED 15,213 thousand.

23 OTHER CURRENT LIABILITIES

	2013 AED'000	2012 AED'000
Accrued expenses	325,593	313,665
Deferred revenue	16,263	15,672
Sales tax and other taxes	17,074	8,946
Income taxes payable	28,375	22,428
Customers' deposits	6,274	403
Social security taxes payable	6,791	7,694
Others	13,560	11,643
	413,930	380,451

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At 31 December 2013

24 REVENUE

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
International express	1,056,942	968,673
Freight forwarding	1,234,706	1,169,037
Domestic express	645,026	592,899
Logistics	169,648	138,284
Publications and distribution	20,272	25,630
Others*	198,244	177,066
	<u>3,324,838</u>	<u>3,071,589</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.

25 COST OF SERVICES

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
International express	347,611	324,186
Freight forwarding	905,247	862,061
Domestic express	197,885	167,306
Logistics	34,550	24,641
Publications and distribution	13,554	18,875
Others	24,691	20,178
	<u>1,523,538</u>	<u>1,417,247</u>

26 ADMINISTRATIVE EXPENSES

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Salaries and benefits	310,298	289,390
Rent	49,292	50,965
Depreciation	49,520	45,489
Communication expenses	29,858	25,764
Repairs and maintenance	15,473	14,421
Travel expenses	15,601	15,300
Allowance for impairment of receivables (note 12)	7,559	14,493
Utilities	11,102	10,978
Printing and stationary	8,241	8,780
Entertainment	7,145	6,262
Vehicle running expenses	4,395	4,161
Insurance and security	12,232	10,719
Government fees and taxes	30,419	29,806
Corporate Social Responsibility	6,971	6,399
Sponsorship	154	331
Others	76,960	68,579
	<u>635,220</u>	<u>601,837</u>

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At 31 December 2013

27 OPERATING EXPENSES

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Salaries and benefits	437,709	397,643
Vehicle running and maintenance	81,055	79,412
Supplies	24,890	24,789
Communication expenses	6,815	5,962
Depreciation	27,728	23,812
Rent	49,003	44,772
Others	37,513	33,359
	<u>664,713</u>	<u>609,749</u>

28 OTHER INCOME

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Exchange gain (loss)	2,630	(1,213)
Gain (loss) on sale of property, plant and equipment	277	(503)
Miscellaneous income	2,715	3,857
Gain from valuation of the investment in joint venture (note 9)	-	1,541
	<u>5,622</u>	<u>3,682</u>

29 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>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Rent expense	<u>329</u>	<u>1,389</u>	<u>1,718</u>	<u>1,720</u>

During 2012, Aramex Ireland Limited purchased premises from its director amounted to AED 49,485 thousand.

Compensation of key management personnel of the Group

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

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Salaries and other short term benefits	9,280	13,391
End of service benefits	346	958
	<u>9,626</u>	<u>14,349</u>

29 RELATED PARTY TRANSACTIONS (continued)**Significant subsidiaries of the Group include:**

Aramex Jordan Ltd.
Aramex India Private Limited, India
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex Bahrain S.P.C
Aramex Emirates LLC, UAE
Aramex Ireland Limited
Aramex Nederland B.V.
Aramex South Africa PTY Ltd.

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.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. The outstanding balances as at 31 December 2013 and 2012, are included Notes 12 and 21:

		<i>Sales to related parties AED '000</i>	<i>Cost from related parties AED '000</i>	<i>Amounts owed by related parties* AED '000</i>	<i>Amounts owed to related parties* AED '000</i>	<i>Long term loan granted to related parties AED '000</i>
Associate:						
Aramex Tunisia Limited	2013	71	-	-	722	-
	2012	19	-	-	363	-
Joint ventures in which the Parent is a venturer:						
	2013	244	4,572	2,054	1,407	6,751
	2012	51	969	2,757	9,914	-

* These amounts are classified as trade receivables and trade payables, respectively.

30 EARNINGS PER SHARE

	<i>31 December 2013</i>	<i>31 December 2012</i>
Profit attributable to shareholders of the Parent (AED'000)	277,958	244,119
Weighted average number of shares during the year (shares)	1,464 million	1,464 million
Basic and diluted earnings per share (AED)	0.190	0.167

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31 OPERATING LEASES**Group 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 98.3 million for the year ended 31 December 2013 (2012: AED 95.7 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:

	2013 AED'000	2012 AED'000
Less than one year	94,409	93,399
Between one and five years	352,950	353,299
More than five years	34,956	57,004
	<u>482,315</u>	<u>503,702</u>

32 STOCK BENEFIT PLAN

On 18 December 2013, the Board of Directors have approved an employee stock benefit plan (the "plan"). The Board requested that the nomination and remuneration committee discusses the details of the plan, including beneficiaries and number of shares to be allocated to each beneficiary. The details of the plan will be notified to employees during 2014 and no stock options were granted during 2013.

33 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 2013 and 2012, respectively.

Aramex PJSC and its subsidiaries

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At 31 December 2013

33 SEGMENTAL INFORMATION (continued)

Year ended 31 December 2013

Revenue	International express AED '000	Freight forwarding AED '000	Domestic express AED '000	Logistics AED '000	Others AED '000	Elimination AED '000	Total AED '000
Third party	1,056,942	1,234,706	645,026	169,648	218,516	-	3,324,838
Inter-segment	467,271	265,380	690	4,134	5,970	(743,445)	-
Total revenues	1,524,213	1,500,086	645,716	173,782	224,486	(743,445)	3,324,838
Gross profit	709,331	329,460	447,141	135,097	180,271	-	1,801,300

Year ended 31 December 2012

Revenue	International express AED '000	Freight forwarding AED '000	Domestic express AED '000	Logistics AED '000	Others AED '000	Elimination AED '000	Total AED '000
Third party	968,673	1,169,037	592,900	138,284	202,695	-	3,071,589
Inter-segment	430,404	216,235	15,450	3,855	4,611	(670,555)	-
Total revenues	1,399,077	1,385,272	608,350	142,139	207,306	(670,555)	3,071,589
Gross profit	644,486	306,977	425,594	113,644	163,641	-	1,654,342

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33 SEGMENTAL INFORMATION (continued)**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.

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

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Revenues		
Middle East and Africa	2,480,656	2,229,036
Europe	526,394	500,626
North America	51,147	66,266
Asia	266,641	275,661
	<u>3,324,838</u>	<u>3,071,589</u>
Assets		
Middle East and Africa	2,504,112	2,215,614
Europe	353,071	352,716
North America	24,335	28,926
Asia	104,304	117,910
	<u>2,985,822</u>	<u>2,715,166</u>
Non- current assets*		
Middle East and Africa	523,084	553,591
Europe	70,257	72,109
North America	6,839	8,269
Asia	15,027	17,513
	<u>615,207</u>	<u>651,482</u>
Liabilities		
Middle East and Africa	697,880	492,304
Europe	107,297	113,214
North America	9,841	13,084
Asia	43,959	50,493
	<u>858,977</u>	<u>669,095</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).

34 COMMITMENTS AND CONTINGENCIES**Contingent liabilities**

	<i>2013</i> <i>AED'000</i>	<i>2012</i> <i>AED'000</i>
Letters of guarantee	<u>74,856</u>	<u>66,875</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34 COMMITMENTS AND CONTINGENCIES (continued)**Claims against the Group**

The Group is a defendant in a number of lawsuits amounting to AED 17,179 thousand representing legal actions and claims related to its ordinary course of business (2012: AED 10,242 thousand). The management and their legal advisors believe that the provision recorded of AED 7,546 thousand as of 31 December 2013 is sufficient to meet the obligations that may arise from the lawsuits (2012: AED 3,853 thousand).

35 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).

To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

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>
2013		
Variable rate instruments	+100	3,705
Variable rate instruments	-100	(3,705)
2012		
Variable rate instruments	+100	967
Variable rate instruments	-100	(967)

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 79 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35 RISK MANAGEMENT (continued)**Credit risk (continued)**

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.

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 2013

	<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	11,087	31,269	40,345	87,713	-	170,414
Notes payable	705	1,422	139	41	-	2,307
Finance lease obligations	2,703	7,204	6,547	1,147	-	17,601
Trade and other payables	534,046	-	-	-	-	534,046
	<u>548,541</u>	<u>39,895</u>	<u>47,031</u>	<u>88,901</u>	<u>-</u>	<u>724,368</u>

At 31 December 2012

	<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	912	2,783	2,369	266	-	6,330
Notes payable	1,528	3,388	2,370	41	-	7,327
Finance lease obligations	2,455	6,763	5,658	2,334	-	17,210
Bank overdrafts	11,329	-	-	-	-	11,329
Trade and other payables	480,772	-	-	-	-	480,772
	<u>496,996</u>	<u>12,934</u>	<u>10,397</u>	<u>2,641</u>	<u>-</u>	<u>522,968</u>

35 RISK MANAGEMENT (continued)**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), South African Rand, Turkish Lira and the Indian Rupee (INR). The currencies in which these transactions are primarily denominated are Euro, USD, ZAR, TYL 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.

The Group hedges some of its trade payables denominated in certain foreign currencies, mainly Euros and Indian Rupee. 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>
2013		
EUR	+10	(217)
INR	+10	(57)
GBP	+10	1,661
EGP	+10	282
TYL	+10	(519)
ZAR	+10	(38)
2012		
EUR	+10	61
INR	+10	386
GBP	+10	2,000
EGP	+10	(744)
TYL	+10	(365)
ZAR	+10	823

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

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35 RISK MANAGEMENT (continued)**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 2013 and 31 December 2012. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interests and retained earnings, and is measured at AED 2,180,554 thousand as at 31 December 2013 (2012: AED 2,051,246 thousand).

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 non-controlling 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.

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables 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 fair values of all instruments measured at fair value are determined using level 2 in the fair value hierarchy as per the following table:

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2013:

		<i>Fair value measurement using</i>			
	<i>Date of valuation</i>	<i>Total</i>	<i>Quoted prices</i>	<i>Significant</i>	<i>Significant</i>
			<i>in active</i>	<i>observable</i>	<i>unobservable</i>
<i>Liabilities measured at fair value:</i>			<i>markets</i>	<i>inputs</i>	<i>inputs</i>
		<i>AED '000</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>
			<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Derivative financial liabilities					
Interest rate swap	31 December 2013	1,500	-	1,500	-

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2012:

		<i>Fair value measurement using</i>			
	<i>Date of valuation</i>	<i>Total</i>	<i>Quoted prices</i>	<i>Significant</i>	<i>Significant</i>
			<i>in active</i>	<i>observable</i>	<i>unobservable</i>
<i>Liabilities for which fair value are disclosed:</i>			<i>markets</i>	<i>inputs</i>	<i>inputs</i>
		<i>AED '000</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>
			<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Derivative financial liabilities					
Interest rate swap	31 December 2012	2,960	-	2,960	-

37 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 653,231 thousand (2012: AED 630,865 thousand) and the provision for doubtful debts was AED 49,330 thousand (2012: AED 47,398 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated 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.

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 818 thousand as at the reporting date, which is classified as 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.

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.