Aramex PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

aramex
delivery unlimited

Directors' Report

Dear Shareholders,

Last year, we celebrated Aramex's 30th anniversary, a key milestone in our long history of achievements, and we continued our incredible journey as we sustained our plans to expand and strengthen our global footprint. We also maintained a very strong financial performance despite the continued instability in the Middle East & North Africa, and the uncertainties clouding the global economic outlook, underscoring the consistency and reliability in our business, as well as our ability to deliver growth.

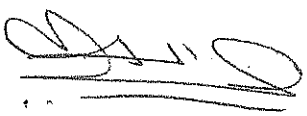
In 2012 our revenues grew by 21% from AED 2,571 million in 2011 to AED 3,105 million. Furthermore, net profits increased by 15% over the same period, from AED 211.5 million to AED 244.1 million.

We maintained our focus on expansion in growth markets, and we are actively exploring opportunities for acquisitions and joint ventures in Africa, Central Asia, and South East Asia in 2013.

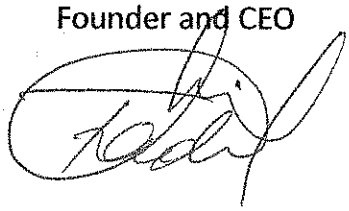
For 2013, we are confident that Aramex is primed to deal with all the challenges ahead, whether on a regional or a global level. We will be keeping a close watch of the developments in the Middle East & North Africa region, in addition to the global economy, and we will be working tirelessly to continue our stable financial performance with healthy growth.

We will do our best to deliver on our promises to all our shareholders, and we have a clearly defined vision for achieving long term sustainable growth for Aramex in the coming years, while serving our expanding global customer base.

Abdullah M. Mazrui
Chairman



Fadi Ghandour
Founder and CEO



ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
www.ey.com/me

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 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

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.

Ernst & Young

Signed by
Joseph Alexander Murphy
Partner
Registration No. 492
For Ernst and Young

3 March 2013
Dubai, United Arab Emirates

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 AED'000	2011 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**569,876**	445,360
Goodwill	5	**999,152**	1,010,109
Other intangible assets	6	**26,906**	30,357
Available-for-sale financial assets	7	**-**	2,219
Investments in joint ventures	9	**53,764**	18,108
Investment in an associate	10	**936**	1,271
Deferred tax assets	11	**2,824**	2,555
Other non-current assets		**9,205**	72
		1,662,663	1,510,051
Current assets			
Accounts receivable	12	**583,467**	499,671
Other current assets	13	**135,363**	169,048
Bank balances and cash	14	**333,673**	314,011
		1,052,503	982,730
TOTAL ASSETS		**2,715,166**	2,492,781
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**1,464,100**	1,464,100
Statutory reserve	16	**121,886**	87,312
Foreign currency translation reserve	16	**(34,643)**	(17,703)
Fair value reserve	16	**-**	(502)
Reserve arising from acquisition of non-controlling interests	16	**(16,011)**	(15,278)
Cash-flow hedge reserve	17	**(2,960)**	-
Retained earnings	18	**481,271**	347,181
Equity attributable to equity holders of the Parent		**2,013,643**	1,865,110
Non-controlling interests		**32,428**	30,972
Total equity		**2,046,071**	1,896,082
Non-current liabilities			
Interest-bearing loans and borrowings	19	**12,366**	9,637
Employees' end of service benefits	20	**91,166**	79,660
Other non-current liabilities		**572**	1,200
Deferred tax liabilities	11	**1,314**	1,117
		105,418	91,614
Current liabilities			
Accounts payable	21	**156,193**	163,222
Bank overdrafts	22	**11,329**	19,445
Interest-bearing loans and borrowings	19	**15,704**	12,001
Other current liabilities	23	**380,451**	310,417
		563,677	505,085
Total liabilities		**669,095**	596,699
TOTAL EQUITY AND LIABILITIES		**2,715,166**	2,492,781

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 3 March 2013.

Abdullah Al Mazrui	Fadi Ghandour	Emad Shishtawi
(Chairman)	(Founder & CEO)	(Senior Vice President Finance)

The attached notes from 1 to 36 form part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

Continuing operations	*Notes*	*2012 AED'000*	*2011 AED'000*
Rendering of services	24	**3,105,386**	2,570,713
Cost of services	25	**(1,441,000)**	(1,219,022)
Gross profit		**1,664,386**	1,351,691
Share of results of joint ventures	9	**(3,660)**	(554)
Share of results of an associate	10	**(335)**	(200)
Selling and marketing expenses		**(147,211)**	(122,418)
Administrative expenses	26	**(606,201)**	(468,884)
Operating expenses	27	**(613,820)**	(508,495)
Other income	28	**3,719**	2,623
Operating profit		**296,878**	253,763
Finance income		**4,294**	7,360
Finance expense		**(2,842)**	(1,756)
Profit from continuing operations before tax		**298,330**	259,367
Income tax	11	**(26,676)**	(17,640)
Profit for the year from continuing operations		**271,654**	241,727
Discontinued operations			
(Loss) profit after tax from discontinued operations	8	**(142)**	231
Profit for the year		**271,512**	241,958
Attributable to:			
Equity holders of the Parent			
Profit for the year from continuing operations		**244,033**	211,364
Profit for the year from discontinued operations		**86**	174
		244,119	211,538
Non-controlling interests			
Profit for the year from continuing operations		**27,621**	30,362
(Loss) profit for the year from discontinued operations		**(228)**	58
		27,393	30,420
		271,512	241,958
Earnings per share attributable to the equity holders of the Parent:			
Basic and diluted earnings per share	30	**AED 0.167**	AED 0.144
Basic and diluted earnings per share from continuing operations		**AED 0.167**	AED 0.144

The attached notes from 1 to 36 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	*2012* ***AED'000***	*2011* *AED'000*
Profit for the year		**271,512**	241,958
Other comprehensive loss:			
Exchange differences on translation of foreign operations		**(16,438)**	(11,520)
Net gain (loss) on available-for-sale financial assets		**782**	(1,770)
Gain realized on sale of available – for – sale financial assets transferred to statement of income		**(280)**	-
Net movement of cash flow hedge	17	**(2,960)**	-
Other comprehensive loss for the year, net of tax		**(18,896)**	(13,290)
Total comprehensive income for the year		**252,616**	228,668
Attributable to:			
Equity holders of the Parent		**224,721**	198,400
Non-controlling interests		**27,895**	30,268
		252,616	228,668

The attached notes from 1 to 36 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to equity holders of the Parent									
For the year ended 31 December2012	***Share capital AED'000***	***Statutory reserve AED'000***	***Foreign currency translation reserve AED'000***	***Fair value reserve AED'000***	***Reserve arising from acquisition of non-controlling interests AED'000***	***Cash flow hedge reserve AED'000***	***Retained earnings AED'000***	***Total AED'000***	***Non-controlling interests AED'000***	***Total AED'000***
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 36 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to equity holders of the Parent									
For the year ended 31 December2011	***Share capital AED'000***	***Statutory reserve AED'000***	***Foreign currency translation reserve AED'000***	***Fair value reserve AED'000***	***Reserve arising from acquisition of non-controlling interests AED'000***	***Cash flow hedge reserve AED'000***	***Retained earnings AED'000***	***Total AED'000***	***Non-controlling interests AED'000***	***Total AED'000***
At 1 January 2011	1,464,100	62,274	(6,335)	1,268	(12,397)	-	272,089	1,780,999	24,577	1,805,576
Total comprehensive income for the year	-	-	(11,368)	(1,770)	-	-	211,538	198,400	30,268	228,668
Acquisition of non-controlling Interests (note 3)	-	-	-	-	(2,881)	-	-	(2,881)	(1,134)	(4,015)
Transfer to statutory reserve	-	25,038	-	-	-	-	(25,038)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	2,072	2,072
Non-controlling interests	-	-	-	-	-	-	-	-	(10,496)	(10,496)
Dividends paid to shareholders (note 18)	-	-	-	-	-	-	(109,808)	(109,808)	-	(109,808)
Directors' fees paide (note18)	-	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(14,315)	(14,315)
At 31 December 2011	1,464,100	87,312	(17,703)	(502)	(15,278)	-	347,181	1,865,110	30,972	1,896,082

The attached notes from 1 to 36 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**298,330**	259,367
(Loss) profit before tax from discontinued operations	8	**(142)**	390
Profit before tax		**298,188**	259,757
Adjustments for:			
Depreciation of property, plant and equipment	4	**69,542**	53,137
Amortisation of other intangible assets	6	**3,247**	2,194
Provision for employees' end of service benefits	20	**20,001**	19,445
Provision for doubtful accounts, net		**14,583**	7,453
Net finance income		**(1,452)**	(5,604)
Gain from sale of available - for - sale financial assets		**(280)**	-
Share of results of joint ventures		**3,660**	554
Share of results of an associate		**335**	200
Loss on disposal of property, plant and equipment		**458**	8
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		**(98,810)**	(38,985)
Accounts payable		**(6,604)**	11,965
Other current assets		**36,736**	(71,298)
Other current liabilities		**65,717**	43,983
Cash from operations		**403,009**	282,809
Employees' end of service benefits paid	20	**(7,480)**	(5,897)
Income tax paid		**(25,389)**	(15,016)
Net cash flows from operating activities		**370,140**	261,896
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(200,486)**	(160,241)
Proceeds from sale of property, plant and equipment		**4,621**	2,439
Proceeds from sale of available - for - sale financial assets		**3,000**	-
Interest received		**4,294**	7,360
Acquisition of subsidiaries, net of cash acquired		**-**	(217,087)
Proceeds from sale of a subsidiary, net of cash	8	**176**	-
Other non-current assets		**(9,133)**	(32)
Margin deposits		**850**	(2,353)
Intangible assets		**-**	(2,734)
Investments in joint ventures		**(37,719)**	-
Investment in an associate		**-**	(1,471)
Net cash flows used in investing activities		**(234,397)**	(374,119)
FINANCING ACTIVITIES			
Interest paid		**(2,842)**	(1,756)
Acquisition of non-controlling interests	3	**(918)**	(3,456)
Net proceeds from loans and borrowings		**6,505**	8,419
Dividends of subsidiaries		**(28,076)**	(14,315)
Non-controlling interests		**1,822**	(10,496)
Directors' fees paid		**(2,250)**	(1,600)
Dividends paid to shareholders		**(73,205)**	(109,808)
Net cash flows used in financing activities		**(98,964)**	(133,012)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**36,779**	(245,235)
Net foreign exchange difference		**(8,151)**	(10,428)
Cash and cash equivalents at 1 January	14	**280,879**	536,542
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**309,507**	280,879

The attached notes from 1 to 36 form part of these consolidated financial statements

1 ACTIVITIES

Aramex PJSC (the "Parent Company") is a Public Joint Stock Company registered in the Emirate of Dubai, United Arab Emirates on 15 February 2005 under UAE Federal Law No 8 of 1984 (as amended). The consolidated financial statements of the Company as at 31 December 2012 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 3 March 2013.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

- IAS 12 *Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*
- IFRS 7 *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below:

IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and there has been no effect on the Group's financial position, performance or its disclosures.

IFRS 7 *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 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.

IAS 1 ***Presentation of Items of Other Comprehensive Income – Amendments to IAS 1***
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

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". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 9 ***Financial Instruments: Classification and Measurement***
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 will address 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 financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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

IAS 28 ***Investments in Associates and Joint Ventures (as revised in 2011)***
As a consequence of the new IFRS 11 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 becomes effective for annual periods beginning on or after 1 January 2013.

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 will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

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

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant 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. Based on the preliminary analysis performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of the new standards will 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 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012
These improvements will not have an impact on the Group, but include:

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.
These improvements are effective for annual periods beginning on or after 1 January 2013.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the 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 36. 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.

2.5 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 8-35 years
Furniture and fixtures	over 5-10 years
Warehousing racks	over 15 years
Office equipment	over 3-7 years
Computers	over 3-5 years
Vehicles	over 4-5 years

Land is not depreciated

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

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest 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, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, 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 operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation of and the portion of the cash-generating unit retained.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is 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 in the expense category consistent with the function of the intangible assets.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, then recognises the loss as "share of losses of a joint venture" in the income statement.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as "share of losses of an associate" in the income statement.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. 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 to sell, 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 cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash 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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Foreign currencies (continued)

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 exchange rates prevailing at the date of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in 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 amortisations are 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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the 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.

Taxation

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

Deferred tax
Deferred tax is provided 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, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each 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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Derivative financial instruments

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.

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 hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in 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 which meet the strict criteria for hedge accounting are accounted for as follows:

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

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 forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

Leases
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.

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
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 BUSINESS COMBINATIONS AND ACQUISITION OF NON - CONTROLLING INTERESTS

Acquisitions 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.

Acquisitions in 2011

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

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

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

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

Acquisitions in 2011 (continued)

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

	AED'000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	(3,485)
Cash paid	(203,663)
Net cash outflow on acquisition (included in cash flows from investing activities)	**(207,148)**

Purchase consideration	*AED*
Cash paid	(119)
Capital increase	(203,662,411)
Cost of investment	**(203,662,530)**

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

The net assets recognised in the 31 December 2011 financial statements were based on a provisional assessment of fair value as the purchase price allocation (PPA) exercise had not been finalized by the date the 2011 financial statements were approved for issue by management. In August 2012, the Group finalized the (PPA) exercise, within the timelines specified under IFRS 3 – Business combinations.

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

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

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

Acquisitions in 2011 (continued)

Acquisition of One World Courier Limited (Kenya)

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

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

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

	Fair value recognised on acquisition AED'000	*Carrying value AED'000*
Assets		
Property, plant and equipment (note 4)	252	252
Trade and other receivables	1,051	1,051
Intangible assets	2,039	-
Bank balances and cash	344	344
	3,686	**1,647**
Liabilities		
Trade and other payables	(896)	(896)
Employees' end of service benefits	(92)	(92)
	(988)	**(988)**
Net assets acquired	**2,698**	
Non-controlling interests	(2,072)	
Goodwill arising on acquisition (note 5)	9,657	
Purchase consideration transferred	**10,283**	

	AED'000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiaries	344
Cash paid	(10,283)
Net cash outflow on acquisition (included in cash flows from investing activities)	**(9,939)**

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

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

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

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

Acquisitions in 2011 (continued)

Acquisition of One World Courier Limited (Kenya) (continued)

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

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

Acquisition of additional interest in Aramex International GmbH – Germany

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

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

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

Acquisition of additional interest in Info-fort Amman

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

Capital increase of Aramex Ghana

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

4 PROPERTY, PLANT AND EQUIPMENT

	Land *AED'000*	*Leasehold improvements* *AED'000*	*Buildings* *AED'000*	*Furniture and fixtures* *AED'000*	*Warehousing racks* *AED'000*	*Office equipment* *AED'000*	*Computers* *AED'000*	*Vehicles* *AED'000*	*Capital work-in-progress* *AED'000*	*Total* *AED'000*
Cost:										
At 1 January 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**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Capital work in progress as of 31 December 2011 included a warehouse under construction in Cairo and a building under construction in Amman that were capitalized during 2012.

Property, plant and equipment include:

- Vehicles with a net book value of AED 15.25 million (2011: AED 12.01 million) have been obtained under finance leases (note 19).
- Vehicles amounting to AED 66 thousand as of 31 December 2011 have been pledged against bank facilities.

5 GOODWILL

	2012 AED'000	*2011 AED'000*
At 1 January	**1,010,109**	863,199
Goodwill resulting from acquisition of One World Courier Limited (Kenya)	**-**	9,657
Goodwill resulting from acquisition of Berco Express (Proprietary) Limited (South Africa)	**-**	137,253
Exchange differences	**(10,957)**	-
At 31 December	**999,152**	1,010,109

The Group performed its annual impairment test at 31 December 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 discount rate applied to cash flow projections is 12% (2011: 12%).

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

	2012 AED'000	*2011 AED'000*
Express shipping	**306,126**	309,935
Freight forwarding	**189,356**	191,713
Domestic shipping	**300,096**	303,830
Logistics	**84,999**	86,056
Documents storage	**109,388**	109,388
Publication and distribution	**9,187**	9,187
	999,152	1,010,109

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. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry which is 12% (2011: 12%). Cost of debt is not deemed to have any significant impact on the rate.

Growth rate estimates – Growth rate used of 3% (2011: 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.

6 OTHER INTANGIBLE ASSETS

	2012 AED'000	*2011 AED'000*
Cost:		
At 1 January	**37,059**	13,435
Acquisition of subsidiaries	**-**	19,186
Acquisition of customer list	**-**	4,438
Disposals	**(204)**	-
At 31 December	**36,855**	37,059
Amortisation:		
At 1 January	**(6,702)**	(4,508)
Amortisation during the year	**(3,247)**	(2,194)
At 31 December	**(9,949)**	(6,702)
Net carrying amount at 31 December	**26,906**	30,357

7 AVAILABLE FOR SALE FINANCIAL ASSETS

This item represented investment in shares of a listed company in the Dubai Financial Market. The Group sold these shares during 2012.

8 DISCONTINUED OPERATION

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.

8 DISCONTINUED OPERATION (continued)

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

	2012 AED '000	*2011 AED '000*
Revenue	**3,304**	5,486
Expenses	**(1,695)**	(2,240)
Gross profit	**1,609**	3,246
Less: Overheads	**(2,423)**	(2,732)
Operating (loss) income	**(814)**	514
Add: Other income	**126**	139
Less: Expenses	**(225)**	(263)
(Loss) profit before tax from a discontinued operation	**(913)**	390
Income tax expense	**-**	(159)
Gain on disposal of a discontinued operation	**771**	-
(Loss) profit after tax for the period from a discontinued operation	**(142)**	231
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:

	2012 AED '000	*2011 AED '000*
Operating	**182**	(410)
Investing	**(431)**	(298)
Financing	**73**	46
Net cash outflow	**(176)**	(662)

9 INVESTMENTS IN JOINT VENTURES

	Ownership percentage	*Country of incorporation*	*Nature of activity*	*2012*	*2011*
	%			*AED'000*	*AED'000*
Aramex Mashreq for Logistics Services S.A.E*	75%	Egypt	Logistic services	**49,032**	16,261
Aramex Delmege Logistics (PVT)	50%	Sri-Lanka	Logistic services	**-**	9
Aramex Sinotrans Co. LTD**	50%	China	Express, freight and logistics services	**1,686**	-
PT-Global Distribution Alliance***	50%	Indonesia	Express Services	**1,593**	-
Aramex Logistics LLC	50%	Oman	Logistic Services	**1,453**	1,838
				53,764	18,108

* During the year 2012, the Group paid an amount of AED 32.2 million which represents the capital increase of Aramex Al Mashreq for Logistic Services S.A.E increasing its ownership from 50% to 75%.
However, the approvals for all major operational decisions are required by the Group and its partner jointly. Based on the facts and circumstances, management determined that, in substance, the Group does not control the entity.

** During 2012, the Group entered into a joint venture agreement to establish and operate a joint venture company with 50% interest named Aramex Sinotrans Co. Ltd .

*** 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) to 50% and to classify it as a joint venture, measured at the fair value at the date of disposal. The fair valuation of the new investment in the joint venture resulted in a gain of AED 1,541 thousand (note 28).

Aramex Mashreq for Logistics Services, Aramex Delmege Logistics (PVT), Aramex Sinotrans Co. LTD, Aramex Logistics LLC and PT – Global Distribution Alliance are private entities that are not listed in any public exchange.

The following tables illustrates the summarised financial information of the Group's investment in each entity:

9 INVESTMENTS IN JOINT VENTURES (continued)

Share of the joint ventures' statement of financial position:

	2012					
	Aramex Mashreq for Logistics Services	***Aramex Delmege Logistics (PVT)***	***Aramex Sinotrans Co. LTD***	***PT- Global Distribution Alliance***	***Aramex Logistics LLC***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Non-current assets	**40,834**	**-**	**367**	**1,719**	**1**	**42,921**
Current assets	**29,402**	**-**	**3,038**	**440**	**11,675**	**44,555**
Non-current liabilities	**(16,422)**	**-**	**-**	**(91)**	**-**	**(16,513)**
Current liabilities	**(4,782)**	**-**	**(1,719)**	**(475)**	**(10,223)**	**(17,199)**
Equity	**49,032**	**-**	**1,686**	**1,593**	**1,453**	**53,764**

	2011					
	Aramex Mashreq for Logistics Services	*Aramex Delmege Logistics (PVT)*	*Aramex Sinotrans Co. LTD*	*PT- Global Distribution Alliance*	*Aramex Logistics LLC*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Non-current assets	22,319	5	-	-	2	22,326
Current assets	9,494	55	-	-	2,048	11,597
Non-current liabilities	(12,246)	-	-	-	(10)	(12,256)
Current liabilities	(3,306)	(51)	-	-	(202)	(3,559)
Equity	16,261	9	-	-	1,838	18,108

9 INVESTMENTS IN JOINT VENTURES (continued)

Share of the joint ventures' revenue and profit (loss):

	2012					
	Aramex Mashreq for Logistics Services	***Aramex Delmege Logistics (PVT)***	***Aramex Sinotrans Co. LTD***	***PT- Global Distribution Alliance***	***Aramex Logistics LLC***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Revenue	**25,504**	**-**	**6,255**	**566**	**-**	**32,325**
Profit (loss)	**718**	**-**	**(3,821)**	**(172)**	**(385)**	**(3,660)**
Carrying amount of the investments	**49,032**	**-**	**1,686**	**1,593**	**1,453**	**53,764**

	2011					
	Aramex Mashreq for Logistics Services	*Aramex Delmege Logistics (PVT)*	*Aramex Sinotrans Co. LTD*	*PT- Global Distribution Alliance*	*Aramex Logistics LLC*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Revenue	12,946	-	-	-	-	12,946
(Loss) profit	(286)	3	-	-	(271)	(554)
Carrying amount of the investments	16,261	9	-	-	1,838	18,108

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

Share of the associate's statement of financial position:

	2012 ***AED'000***	*2011* *AED'000*
Non-current assets	**137**	102
Current assets	**341**	668
Current liabilities	**(420)**	(360)
Equity	**58**	410

Share of the associate's revenue and loss:

	2012 ***AED'000***	*2011* *AED'000*
Revenues	**1,551**	319
Loss	**(335)**	(200)
Carrying amount of the investment	**936**	1,271

11 INCOME TAX

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

	2012 *AED'000*	*2011* *AED'000*
Current tax expense	**26,898**	17,142
Deferred income tax	**(72)**	951
Exchange differences	**(150)**	(453)
Income tax expense for the year	**26,676**	17,640

Deferred tax relates to the following:

	2012 *AED'000*	*2011* *AED'000*
Provision for doubtful accounts	**347**	410
Depreciation	**(104)**	(1,047)
Employees end of service benefits	**654**	1,026
Net operating losses carried forward	**2**	1,482
Capital allowance	**(155)**	(106)
Others	**766**	(327)
	1,510	1,438
Recognised as follows:		
As deferred tax assets	**2,824**	2,555
As deferred tax liabilities	**(1,314)**	(1,117)
	1,510	1,438

Reconciliation between accounting profit and taxable profit:

	2012 *AED'000*	*2011* *AED'000*
Accounting profit	**298,330**	259,367
Non-deductible expenses	**78,026**	68,171
Losses carried forward	**(2,254)**	-
Taxable profit	**374,102**	327,538
Income tax charge for the year	**26,676**	17,799
Effective income tax rate	**8,94%**	6.85%

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.

12 ACCOUNTS RECEIVABLE

	2012 AED'000	*2011 AED'000*
Trade receivables	**630,865**	538,700
Less: allowance for doubtful accounts	**(47,398)**	(39,029)
	583,467	499,671

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

	2012 %	*2011 %*
- Middle East and Africa	**75**	74
- Europe	**15**	16
- North America	**2**	2
- Asia	**8**	8

As at 31 December 2012, trade receivables at nominal value of AED 47,398 thousand (2011: AED 39,029 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2012 AED'000	*2011 AED'000*
At 1 January	**39,029**	35,883
Charge for the year	**15,610**	9,354
Acquisition of a subsidiary	**-**	583
Unused amounts reversed	**(1,027)**	(1,901)
Amounts written-off	**(6,214)**	(4,890)
At 31 December	**47,398**	39,029

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

		Past due but not impaired				
	Total AED'000	*0-60 days AED'000*	*61-90 days AED'000*	*91-180 days AED'000*	*181-365 days AED'000*	*More than 1 year AED'000*
2012	**583,467**	**472,945**	**64,029**	**32,521**	**13,972**	**-**
2011	499,671	390,711	66,221	29,812	12,927	-

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

13 OTHER CURRENT ASSETS

	2012 AED'000	*2011 AED'000*
Prepaid expenses	**43,494**	41,999
Advances and other receivables *	**91,869**	127,049
	135,363	169,048

* Advances and other receivables include an amount of AED 12 million (2011: AED 15 million) due from a related party in connection with employees participating in an incentive plan as at 31 December 2012 and 2011.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2012 AED'000	*2011 AED'000*
Cash and short term deposits	**333,673**	314,011
Less: cash margin	**(12,837)**	(13,687)
Less: bank overdrafts (note 22)	**(11,329)**	(19,445)
	309,507	280,879

Included in cash and short term deposits are amounts totalling AED 175,789 thousand (31 December 2011: AED 163,335 thousand) held at foreign banks abroad.

15 SHARE CAPITAL

	2012 AED'000	*2011 AED'000*
Authorised, issued and paid up		
1,464,100,000 ordinary shares of AED 1 each (2011: 1,464,100,000 ordinary shares of AED 1 each)	**1,464,100**	1,464,100

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)

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

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

On 31 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 and will be paid on quarterly basis. The Group has an availability withdrawal period to draw down the loan up to January 2013. The purpose of the loan is to finance expected acquisition costs.

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 the Arab Bank. Under the terms of these contracts, the Company pays a pre-determined fixed LIBOR 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 equal to USD three month LIBOR.

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

The cash flow hedges were assessed to be highly effective and an unrealized loss of AED 2,960 thousand was included in other comprehensive income, and the corresponding negative fair value of the interest rate swap deal was recorded as a liability in the statement of financial position.

18 RETAINED EARNINGS

Dividends
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.

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

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 2011 were paid in 2012 (2011: AED 1.6 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2010 were paid).

19 LOANS AND BORROWINGS

	2012 AED'000	*2011 AED'000*
Non-current		
Term loan	**2,614**	2,336
Notes payable	**2,321**	1,944
Finance lease obligations (a)	**7,431**	5,357
	12,366	9,637
Current		
Term loan	**3,142**	1,178
Notes payable	**4,551**	3,979
Finance lease obligations (a)	**8,011**	6,844
	15,704	12,001

(a) Finance lease obligation

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

	Future minimum lease payments AED'000	*Interest AED'000*	*Present value of minimum lease payments AED'000*
Less than one year	**9,218**	**1,207**	**8,011**
Between one and five years	**7,992**	**561**	**7,431**
31 December 2012	**17,210**	**1,768**	**15,442**
Less than one year	7,726	882	6,844
Between one and five years	6,030	673	5,357
31 December 2011	13,756	1,555	12,201

Finance lease obligations are denominated in Saudi Riyals (SR), and have maturities till 2015. Interest rate on finance lease obligations is 8%. (2011: Finance lease obligations are denominated in Saudi Riyals (SR), GBP, Egyptian Pound (EGP) and Malaysian Ringgit (MYR) and have maturities between 2012 and 2016. Interest rates on finance lease obligations range from 6% to 13%).

20 EMPLOYEES' END OF SERVICE BENEFITS

	2012 AED'000	*2011 AED'000*
Provision as at 1 January	**79,660**	66,958
Provided during the year	**20,001**	19,445
Acquisition of a subsidiary	**-**	92
Paid during the year	**(7,480)**	(5,897)
Disposal of a subsidiary (note 8)	**(105)**	-
Exchange differences	**(910)**	(938)
Provision as at 31 December	**91,166**	79,660
Actuarial gains and losses	**-**	-
Present value of the defined benefit obligations	**91,166**	79,660

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 173 thousand (2011: AED Nil).

Aramex South Africa (Berco Express Limited) has outstanding lines of credit of AED Nil as at 31 December 2012 (2011: AED 9.78 million) from ABSA – member of the BARCLAYS group. The bank has Aramex PJSC's limited suretyship that covers up to AED 15.84 million.

Aramex Ireland Limited has outstanding bank overdrafts and lines of credit (that includes invoicing discounting) of AED 7.76 million as at 31 December 2012 (2011: AED 9.67 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 3.39 million as at 31 December 2012 (2011: AED Nil). The Company has provided a corporate guarantee of AED 3.74 million.

23 OTHER CURRENT LIABILITIES

	2012 AED'000	*2011 AED'000*
Accrued expenses	**313,665**	250,566
Deferred revenue	**15,672**	13,782
Sales and other taxes	**8,946**	8,074
Income taxes payable	**22,428**	21,069
Customers' deposits	**403**	492
Social security taxes payable	**7,694**	6,997
Others	**11,643**	9,437
	380,451	310,417

24 REVENUE

	2012 AED'000	*2011 AED'000*
International express	**989,933**	832,370
Freight forwarding	**1,176,041**	1,073,301
Domestic express	**598,275**	373,120
Logistics	**138,284**	110,760
Publications and distribution	**25,630**	28,318
Others*	**177,223**	152,844
	3,105,386	2,570,713

* 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

	2012 AED'000	*2011 AED'000*
International express	**338,335**	289,306
Freight forwarding	**868,106**	778,535
Domestic express	**170,864**	91,104
Logistics	**24,641**	20,733
Publications and distribution	**18,875**	21,166
Others	**20,179**	18,178
	1,441,000	1,219,022

26 ADMINISTRATIVE EXPENSES

	2012 AED'000	*2011 AED'000*
Salaries and benefits	**291,150**	226,544
Rent	**52,075**	48,687
Depreciation	**45,730**	34,131
Communication expenses	**26,028**	21,225
Repairs and maintenance	**14,492**	13,447
Travel expenses	**15,377**	12,296
Allowance for impairment of receivables (note 12)	**14,583**	7,453
Utilities	**11,002**	9,717
Printing and stationary	**8,823**	6,583
Entertainment	**6,286**	5,008
Vehicle running expenses	**4,254**	3,618
Insurance	**4,361**	3,231
Conference and meeting expenses	**1,157**	731
Sponsorship fees	**331**	629
Government fees and taxes	**29,880**	4,185
Corporate Social Responsibility	**6,418**	6,106
Others	**74,254**	65,293
	606,201	468,884

27 OPERATING EXPENSES

	2012 AED'000	*2011 AED'000*
Salaries and benefits	**400,716**	337,651
Vehicle running and maintenance	**79,790**	63,033
Supplies	**25,021**	20,167
Communication expenses	**5,962**	5,662
Depreciation	**23,812**	18,856
Rent	**45,022**	37,642
Others	**33,497**	25,484
	613,820	508,495

28 OTHER INCOME

	2012 AED'000	*2011 AED'000*
Exchange loss	**(809)**	202
Loss on sale of property, plant and equipment	**(458)**	(8)
Miscellaneous income	**3,445**	2,429
Gain from valuation of the investment in joint venture (note 9)	**1,541**	-
	3,719	2,623

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:

	Related party			*Total*	
	Officers AED'000	*Companies controlled by the directors AED'000*	*Directors AED'000*	***2012 AED'000***	*2011 AED'000*
Rent expense	**235**	**1,485**	-	**1,720**	7,015

Compensation of key management personnel of the Group

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

	2012 AED'000	*2011 AED'000*
Salaries and other short term benefits	**13,391**	11,416
End of service benefits	**958**	304
	14,349	11,720

29 RELATED PARTY TRANSACTIONS (continued)

Significant subsidiaries of the Group include:
Aramex Amman, Jordan
Jordan Distribution Agency, Amman
Aramex India Private Limited, India
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex Bahrain
Aramex Emirates LLC, Dubai
Aramex Ireland Limited
Aramex Nederland B.V.
Berco Express (Proprietary) Limited South Africa

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. For information regarding outstanding balances at 31 December 2012 and 2011, as well as 1 January 2011, refer to Notes 12 and 21:

		Sales to related parties AED'000	*Cost from related parties AED'000*	*Amounts owed by related parties* AED'000*	*Amounts owed to related parties* AED'000*
Associate:					
Aramex Tunisia Limited	**2012**	**19**	**-**	**-**	**363**
	2011	-	-	31	35
Joint ventures in which the Parent is a venturer:	**2012**	**51**	**969**	**2,757**	**9,914**
	2011	-	-	-	371

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

30 EARNINGS PER SHARE

	31 December 2012	*31 December 2011*
Profit attributable to shareholders of the Parent (AED'000)	**244,119**	211,538
Weighted average number of shares during the year (shares)	**1,464 million**	1,464 million
Basic and diluted earnings per share (AED)	**0.167**	0.144

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 97.1 million for the year ended 31 December 2012 (2011: AED 86.55 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:

	2012 *AED'000*	*2011* *AED'000*
Less than one year	**94,524**	91,072
Between one and five years	**357,798**	327,869
More than five years	**57,003**	52,610
	509,325	471,551

32 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 2012 and 2011, respectively.

32 SEGMENTAL INFORMATION (continued)

	International express AED'000	*Freight forwarding AED'000*	*Domestic express AED'000*	*Logistics AED'000*	*Others AED'000*	*Elimination AED'000*	*Total AED'000*
Year ended 31 December 2012							
Revenue							
Third party	**989,933**	**1,176,041**	**598,275**	**138,284**	**202,853**	**-**	**3,105,386**
Inter-segment	**430,404**	**216,235**	**15,450**	**3,855**	**4,611**	**(670,555)**	**-**
Total revenues	**1,420,337**	**1,392,276**	**613,725**	**142,139**	**207,464**	**(670,555)**	**3,105,386**
Gross profit	**651,597**	**307,935**	**427,411**	**113,644**	**163,799**	**-**	**1,664,386**
Year ended 31 December 2011							
Revenue							
Third party	832,370	1,073,301	373,120	110,760	181,162	-	2,570,713
Inter-segment	373,728	179,387	17,000	2,368	4,570	(577,053)	-
Total revenues	1,206,098	1,252,688	390,120	113,128	185,732	(577,053)	2,570,713
Gross profit	543,064	294,766	282,016	90,027	141,818	-	1,351,691

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.

32 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:

	2012 AED'000	*2011 AED'000*
Revenues		
Middle East and Africa	**2,243,000**	1,775,517
Europe	**520,459**	504,284
North America	**66,266**	47,530
Asia	**275,661**	243,382
	3,105,386	2,570,713
Assets		
Middle East and Africa	**2,215,614**	2,071,639
Europe	**352,716**	296,697
North America	**28,926**	24,993
Asia	**117,910**	99,452
	2,715,166	2,492,781
Non- current assets*		
Middle East and Africa	**553,591**	448,014
Europe	**72,109**	24,877
North America	**8,269**	9,677
Asia	**17,513**	12,528
	651,482	495,096
Liabilities		
Middle East and Africa	**492,304**	432,887
Europe	**113,214**	111,526
North America	**13,084**	15,050
Asia	**50,493**	37,236
	669,095	596,699

* 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).

33 COMMITMENTS AND CONTINGENCIES

Contingent liabilities

	2012 AED'000	*2011 AED'000*
Letters of guarantee	**66,875**	60,822

Capital commitments
As at 31 December 2012, the Group has capital commitments of AED 16.2 million (2011: AED 9.04 million) towards purchase/construction of property, plant and equipment.

33 COMMITMENTS AND CONTINGENCIES (continued)

Claims against the Group
The Group is a defendant in a number of lawsuits amounting to AED 10,242 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 3,853 thousand as of 31 December 2012 is sufficient to meet the obligation that may arise from the lawsuits.

34 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.

	Increase/ (decrease) in basis points	*Effect on profit for the year AED'000*
2012		
Variable rate instruments	**+100**	**(205)**
Variable rate instruments	**-100**	**205**
2011		
Variable rate instruments	+100	(144)
Variable rate instruments	-100	144

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 75 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.

34 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 2012

	Less than 3 months AED'000	***3 to 12 months AED'000***	***1-2 year AED'000***	***2-5 years AED'000***	***> 5 years AED'000***	***Total AED'000***
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**
	496,996	**12,934**	**10,397**	**2,641**	**-**	**522,968**

At 31 December 2011

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

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

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

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

	Changes in currency rate to AED %	*Effect on profit before tax AED'000*
2012		
EUR	**+10**	**61**
INR	**+10**	**386**
GBP	**+10**	**2,000**
EGP	**+10**	**(744)**
2011		
EUR	+10	806
INR	+10	146
GBP	+10	2,407
EGP	+10	(730)

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

34 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 2012 and 31 December 2011. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interests and retained earnings, and is measured at AED 2,051,246 thousand as at 31 December 2012 (2011: AED 1,883,315 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.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

36 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 630,865 thousand (2011: AED 538,700 thousand) and the provision for doubtful debts was AED 47,398 thousand (2011: AED 39,029 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

36 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 1,174 thousand as at the reporting date, which is classified as current and non-current liabilities.

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

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

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

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

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

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.