

**ARAMEX PJSC AND ITS
SUBSIDIARIES**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2014

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARAMEX PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Aramex PJSC and its subsidiaries (“the Group”) as at 31 March 2014, comprising the interim consolidated statement of financial position as at 31 March 2014 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting “IAS 34”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Ashraf Abu-Sharkh
Partner
Registration no. 690

29 April 2014
Dubai, United Arab Emirates

Aramex PJSC and its subsidiaries


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014 (Unaudited)

	Notes	31 March 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	532,617	541,577
Goodwill		973,629	973,629
Other intangible assets		23,109	23,912
Investments in joint ventures and an associate		49,042	49,718
Deferred tax assets		2,001	2,382
Other non-current assets		6,801	6,801
		<u>1,587,199</u>	<u>1,598,019</u>
Current assets			
Accounts receivable, net		639,329	603,901
Other current assets		146,660	126,930
Bank balances and cash	6	677,811	656,972
		<u>1,463,800</u>	<u>1,387,803</u>
TOTAL ASSETS		<u>3,050,999</u>	<u>2,985,822</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		1,464,100	1,464,100
Statutory reserve		145,254	145,254
Foreign currency translation reserve		(91,287)	(90,579)
Reserve arising from acquisition of non-controlling interests		(24,303)	(15,763)
Cash-flow hedge reserve	8	574	10
Retained earnings		665,686	586,953
Equity attributable to equity holders of the Parent		<u>2,160,024</u>	<u>2,089,975</u>
Non-controlling interests		29,999	36,870
Total equity		<u>2,190,023</u>	<u>2,126,845</u>
Non-current liabilities			
Interest-bearing loans and borrowings	8	117,678	128,095
Employees' end of service benefits		106,761	103,066
Deferred tax liabilities		1,264	1,425
Employees' benefit liability		1,426	-
		<u>227,129</u>	<u>232,586</u>
Current liabilities			
Accounts payable		166,198	163,159
Bank overdrafts	6	24	-
Interest-bearing loans and borrowings	8	47,909	49,302
Other current liabilities		419,716	413,930
		<u>633,847</u>	<u>626,391</u>
Total liabilities		<u>860,976</u>	<u>858,977</u>
TOTAL EQUITY AND LIABILITIES		<u>3,050,999</u>	<u>2,985,822</u>


Abdullah Al Mazrui
(Chairman)


Hussein Hachem
(Chief Executive Officer)


Bashar Obeid
(Chief Financial Officer)

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2014 (Unaudited)

	<i>Note</i>	<i>Three months ended 31 March</i>	
		<i>2014 AED'000</i>	<i>2013 AED'000</i>
Continuing operations			
Rendering of services		851,622	803,390
Cost of services		(381,325)	(363,573)
Gross profit		470,297	439,817
Share of results of joint ventures and an associate		(525)	(889)
Selling and marketing expenses		(41,790)	(38,114)
Administrative expenses		(157,941)	(151,573)
Operating expenses		(176,705)	(161,683)
Other income		834	37
Operating profit		94,170	87,595
Finance income		1,748	1,403
Finance expense		(1,789)	(1,916)
Profit from continuing operations before tax		94,129	87,082
Income tax expense		(7,650)	(8,336)
Profit for the period from continuing operations		86,479	78,746
Discontinued operations			
(Loss) profit after tax for the period from discontinued operations		(85)	8
Profit for the period		86,394	78,754
Attributable to:			
<i>Equity holders of the Parent</i>			
Profit for the period from continuing operations		78,818	69,379
Loss for the period from discontinued operations		(85)	(14)
		78,733	69,365
<i>Non-controlling interests</i>			
Profit for the period from continuing operations		7,661	9,367
Profit for the period from discontinued operations		-	22
		7,661	9,389
		86,394	78,754
Earnings per share attributable to equity holders of the Parent	7		
Basic and diluted earnings per share		AED 0.054	AED 0.047

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2014 (Unaudited)

		<i>Three months ended 31 March</i>	
		2014	2013
<i>Note</i>		<i>AED'000</i>	<i>AED'000</i>
	Profit for the period	86,394	78,754
	Other comprehensive income, net of tax:		
	<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
	Exchange differences on translation of foreign operations	(895)	(22,245)
	Foreign currency gain from disposal of a subsidiary	242	-
8	Gain on cash flow hedge	207	53
8	Cash flow hedge expense recycled to consolidated income statement	357	339
	Net other comprehensive income that would be reclassified to profit or loss in subsequent periods	(89)	(21,853)
	Other comprehensive income for the period, net of tax	(89)	(21,853)
	Total comprehensive income for the period	86,305	56,901
	Total comprehensive income attributable to:		
	Equity holders of the Parent	78,589	47,547
	Non-controlling interests	7,716	9,354
		86,305	56,901

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014 (Unaudited)

	<i>Attributable to equity holders of the Parent</i>								
	Share capital AED '000	Statutory reserve AED '000	Foreign currency translation reserve AED '000	Reserve arising from acquisition of non-controlling interest AED '000	Cash flow hedge reserve AED '000	Retained earnings AED '000	Total AED '000	Non-controlling interests AED '000	Total AED '000
Three month period ended 31 March 2014									
At 1 January 2014	1,464,100	145,254	(90,579)	(15,763)	10	586,953	2,089,975	36,870	2,126,845
Total comprehensive income for the period	-	-	(708)	-	564	78,733	78,589	7,716	86,305
Dividends of subsidiaries	-	-	-	-	-	-	-	(12,549)	(12,549)
Acquisition of non-controlling interest (note 3)	-	-	-	(8,540)	-	-	(8,540)	(2,038)	(10,578)
At 31 March 2014	1,464,100	145,254	(91,287)	(24,303)	574	665,686	2,160,024	29,999	2,190,023
Three month period ended 31 March 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 period	-	-	(22,210)	-	392	69,365	47,547	9,354	56,901
Dividends of subsidiaries	-	-	-	-	-	-	-	(6,611)	(6,611)
Non-controlling interests	-	-	-	-	-	-	-	(110)	(110)
At 31 March 2013	1,464,100	121,886	(56,853)	(16,011)	(2,568)	550,636	2,061,190	35,061	2,096,251

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2014 (Unaudited)

		<i>Three months ended 31 March</i>	
		2014	2013
		AED'000	AED'000
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit before tax from continuing operations		94,129	87,082
(Loss) profit before tax from discontinued operations		(85)	28
Profit before tax		<u>94,044</u>	<u>87,110</u>
Adjustment for:			
Depreciation of property, plant and equipment		18,628	19,029
Amortization of other intangible assets		810	926
(Gain) loss on disposal of property, plant and equipment		(387)	4
Provision for employees' end of service benefits		4,959	4,500
Provision for doubtful accounts, net		785	618
Net finance expense		41	513
Share of results of joint ventures and an associate		525	889
Share-based payment expense	13	1,426	-
Loss on disposal of discontinued operations		85	-
		<u>120,916</u>	<u>113,589</u>
Working capital adjustments:			
Accounts receivable		(36,458)	(13,076)
Accounts payable		3,323	(1,427)
Other current assets		(20,215)	(13,384)
Other current liabilities		5,002	(31,685)
Cash from operations		<u>72,568</u>	<u>54,017</u>
Employees' end of service benefits paid		(1,289)	(2,742)
Income tax paid		(5,896)	(5,725)
Net cash flows from operating activities		<u>65,383</u>	<u>45,550</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(11,195)	(20,669)
Proceeds from sale of property, plant and equipment		1,196	207
Interest received		1,748	1,403
Other non-current assets		-	21
Margin deposits		(328)	(4,841)
Proceeds from sale of a subsidiary, net of cash	9	(193)	-
Acquisition of non-controlling interests	3	(10,578)	-
Net cash flows used in investing activities		<u>(19,350)</u>	<u>(23,879)</u>
FINANCING ACTIVITIES			
Interest paid		(1,789)	(1,916)
Proceeds from loans and borrowings		-	187,035
Repayments of loans and borrowings		(11,807)	(2,238)
Dividends paid to non-controlling interests		(12,549)	(6,611)
Non-controlling interests		-	(110)
Net cash flows (used in) from financing activities		<u>(26,145)</u>	<u>176,160</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,888	197,831
Net foreign exchange difference		599	(5,084)
Cash and cash equivalents at 1 January	6	<u>645,444</u>	<u>309,507</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	<u><u>665,931</u></u>	<u><u>502,254</u></u>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

1 ACTIVITIES

Aramex PJSC (“the Parent Company”) is a Public Joint Stock Company registered in the Emirate of Dubai, United Arab Emirates on 15 February 2005 under United Arab Emirates Federal Law No 8 of 1984 (as amended). The condensed consolidated financial statements of the Company as at 31 March 2014 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 interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 29 April 2014

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2013. In addition, results for the three months ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and the impact of each new standard or amendment is described below:

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

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 amendments have no impact on the Group.

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 have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36**

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The amendment has no impact on the Group.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation has no impact on the Group.

3 ACQUISITION OF NON-CONTROLLING INTEREST

On 1 January 2014, the Group acquired an additional 29% interest of the voting shares of Aramex (Malaysia) SDN. BHD, increasing its ownership interest to 80%. Cash consideration of AED 10.5 million was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex (Malaysia) SDN. BHD at the acquisition date was AED 7 million, and the carrying value of the additional interest acquired was AED 2 million. The difference of AED 8.5 million 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.

4 DIVIDENDS

The General Assembly approved in its meeting held on 16 April 2014 a cash dividend for 2013 of 11.5% of the Company's share capital.

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.

5 PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2014, the Group acquired property and equipment with a cost of AED 11 million (three months ended 31 March 2013: AED 20.7 million).

6 CASH AND CASH EQUIVALENTS

	<i>31 March 2014 AED'000</i>	<i>31 December 2013 AED'000</i>
Cash and short term deposits	677,811	656,972
Less: cash margin	(11,856)	(11,528)
Less: bank overdrafts	(24)	-
	<u>665,931</u>	<u>645,444</u>

Included within cash and short term deposits are amounts totaling AED 178,186 thousand (31 December 2013: AED 199,703 thousand) held at foreign banks abroad.

7 EARNINGS PER SHARE

	<i>Three months ended 31 March</i>	
	2014	2013
Profit attributable to shareholders of the Parent (AED'000)	78,733	69,365
Weighted average number of shares during the period (shares)	1,464 million	1,464 million
Basic and diluted earnings per share (AED)	0.054	0.047

8 LOANS AND BORROWINGS

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 installments 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 March 2014, the cash flow hedges were assessed to be highly effective and an unrealized gain of AED 207 thousand was included in other comprehensive income while an expense of AED 357 thousand was reclassified from other comprehensive income to the interim consolidated statement of income. The negative fair value of the interest rate swap deal amounted to AED 1,294 thousand was recorded as a liability in the interim consolidated statement of financial position.

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

9 DISCONTINUED OPERATIONS

Disposal of Aramex Cyprus Limited

On 2 January 2014, the Group disposed of 100% of its interest in Aramex Cyprus Limited for AED 120 thousand in cash and an amount of AED 1,001 thousand as a receivable. The cash flows generated by the sale of the discontinued operation during 2014 have been considered in the statement of cash flows as part of the investing activities.

The results of Aramex Cyprus Limited for the period are as follows:

	<i>For the three months ended 31 March</i>	
	<i>2014 AED'000 Up to date of disposal (unaudited)</i>	<i>2013 AED'000 (unaudited)</i>
Revenue	-	1,252
Cost of services	-	(567)
Gross profit	-	685
Less: Overheads	-	(652)
Operating income	-	33
Less: expense	-	(38)
Loss after tax for the period from the discontinued operations	-	(5)
Loss on disposal of the discontinued operations	(85)	-
Total	(85)	(5)
Cash outflow on sale:		
Consideration received	120	
Cash included as cash and cash equivalents at 2 January 2014 in the statement of cash flows	(313)	
Net cash outflow	(193)	

The net cash flows generated by Aramex Cyprus Limited are as follows:

	<i>For the three months ended 31 March</i>	
	<i>2014 AED'000</i>	<i>2013 AED'000</i>
Operating	-	107
Investing	-	53
Net cash inflow	-	160

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

10 SEGMENT INFORMATION

For management purposes, the Group is organized 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 segment for the three months ended 31 March 2014 and 2013, respectively.

	<i>International express AED'000</i>	<i>Freight forwarding AED'000</i>	<i>Domestic express AED'000</i>	<i>Logistics AED'000</i>	<i>Others AED'000</i>	<i>Eliminations AED'000</i>	<i>Total AED'000</i>
Three months ended 31 March 2014							
Revenue							
Third party	287,662	298,570	168,343	44,112	52,935	-	851,622
Inter-segment	127,973	59,348	17	1,087	1,918	(190,343)	-
Total revenue	415,635	357,918	168,360	45,199	54,853	(190,343)	851,622
Gross profit	189,404	82,295	119,111	34,165	45,322	-	470,297
Three months ended 31 March 2013							
Revenue							
Third party	253,664	294,850	160,374	40,610	53,892	-	803,390
Inter-segment	114,834	64,193	1,295	955	1,418	(182,695)	-
Total revenue	368,498	359,043	161,669	41,565	55,310	(182,695)	803,390
Gross profit	172,532	80,621	110,315	32,134	44,215	-	439,817

10 SEGMENT INFORMATION (continued)

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

Geographical Information

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.

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

	<i>Three months ended 31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>AED'000</i>	<i>AED'000</i>
Revenues		
Middle East and Africa	631,847	595,766
Europe	133,477	124,002
North America	12,427	16,489
Asia	73,871	67,133
	<u>851,622</u>	<u>803,390</u>
	<i>31 March</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>AED'000</i>	<i>AED'000</i>
Assets		
Middle East and Africa	2,569,221	2,504,112
Europe	347,166	353,071
North America	19,059	24,335
Asia	115,553	104,304
	<u>3,050,999</u>	<u>2,985,822</u>
	<i>31 March</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>AED'000</i>	<i>AED'000</i>
Non- current assets*		
Middle East and Africa	515,412	523,084
Europe	68,653	70,257
North America	6,494	6,839
Asia	14,209	15,027
	<u>604,768</u>	<u>615,207</u>

10 SEGMENT INFORMATION (Continued)

	<i>31 March 2014 AED'000</i>	<i>31 December 2013 AED'000</i>
Liabilities		
Middle East and Africa	695,714	697,880
Europe	100,266	107,297
North America	11,241	9,841
Asia	53,755	43,959
	<u>860,976</u>	<u>858,977</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.

11 COMMITMENTS AND CONTINGENCIES

	<i>31 March 2014 AED'000</i>	<i>31 December 2013 AED'000</i>
Letters of guarantee	<u>78,494</u>	<u>74,856</u>

Claims against the Group

The Group is a defendant in a number of lawsuits amounting to AED 17,179 thousand (31 December 2013: AED 17,179 thousand) representing legal actions and claims related to its ordinary course of business. The management and their legal advisors believe that the provision recorded of AED 7,546 thousand as of 31 March 2014 (31 December 2013: AED 7,546 thousand) is sufficient to meet the obligation that may arise from the lawsuits.

12 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 statement of income are as follows:

	<i>Related party</i>		<i>Total</i>	
	<i>Officers AED'000</i>	<i>Companies controlled by the directors AED'000</i>	<i>31 March 2014 AED'000</i>	<i>31 March 2013 AED'000</i>
Rent expense	<u>59</u>	<u>347</u>	<u>406</u>	<u>430</u>

Key management compensation

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

	<i>31 March 2014 AED'000</i>	<i>31 March 2013 AED'000</i>
Salaries and other short term benefits	2,776	2,322
End of service benefits	41	41

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

12 RELATED PARTY TRANSACTIONS (continued)

The following table provides the total amount of transactions that have been entered into with related parties during the three months ended 31 March 2014 and 2013, as well as balances with related parties as at 31 March 2014 and 31 December 2013:

		<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>Loans** AED'000</i>
Associate:						
Aramex Tunisia Limited	2014	77	3	-	930	-
	2013	8	-	-	722	-
Joint ventures in which the Parent is a venturer:						
	2014	68	1,770	2,828	3,020	6,751
	2013	48	777	2,054	1,407	6,751

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

** This amount represents a non-interest bearing loan granted to Aramex Logistics LLC – Oman.

13 SHARE-BASED PAYMENT

In February 2014, 37,000,000 phantom share options were granted to senior executives under a long term incentive plan. The exercise price of the options of AED 3 was equal to the market price of the shares on the date of grant. The fair value at grant date is estimated using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is six years. The options will be settled in cash.

The fair value of options granted during the three months ended 31 March 2014 was estimated on the date of grant using the following assumptions:

Dividend yield (%) 0*
 Expected volatility (%) 19
 Risk-free interest rate (%) 3.6
 Expected life (years) 6
 Share price AED 3

The weighted average fair value of the options granted during the three month period was AED 0.83, the Group has recognized AED 1,426 thousand of share-based payment expense in the consolidated statement of income.

* The participants in the plan shall have no right to receive any dividend during the vesting period.

14 SEASONALITY OF OPERATIONS

The Group's business is seasonal in nature. Historically, the Group experienced a decrease in demand for its services in the post-winter holiday and summer vacation seasons. The Group traditionally experiences its highest volumes towards the latter half of the year. The seasonality of the Group's revenue may cause a variation in its quarterly operating results. However, local Middle East and Islamic holidays vary from year to year, and as a result, the Group's seasonality may shift over time.