Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC)) and its subsidiaries

Consolidated financial statements

31 December 2006

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Dear Shareholders,

ARAMEX stamped 2006 with a series of important achievements and milestones, all made possible by the entrepreneurial spirit of our 6000-strong team.

By the end of the year, which happened to mark ARAMEX's 25th anniversary, our family could look back on more than two decades of uninterrupted success, and look forward to a future no less rich with opportunities and challenges. Our plan, as we move forward, is to widen our global presence, maintain excellence in serving our growing client base, and build up our credentials as one of the leading total transportation solutions providers in the world.

ARAMEX (PJSC) revenues climbed to AED 1.36 billion, up by 60% from ARAMEX International revenues for 2005, while our net income reached AED 95.2 million, a 28% jump over ARAMEX International's profits, which was acquired in 2005.

This robust financial performance mirrors our achievements on the ground. Our vigorous two-pronged expansion strategy has markedly strengthened our geographic coverage and diversified our services. In Europe, our acquisition of TwoWay Vanguard, a leading freight and logistics specialist operating in the UK, Ireland and Holland, has enhanced our presence in key European markets, which, today, make up 25% of our overall revenues. In the Middle East, our acquisitions of Freight Professionals, a major air and sea freight forwarding company in Egypt, and Docman Limited, a documents and records management specialist in Dubai, have deepened our lead in the region. While Freight Professionals works to sharpen our competitive edge in Egypt, Docman, which will be merged with ARAMEX's InfoFort, takes us into the forefront of the regional document storage market.

Our efforts, in 2006, have also focused on the logistics infrastructure and land freight system that underpin our advanced multi-modal transportation and supply-chain solutions in the MENA region. In Dubai's Jebel Ali Free Zone, we opened ARAMEX's Logistics Center and designated it as a main gateway to our regional logistics network whose facilities have been expanding in Saudi Arabia, Jordan, Egypt and Lebanon to reach a current capacity of more than 115,000 square meters. Moreover, in response to higher market demand, we also signed an agreement with Dubai Logistics City to establish a 140,000 square meter center, with an option for an additional 100,000 square meters.

Needless to say, ARAMEX's social development activities were no less rewarding to us than our accomplishments in the transportation arena. In 2006, we increased our collaboration with various non-profit organizations in support of the developmental needs of our communities, and our team in Lebanon launched a multi-national aid campaign to deliver donations to thousands of people displaced by the latest war in Lebanon, doing a tremendous job of managing the relief operations on a country-wide scale.

Our sports sponsorships also grew to cover football, basketball, golf and marathons, in which our runners achieved solid results in several international events.

We would like to congratulate every one of our people on these great results and thank you, the shareholders, for your continued confidence in the future of our company.

Yours sincerely,

A. Mazrui

Abdullah M. Mazrui
Chairman

Fadi Ghandour
ARAMEX President & CEO

KPMG

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Independent auditors' report

The Shareholders
Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC))

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC)) ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or errors; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and 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 opinion.

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company and the content of the Directors' report which relates to these consolidated financial statements is in agreement with the Company's financial records. We are not aware of any violation of the above-mentioned Law and the Articles of Association having occurred during the year ended 31 December 2006, which may have had a material adverse effect on the business of the Company or its financial position.

Vijendranath Malhotra
(Registration: No. B48)
Dubai, United Arab Emirates

Date: 27 February 2007

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Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC)) and its subsidiaries

Consolidated income statement

for the year ended 31 December 2006

	Note	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
Revenue	5	**1,363,803**	458,904
Cost of services	6	**(743,966)**	(239,558)
Gross profit		**619,837**	219,346
Other operating expenses	7	**(191,911)**	(64,897)
Selling expenses		**(57,961)**	(23,672)
General and administrative expenses	8	**(260,644)**	(87,044)
Other (expenses)/ income, net		**(1,135)**	910
Result from operating activities		**108,186**	44,643
Finance income		**8,564**	14,106
Finance expense		**(3,309)**	(732)
Net finance income	9	**5,255**	13,374
Profit before income tax		**113,441**	58,017
Income tax expense	10	**(4,437)**	(2,318)
Profit for the year/ period		**109,004**	55,699
Attributable to:			
Equity holders of the Company		**95,224**	51,187
Minority interest		**13,780**	4,512
Profit for the year/ period		**109,004**	55,699
Basic earnings per share (AED)	29	**0.095**	0.055

The notes on pages 8 to 36 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 3.

Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC)) and its subsidiaries

Consolidated balance sheet

as at 31 December 2006

	Note	2006 AED'000	2005 AED'000
Assets			
Property, plant and equipment	11	**128,143**	78,116
Goodwill	12	**803,731**	628,343
Other intangible assets	13	**3,613**	4,022
Available for sale investments	14	**2,720**	-
Other non-current assets	15	**8,449**	5,578
Deferred tax assets	10	**3,213**	2,709
Total non-current assets		**949,869**	718,768
Cash in hand and at bank	16	**222,562**	340,360
Trade receivables	17	**261,655**	149,550
Other current assets	18	**78,330**	29,581
Total current assets		**562,547**	519,491
Total assets		**1,512,416**	1,238,259
Equity			
Share capital	19	**1,000,000**	1,000,000
Currency translation adjustment		**1,785**	(618)
Statutory reserve	20	**1,978**	1,199
Proposed dividends	21(a)	**100,000**	-
Proposed director fees	21(b)	**800**	-
Retained earnings		**43,633**	49,988
Total equity attributable to equity holders of the Company		**1,148,196**	1,050,569
Minority interest		**19,287**	15,353
Total equity		**1,167,483**	1,065,922
Liabilities			
Loans and borrowings – non current	22	**13,379**	4,731
Other long term liabilities	23	**10,224**	-
Employee end of service benefits	24	**30,849**	24,051
Deferred tax liabilities	10	**34**	36
Total non-current liabilities		**54,486**	28,818
Bank overdrafts	25	**27,435**	3
Loans and borrowings - current	22	**8,306**	5,505
Trade payables	26	**117,538**	71,356
Other current liabilities	27	**137,168**	66,655
Total current liabilities		**290,447**	143,519
Total liabilities		**344,933**	172,337
Total equity and liabilities		**1,512,416**	1,238,259

The notes on pages 8 to 36 are an integral part of these consolidated financial statements.

The Board of Directors authorized these consolidated financial statements on 27 FEB 2007

Abdullah Al Mazrui	Fadi Ghandour	Emad Shishtawi
Chairman	(Director, President & CEO)	(Vice President Finance)

The independent auditors' report is set out on page 3.

Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC)) and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December 2006

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
Cash flows from operating activities		
Profit for the year/ period before income tax	**113,441**	58,017
Adjustments for:		
Depreciation	**24,017**	8,753
Amortization/ write off of intangible assets	**829**	427
Provision for doubtful debts, net	**2,228**	1,331
Provision for employee end of service benefits	**9,659**	4,514
Net finance income	**(5,255)**	(13,374)
Profit/ (loss) on sale of property, plant and equipment	**543**	(180)
Operating profit before working capital changes	**145,462**	59,488
Change in trade receivables	**(45,523)**	1,179
Change in other current assets	**(38,645)**	6,877
Change in trade payables	**25,377**	2,157
Change in other current liabilities	**(320)**	5,043
Change in due to a related party	**-**	(6,978)
Employee end of service benefits paid	**(3,269)**	(1,478)
Cash generated by operations	**83,082**	66,288
Income tax paid	**(4,418)**	(1,262)
Net cash flows from operating activities	**78,664**	65,026
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(55,284)**	(39,366)
Proceeds from sale of property, plant and equipment	**2,519**	360
Acquisition of intangible assets	**-**	(1,229)
Acquisition of subsidiaries, net of cash acquired	**(158,815)**	(709,922)
Acquisition of minority interest	**(3,540)**	-
Acquisition of available for sale investments	**(2,720)**	-
Change in other non-current assets	**(3,307)**	9,124
Change in margin deposits	**(288)**	(4,392)
Interest income	**8,564**	14,106
Net cash flows from investing activities	**(212,871)**	(731,319)
Cash flows from financing activities		
Share capital issued	**-**	1,000,000
Interest paid	**(2,558)**	(732)
Net movement in bank borrowings	**958**	3,807
Dividends paid to minority shareholders	**(10,524)**	-
Net other movements in minority interest	**178**	(231)
Net cash flows from financing activities	**(11,946)**	1,002,844
Net (decrease)/ increase in cash and cash equivalents	**(146,153)**	336,551
Cash and cash equivalents at beginning of the year/ period	**335,965**	-
Effect of exchange rate changes on cash held	**635**	(586)
Cash and cash equivalents at end of the year/ period	**190,447**	335,965

The notes on pages 8 to 36 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 3.

Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC)) and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2006

	Share capital		Currency translation adjustments	Statutory reserve	Retained earnings	Proposed dividends	Proposed director fees	Total shareholders' equity	Minority interest	Total equity
	Number	Amount AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Share capital issued	1,000,000,000	1,000,000	-	-	-	-	-	1,000,000	-	1,000,000
Profit for the period	-	-	-	-	51,187	-	-	51,187	4,512	55,699
Translation adjustment	-	-	(618)		-	-	-	(618)	-	(618)
Transfer to statutory reserve	-	-	-	1,199	(1,199)	-	-	-	-	-
On acquisition of Aramex International Limited	-	-	-	-	-	-	-	-	11,072	11,072
Net other movements during the period	-	-	-	-	-	-	-	-	(231)	(231)
Balance at 31 December 2005	1,000,000,000	1,000,000	(618)	1,199	49,988	-	-	1,050,569	15,353	1,065,922
Balance at 1 January 2006	1,000,000,000	1,000,000	(618)	1,199	49,988	-	-	1,050,569	15,353	1,065,922
Profit for the year	-	-	-	-	95,224	-	-	95,224	13,780	109,004
Translation adjustment	-	-	2,403	-	-	-	-	2,403	(212)	2,191
Transfer to statutory reserve	-	-	-	779	(779)	-	-	-	-	-
Acquisition of minority interest (refer note 4)	-	-	-	-	-	-	-	-	372	372
Dividends paid during the year	-	-	-	-	-	-	-	-	(10,524)	(10,524)
Net other movements during the year	-	-	-	-		-		-	518	518
Proposed dividends	-	-	-	-	(100,000)	100,000	-	-	-	-
Proposed directors fees	-	-	-	-	(800)	-	800	-	-	-
Balance at 31 December 2006	**1,000,000,000**	**1,000,000**	**1,785**	**1,978**	**43,633**	**100,000**	**800**	**1,148,196**	**19,287**	**1,167,483**

In accordance with the interpretation of Article 118 of the UAE Federal Law No. 8 of 1994 by the Ministry of Economy & Commerce, directors' fees have been treated as an appropriation of shareholders' funds.

The notes on pages 8 to 36 are an integral part of these consolidated financial statements.

Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC)) and its subsidiaries

Notes

(forming part of the consolidated financial statements)

1 Legal status and principal activities

Aramex PJSC (formerly Arab International Logistics (ARAMEX) Co. (PJSC)) ("the Company") is a Public Joint Stock Company registered in the Emirate of Dubai, UAE 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 2006 comprise the Company and its subsidiaries (collectively referred to as "the Group").

The principal activities of the Company is 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 Company's registered office is, Office No 5, Abdul Rahman Al Zaroani real estate, Plot 121-221, Dubai Airport, Deira, Dubai, United Arab Emirates.

On 22 June 2005, the Company acquired 100% shareholding in Aramex International Limited ("AIL") from Aramex Holding Limited ("AHL"), a related party incorporated under the laws of Bermuda.

AIL provides transportation solutions including express delivery and freight forwarding services mainly to/from countries in the Middle East. For the purpose of the express business, AIL utilizes its main stations (hubs) in Dubai and London. AIL's operations are managed through a regional office, which was registered in Jordan on 15 March 1988 under the name of AIL (the Regional Office) pursuant to the foreign companies law No. (58) of 1985. The operations of the Regional Office are facilitated by the hubs of the Aramex network.

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

During the current year, the Company has changed its name from Arab International Logistics (ARAMEX) Co. (PJSC) to Aramex PJSC.

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the UAE labour law No. 8 of 1984 (as amended).

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention basis, except for available for sale investments which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates ("AED"), which is the Company's functional currency. All financial information presented in AED has been rounded to nearest thousand.

Notes *(continued)*

2. Basis of preparation *(continued)*

Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 35.

3 Significant accounting policies

The following accounting policies, which comply with IFRS, have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Refer note 33 for the list of significant subsidiaries, included in these consolidated financial statements.

Special purpose entities

Special purpose entities ("SPEs") are consolidated if, based on an evaluation of the substance of the relationship of the entity with the Group and the SPEs risks and rewards, the Group concludes that it controls the SPEs.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3 Significant accounting policies *(continued)*

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the respective functional currencies at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the exchange rates ruling on the date of the transaction. Realized and unrealized exchange gains and losses have been accounted for within the consolidated income statement.

Foreign operations

The financial statements of foreign subsidiaries where the local currency is their functional currency (substantially all stations) are translated into AED using exchange rates in effect at period end for assets and liabilities and average exchange rates during the reporting period for results of operations. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity. Exchange gains and losses resulting from transactions of the Group which are made in currencies different from their own are included in the income statement as they occur. The revenue and expenses of foreign operations in hyperinflationary economies are translated to AED at the exchange rates ruling at the balance sheet date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements are restated to account for changes in the general purchasing power of the local currency.

Revenue

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

Revenue recognition

Express revenue is recognized upon receipt of shipment from the customer.

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

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

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

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

Cash and cash equivalents

Cash and cash equivalent comprises cash balances, short term deposits and call deposits. For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as component cash and cash equivalents. Restricted cash primarily represented by margin deposits are not included within cash and cash equivalents.

3 Significant accounting policies *(continued)*

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see accounting policy on impairment), if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day to day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

Depreciation is charged in the income statement on a straight-line basis over the estimated useful lives of items of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease terms or their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Life (years)
Leasehold improvements	4-7
Building	14-15
Furniture and fixtures	5-10
Office equipment	3-7
Computers	3-5
Vehicles	4-5

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

Intangible assets

Goodwill

Goodwill (including negative goodwill) arises on acquisition of subsidiaries, associates and joint ventures.

On acquisition of subsidiaries, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition. Negative goodwill arising on an acquisition is recognized immediately in the income statement.

3 Significant accounting policies *(continued)*

Intangible assets (continued)

Goodwill (continued)

Goodwill arising on the acquisition of minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of net assets acquired at the date of exchange.

Subsequent to the initial measurement, goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group which have finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses. Amortisation is recognized in the income statement on a straight line basis over the estimated useful lives of intangible assets. The estimated useful life of the other intangible assets is between 3 to 10 years.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise available for sale investments, trade receivables, other current and non current assets, cash in hand and at bank, related party balances, trade payables, other current and non current liabilities and loans and borrowings from banks.

Non-derivative financial instruments are recognized initially at fair value plus for instruments not at fair value through profit or loss any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Available for sale financial assets

The Group's investments in certain equity securities are classified as available for sale financials assets. Subsequent to initial recognition, they are measured at fair value and change therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items, are recognised directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

3 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Other

Other non derivative financial assets are measured at amortized cost using the effective interest method less any impairment losses.

Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. 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 time value of money and risks specific to the asset.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee end of service benefits

The provision for employee end of service benefits, disclosed as a long term liability, is calculated in accordance with the UAE Federal Labour Law. Some of the Company's subsidiaries are also required, by their respective labour laws, to provide indemnity payments upon termination of relationship with their employees. The benefit accrues to employees on a pro-rata basis during their employment period and is based on each employee's current salary.

Leases

Capital leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as capital leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 Significant accounting policies *(continued)*

Leases *(continued)*

Operating leases

Payments made under operating lease are recognized in the income statement on a straight-line basis over the terms of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease expense, over the term of the lease. The Group leases land, office premises, warehouses and transportation equipment under various operating leases, some of which are renewable annually.

Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues, using the effective interest rate method.

Finance expense comprises interest expense on borrowings. All borrowing costs are recognized in income statement using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Income taxes

The Group provides for income taxes in accordance with IAS 12. As the Company is incorporated in the UAE, profits from operations of the Company are not subject to taxation, however certain subsidiaries of the 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. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

New standards and interpretations not yet effective

The new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2006 and therefore have not been applied in preparing these consolidated financial statements are as follows:

Notes *(continued)*

3 Significant accounting policies *(continued)*

New standards and interpretations not yet effective *(continued)*

- IFRS 7 *Financial Instruments: Disclosures* and the *Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 consolidated financial statements, will require additional disclosures with respect to the Group's financial instruments and share capital.

- IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively. The adoption of IFRIC 10 is not expected to have any impact on the consolidated financial statements.

4 Acquisition of subsidiaries and minority interest

Business combination

During the year ended 31 December 2006, the Group has acquired certain subsidiaries. The details of these acquisitions including the name, principal place of business and the Group's effective percentage ownership in the subsidiaries is as follows:

(i) Freight Professionals

On 1 January 2006, the Group acquired 100% of the shares in Freight Professionals for AED 31.87 million, in cash. The subsidiary is involved in carrying on freight forwarding and logistics business in Egypt. The subsidiary has contributed revenues of AED 26.32 million and net profit of AED 0.64 million to the consolidated profits of the Group for the year ended 31 December 2006.

The acquisition had the following effect on the Group's assets and liabilities:

Assets/ (liabilities)	**AED'000**
Property, plant and equipment	**297**
Trade and other receivables	**3,084**
Cash in hand and at bank	**285**
Trade and other payables	**(2,845)**
Current tax payable	**(10)**
Net identifiable assets and liabilities	**811**
Goodwill on acquisition (refer note 12)	**31,067**
Consideration paid, satisfied in cash	**31,878**
Cash and cash equivalents acquired	**(285)**
Net cash outflow	**31,593**

4 Acquisition of subsidiaries and minority interest *(continued)*

Business Combination *(continued)*

(i) Freight Professionals (continued)

The goodwill recognized on acquisition is attributable mainly to the synergies expected to be achieved from integrating the Freight Professionals into the Group's existing freight forwarding business. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured. Also refer notes 11 and 35.

(ii) Two Way Freight & Logistics Group Limited ("Two Way")

On 13 April 2006, the Group acquired effectively 100% of the shares of Two Way (except for 15% of the shares in Two Way Holland B.V. that are held by a minority shareholders) for an initial consideration of AED 95.10 million paid in cash, deferred consideration of AED 12.95 million payable on 31 December 2007 and an estimated contingent consideration amounting to AED 10.35 million payable in accordance with the share purchase agreement entered with the former shareholders of Two Way.

Two Way and its subsidiaries are involved in the business of providing freight forwarding and logistics business primarily in the United Kingdom and Ireland. The details of the principal subsidiaries of Two Way are as under:

Subsidiaries of Two Way	Place of business
Two Way International Freight Services Limited	Ireland
Two Way Freight & Logistics (Ireland) Limited	Ireland
Two Way Logistics Limited	Ireland
Two Way Freight Services (London) Limited	United Kingdom
Two Way Forwarding & Logistics Group (UK) Limited	United Kingdom
Two Way International Freight Services (UK) Limited	United Kingdom
Two Way Forwarding & Logistics Group (US) Inc.	United States
Two Way Holland B.V	Holland
Two Way Freight & Logistics (Hong Kong) Limited	Hong Kong
Parker Technologies Limited	Ireland
Unicorn Freight (Northern Ireland) Limited	Ireland
N H D Limited	Ireland
Unicorn Freight Limited	United Kingdom
Vanguard Freight Systems Limited	United Kingdom
Spicer Global Systems Limited	United Kingdom

Notes *(continued)*

4 Acquisition of subsidiaries and minority interest *(continued)*

Business Combination *(continued)*

(ii) Two Way Freight & Logistics Group Limited ("Two Way") (continued)

The acquisition had the following effect on the Group's assets and liabilities:

Assets/ (liabilities)	**AED'000**
Property, plant and equipment	**19,178**
Trade and other receivables	**74,243**
Bank overdrafts	**(16,942)**
Bank loans	**(10,491)**
Trade and other payables	**(67,627)**
Deferred tax liabilities	**(337)**
Net identifiable assets and liabilities	**(1,976)**
Goodwill on acquisition (refer note 12)	**123,295**
Total consideration payable (*)	**121,319**
Consideration paid, satisfied in cash	**95,093**
Costs directly attributable to the acquisition	**2,924**
Bank overdraft	**16,942**
Net cash outflow	**114,959**

* Includes legal and professional fees of AED 2.92 million and deferred and contingent consideration payable of AED 23.30 million. Also refer notes 23 and 27.

Since acquisition, Two Way has contributed AED 284.41 million to the consolidated revenues of the Group and a loss of AED 3.54 million for the year ended 31 December 2006. If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenues of the Group would have been AED 1,457.6 million and that the consolidated net profit after income tax of the Group would have been AED 108.6 million for the year ended 31 December 2006.

Goodwill recognized on the acquisition is attributable mainly to the skills and expertise of the acquired business's work force and the synergies expected to be achieved from integrating Two Way into the Group's freight forwarding and logistics business by way of providing the business presence in Europe. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The fair values of the assets and liabilities acquired on the acquisition of Two Way have been determined on a provisional basis as in case of certain assets and liabilities enough information was not available at the acquisition date to reasonably determine their fair values. Subsequent information, available after the date of acquisition may provide additional evidence regarding the fair value of these assets and liabilities at acquisition date. Also refer notes 11 and 35.

4 Acquisition of subsidiaries and minority interest *(continued)*

Business Combination *(continued)*

(iii) Docman Limited ("Docman")

On 13 November 2006, the Group acquired 100% of the shares of Docman Limited, a Company limited by shares and registered in Cayman Islands, for an initial consideration of AED 12 million paid in cash, and an estimated contingent consideration amounting to AED 3.88 million payable in accordance with the share purchase agreement entered with the former shareholders of Docman.

Docman is involved in the business of document storage and document management services.

The acquisition had the following effect on the Group's assets and liabilities:

Assets/ (liabilities)	**AED'000**
Intangible assets (refer note 13)	**420**
Trade and other receivables	**1,586**
Bank overdrafts	**(43)**
Trade and other payables	**(1,038)**
Net identifiable assets and liabilities	**925**
Goodwill on acquisition (refer note 12)	**15,168**
Total consideration payable (*)	**16,093**
Consideration paid, satisfied in cash	**12,000**
Costs directly attributable to the acquisition	**220**
Bank overdraft	**43**
Net cash outflow	**12,263**

* Includes legal and professional fees of AED 0.2 million and contingent consideration payable of AED 3.88 million.

Since acquisition, Docman has contributed AED 0.68 million to the consolidated revenue of the Group and a profit after tax of AED 0.32 million for the year ended 31 December 2006. If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenues of the Group would have been AED 1,368.3 million and that the consolidated net profit after income tax of the Group would have been AED 112.2 million for the year ended 31 December 2006.

Goodwill recognized on the acquisition is attributable mainly to the synergies expected to be achieved from integrating Docman Limited into the Group's document storage business. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The fair values of the assets and liabilities acquired on the acquisition of Docman Limited have been determined on a provisional basis as in case of certain assets and liabilities enough information was not available at the acquisition date to reasonably determine their fair values. Subsequent information, available after the date of acquisition may provide additional evidence regarding the fair value of these assets and liabilities at acquisition date. Also refer note 35.

Notes *(continued)*

4 Acquisition of subsidiaries and minority interest *(continued)*

Acquisition of minority interest

(i) Armak International Company ("Armak")

During the current year, the Group has acquired the remaining 51% stake in Armak International Company, a subsidiary of the Group in Iran, for AED 3.2 million with effect from 1 July 2006. The carrying amount of Armak net liabilities in the consolidated financial statements as the date of the acquisition was AED 1 million. The Group recognized an increase in minority interest of AED 0.5 million and goodwill of AED 3.7 million. Also refer note 12.

(ii) Arab American Clearance and Transport Company ("Arab Clearance")

During the current year, the Company had acquired an additional 10% stake in Arab American Clearance and Transport Company, a subsidiary of the Group in Jordan, for AED 0.98 million with effect from 1 July 2006. The carrying amount of Arab Clearance net assets in the consolidated financial statements as the date of the acquisition was AED 1.3 million. The Group recognized a decrease in minority interest of AED 0.13 million and goodwill of AED 0.98 million. Also refer note 12.

5 Revenue

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
International express*	**411,751**	186,535
Freight forwarding*	**611,188**	150,840
Domestic express*	**176,962**	63,065
Publications and distributions	**34,565**	17,242
Shop 'n' ship	**28,018**	10,330
Documents storage	**17,072**	10,564
Logistics revenue	**52,471**	4,561
Others**	**31,776**	15,767
	1,363,803	458,904

*Amount includes value added tax/ postal levy where not shown separately on the face of invoice.

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

Notes *(continued)*

6 Cost of services

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
International express	**186,805**	89,108
Freight forwarding	**446,175**	110,827
Domestic express	**50,195**	13,543
Publications and distributions	**28,483**	14,723
Shop 'n' ship	**5,087**	2,097
Documents storage	**1,846**	3,801
Logistics revenue	**12,450**	761
Other	**12,925**	4,698
	743,966	239,558

Cost of service includes value added tax/ postal levy where not shown separately on the face of the invoice.

7 Other operating expenses

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
Staff salaries and benefits	**131,367**	47,229
Vehicle running and maintenance	**27,423**	11,330
Supplies	**12,281**	5,126
Communication expenses	**1,580**	529
Others	**19,260**	683
	191,911	64,897

8 General and administrative expenses

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
Staff salaries and benefits	**106,642**	39,779
Rentals	**34,888**	8,457
Depreciation charge	**24,017**	8,753
Communication expense	**15,226**	5,201
Maintenance	**7,455**	2,514
Travel expenses	**6,969**	1,808
Printing and stationary	**4,555**	1,738
Vehicle running expenses	**3,680**	1,094
Provision for bad and doubtful debts	**2,228**	1,331
Sponsorship fees	**1,499**	1,111
Government fees and taxes	**1,428**	716
Others	**52,057**	14,542
	260,644	87,044

Notes *(continued)*

9 Net finance income

Finance income primarily represents interest on deposits in the banks. Finance income is stated net of interest expense on loans and other borrowings of AED 3.3 million *(2005: AED 0.7 million)*. During the year the Company has waived off interest amounting to AED 0.7 million due against funds advanced to a related party. Also refer note 18.

10 Income taxes

Income tax expense in the income statement

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

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
Current tax expense	**4,627**	3,698
Deferred tax income	**(190)**	(1,380)
	4,437	2,318

Deferred income taxes are provided in accordance with the liability method under IAS 12, for the temporary differences between the financial reporting basis and the tax basis of the Group's assets and liabilities. The composition of deferred taxes reflected on the balance sheet is as follows:

	2006 AED'000	2005 AED'000
Provision for doubtful accounts	**1,035**	1,354
Depreciation	**(51)**	(60)
Termination indemnities	**262**	198
Net operating losses carry forwards	**1,563**	1,192
Capital allowance	**304**	(37)
Others	**66**	26
	3,179	2,673
Recognised as follows:		
As deferred tax assets	**3,213**	2,709
As deferred tax liabilities	**(34)**	(36)
	3,179	2,673

The Group's consolidated effective tax rate is 4 % for 2006 *(2005: 4%)*.

In some countries the tax returns for certain years have not yet been reviewed by the tax authorities. However, the Group' management is satisfied that adequate provisions have been made for potential tax contingencies. Also refer note 35.

Notes *(continued)*

11 Property, plant and equipment

	At the beginning of the period AED'000	Addition on acquisition of subsidiaries AED'000	Additions AED'000	Transfers AED'000	Disposals AED'000	Exchange differences AED'000	At the end of the period AED'000
Cost - 2005							
Land	-	12	4,851	-	-	1	4,864
Leasehold improvements	-	16,212	1,792	-	-	(16)	17,988
Building	-	5,170	2,099	-	-	-	7,269
Furniture and fixtures	-	11,929	1,200	-	(240)	(8)	12,881
Office equipment	-	16,237	3,657	-	(155)	(228)	19,511
Computers	-	42,433	3,125		(845)	(250)	44,463
Vehicles	-	28,182	5,401	-	(2,240)	(65)	31,278
Capital work in progress	-	-	17,241	-	-	-	17,241
At 31 December 2005	-	120,175	39,366	-	(3,480)	(566)	155,495

	At the beginning of the year AED'000	Addition on acquisition of subsidiaries AED'000	Additions AED'000	Transfers AED'000	Disposals AED'000	Exchange differences AED'000	At the end of the year AED'000
Cost - 2006							
Land	4,864	-	2,966	-	-	(1)	7,829
Leasehold improvements	17,988	5,208	8,762	51	(1,047)	623	31,585
Building	7,269	-	2,570	14,448	-	-	24,287
Furniture and fixtures	12,881	4,749	3,311	-	(1,691)	628	19,878
Office equipment	19,511	14,857	14,475	2,742	(2,808)	1,734	50,511
Computers	44,463	7,974	15,155	-	(5,100)	1,179	63,671
Vehicles	31,278	10,488	8,045	-	(6,390)	1,283	44,704
Capital work in progress	17,241	-	-	(17,241)	-	-	-
At 31 December 2006	**155,495**	**43,276**	**55,284**	**-**	**(17,036)**	**5,446**	**242,465**

	At the beginning of the period AED'000	Addition on acquisition of subsidiaries AED'000	Charge for the period AED'000	Transfers AED'000	Disposals AED'000	Exchange differences AED'000	At the end of the period AED'000
Depreciation - 2005							
Leasehold improvements	-	8,074	1,154	-	-	4	9,232
Building	-	1,281	221	-	-	-	1,502
Furniture and fixtures	-	7,764	600	-	(238)	(96)	8,030
Office equipment	-	9,784	1,058	-	(105)	(198)	10,539
Computers	-	28,245	2,496		(795)	(266)	29,680
Vehicles	-	17,346	3,224	-	(2,162)	(12)	18,396
At 31 December 2005	-	72,494	8,753	-	(3,300)	(568)	77,379

	At the beginning of the year AED'000	Addition on acquisition of subsidiaries AED'000	Charge for the year AED'000	Transfers AED'000	Disposals AED'000	Exchange differences AED'000	At the end of the year AED'000
Depreciation - 2006							
Leasehold improvements	9,232	1,504	3,198	-	(628)	203	13,509
Building	1,502	-	1,497	-	-	-	2,999
Furniture and fixtures	8,030	3,050	1,364	-	(1,366)	497	11,575
Office equipment	10,539	8,009	4,608		(2,267)	1,014	21,903
Computers	29,680	4,710	8,290	-	(4,072)	773	39,381
Vehicles	18,396	6,528	5,060	-	(5,641)	612	24,955
At 31 December 2006	**77,379**	**23,801**	**24,017**	**-**	**(13,974)**	**3,099**	**114,322**
Carrying amounts							
At 31 December 2006	**78,116**						**128,143**
At 31 December 2005	-						78,116

Notes *(continued)*

11 Property, plant and equipment *(continued)*

Capital work in progress as at the end of previous year represented ongoing construction of a warehouse facility in Jebel Ali

Property, plant and equipment includes:

i) vehicles with a net book value of AED 8.1 million *(2005: AED 4.6 million)* that have been obtained under capital leases.

ii) land and buildings amounting AED 7.8 million *(2005: 4.6 million)* have been pledged against the bank facilities.

iii) assets with a net book value of AED 6.5 million have been pledged against the bank facilities

Also refer notes 22 and 25.

12 Goodwill

	2006 AED'000	2005 AED'000
Opening balance	**628,343**	-
Acquisitions through business combination		
- On acquisition of AIL	-	579,144
- On acquisition of Info Fort Dubai & Cairo	-	45,724
- On acquisition of Info Fort KSA	-	483
- On acquisition of Priority Air Freight Ltd.	-	2,236
- On acquisition of other subsidiaries	-	756
- On acquisition of Freight Professionals (refer note 4)	**31,067**	-
- On acquisition of Two Way (refer note 4)	**123,295**	-
- On acquisition of Docman (refer note 4)	**15,168**	-
Acquisition of minority interest		
- On additional acquisition in Armak (refer note 4)	**3,673**	-
- On additional acquisition in Arab Clearance (refer note 4)	**983**	-
Adjustment to Priority Air Freight Ltd.	**1,202**	-
Closing balance	**803,731**	628,343

Annual impairment testing for goodwill has been carried out by management at 31 December 2006. 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. Cash flow projections beyond five years have been extrapolated using a 4% growth rate. This growth rate is considered appropriate considering the nature of the industry and the general growth in economic activity being witnessed in the location/region where these entities operate. A discount rate of 10% has been used in discounting the cash flows projected. Also refer note 35.

The management has not seen any indications, since the date of its last financial year, which would indicate impairment in the carrying value of goodwill.

13 Other intangible assets

Other intangible assets represents list of customers, bound by contracts, and preferential route rights acquired by the Group. The Group is amortising these intangible assets over period between three to ten years. The amortisation is recognized in the general and administration expenses in the income statement.

The movement during the year/ period is as under:

	2006 AED'000	2005 AED'000
Opening balance	4,022	-
Customers lists acquired on acquisitions of subsidiaries		
- Docman Limited	420	-
- Info Fort Dubai and Cairo	-	2,237
- Info Fort Kingdom of Saudi Arabia	-	983
Preferential route rights acquired	-	1,229
Write off	(179)	-
Amortization during the year/ period	(650)	(427)
Closing balance	3,613	4,022

Also refer note 4.

14 Available for sale investments

	2006 AED'000	2005 AED'000
Opening balance	-	-
Purchases during the year/ period	2,720	-
Cumulative changes in fair value during the year/ period	-	-
Closing balance	2,720	-

The above investment represents purchase of founder shares in a company currently in the process of listing its shares at the balance sheet date. As at 31 December 2006, these shares are being carried at cost.

15 Other non current assets

Other non current assets includes an amount of AED 3.1 million *(2005: AED 3.1 million)* representing advance paid by the Group for the acquisition of an interest in an entity in Pakistan. As per the Memorandum of Understanding ('MOU') entered into with the venture partner, the above amount, on fulfillment of certain conditions as specified in the MOU, would become the Group's investment in the entity. As at 31 December 2006, these conditions have not been fulfilled and therefore the amount paid has been classified under other non current assets.

Notes *(continued)*

16 Cash and cash equivalents

Cash and cash equivalents comprise of the following:

	2006 AED'000	2005 AED'000
Cash in hand and at banks	222,562	340,360
Less: margin deposits	(4,680)	(4,392)
Less: overdrafts	(27,435)	(3)
	190,447	335,965

17 Trade receivables

	2006 AED'000	2005 AED'000
Trade receivables	283,094	166,235
Less: provision for doubtful accounts	(21,439)	(16,685)
	261,655	149,550

Geographic concentration of trade receivables as of 31 December 2006 is as follows:

	2006 %	2005 %
Middle East and North Africa	62	84
Europe	31	7
North America	1	2
Asia	6	7

Management believes that all trade receivables, net of related provisions, are collectable. Movement in the provision for doubtful accounts during the year/ period is as follows:

	2006 AED'000	2005 AED'000
Opening balance	16,685	-
Acquired on acquisition of Aramex International Limited	-	18,417
Acquired on acquisition of subsidiaries (refer note 4)	3,640	605
Provision made during the year/ period	3,524	1,603
Write back during the year/ period	(1,296)	(272)
Write-offs	(1,114)	(3,668)
Closing balance	21,439	16,685

Notes *(continued)*

18 Other current assets

	2006 AED'000	2005 AED'000
Prepaid expenses	**21,769**	7,938
Advances and other receivables*	**56,561**	21,643
	78,330	29,581

* Advances and other receivables includes an amount of AED 30 million due from a Company owned by a trust formed for the purposes of implementing an employee share purchase plan. Certain key management employees of the Group have influence over the trust. This amount carries interest at agreed upon rates and is repayable on demand. The interest for 2006 has been waived. Also refer note 9.

19 Share capital

	2006 AED'000	2005 AED'000
Authorised, issued and paid up		
1,000,000,000 shares of AED 1 each	**1,000,000**	1,000,000

In the previous period, 450 million shares were issued to the founder shareholders on 15 February 2005 and the remaining 550 million shares were issued on 13 March 2005.

20 Statutory reserve

In accordance with the Articles of Association of the entities in the Group and Article 255 of the UAE Federal Commercial Companies Law, 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 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.

21 Proposed appropriations

(a) Proposed dividends

The Directors have proposed a cash dividend of AED 0.10 per share amounting to AED 100 million for the year 2006 *(2005: AED Nil)*. The proposed dividend is subject to the approval of the shareholders at the Annual General Meeting.

(b) Proposed director fees

Proposed directors fees of AED 0.8 million *(2005: Nil)* representing remuneration for attending meetings and compensation for professional services rendered by the Directors.

Notes *(continued)*

22 Loans and borrowings

	2006 AED'000	2005 AED'000
Term loan (a)	**12,915**	5,020
Notes payables (b)	**575**	416
Capital lease obligations (c)	**8,195**	4,800
	21,685	10,236
Less: current liability portion	**(8,306)**	(5,505)
Non current liability portion	**13,379**	4,731

(a) Term loan

This represents the balances outstanding from:

1. A term loan facility taken by Arab American Express company Ltd (Amman Station) (a subsidiary of the Group) from Jordan Kuwait Bank on 5 October 2005 for an amount of AED 10.3 million (JD 2 million) at an annual interest rate of 7%. Of the total facility, an amount of AED 5.2 million (JD 1 million) is outstanding as at 31 December 2006 *(2005: AED 4.7 million (JD 0.9 million))*. This loan is repayable over 60 monthly installments of AED 170.7K each commencing from October 2005. This loan has been obtained by the Company for the construction of premises in Amman. This loan is secured by the pledge of land and the premises which would be constructed on the land. Also refer note 11.

2. Term loan taken by Aramex International Courier Palestine (a subsidiary of the Group) from HSBC Bank on 26 March 2005 for an amount of AED 551K (USD 150K) at an annual interest rate of 7%. This loan is repayable over 23 monthly installments of AED 23.9K each commencing from May 2005.

3. Two Way has an outstanding bank loan of AED 7.6 million as at 31 December 2006, which is secured by a floating charge over certain property, plant and equipment of Two Way Group together with inter-company guarantees within the Group. Also refer note 11.

22 Loans and borrowings *(continued)*

(b) Notes payable

This represents various notes payable for the purpose of financing the purchase of vehicles and equipment repaid by monthly installments with original average maturities of three years, at interest rates ranging from 6% to 25%.

The aggregate amounts of annual principal maturities of notes payable are as follows:

	2006 **AED'000**	2005 AED'000
Total notes payables	**575**	416
Less: current liability portion	**(159)**	(257)
Non current liability portion	**416**	159

(c) Capital lease obligation

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

	2006 **AED'000**	2005 AED'000
Less than one year	**4,423**	3,173
Between one and five years	**4,519**	1,986
Total minimum lease payments	**8,942**	5,159
Less: interest component	**(747)**	(359)
Present value of minimum lease payments	**8,195**	4,800

23 Other long term liabilities

Other long term liabilities represent the long term portion of the present value of the deferred and contingent consideration payable to the former shareholders of Two Way. The short term portion is included under the other current liabilities. Also refer notes 4 and 27.

24 Employee end of service benefits

	2006 AED'000	2005 AED'000
Opening balance	**24,051**	-
Balance acquired on acquisition of Aramex International Limited	-	20,841
Balance acquired on acquisition of other subsidiaries	**262**	222
Provision made during the year/ period	**9,659**	4,514
Payments made during the year/ period	**(3,269)**	(1,478)
Exchange differences	**146**	(48)
Closing balance	**30,849**	24,051

25 Bank overdrafts

The Group maintains overdrafts and lines of credit with various banks. AIL has provided a corporate guarantee of AED 1.8 million to Audi Bank in Lebanon to secure the bank facilities given for Aramex subsidiary in Lebanon, none of which was utilized by Aramex Lebanon as of 31 December 2006 *(2005: AED Nil)*.

Two Way has outstanding bank overdrafts and line of credits of AED 26.7 million as at 31 December 2006, which are secured by a floating charge over the assets of the Two Way Group together with inter-company guarantees within the Group. Two Way Group also has an invoice discounting facility which is secured by a charge over the books debts of Two Way. Also refer note 11.

Also refer notes 22 and 31.

26 Trade payables

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

27 Other current liabilities

	2006 AED'000	2005 AED'000
Accrued expenses	**91,175**	49,571
Payable to Two Way Partners (refer note 4 and 23)	**13,828**	-
Deferred revenue	**6,589**	4,319
Sales and other taxes	**5,627**	4,461
Income taxes payable	**8,815**	6,216
Customers' deposits	**84**	303
Social security taxes payable	**5,890**	714
Others	**5,160**	1,071
	137,168	66,655

Notes *(continued)*

28 Related party transactions

The Group had leased the premises previously occupied by the Group's London operations from Mr. Ali Ghandour, the father of Mr. Fadi Ghandour (CEO), at an annual rental of AED 0.5 million *(2005: AED 0.5 million)*. The lease was cancelled in the current year.

During 1996, AIL leased the premises currently occupied by the AIL's corporate office in Amman, Jordan, from ARAM, an investment company controlled by the CEO's family at an annual rental of AED 0.7 million *(2005: AED 0.6 million)*. The lease is open-ended and is renewed annually. Management believes that the terms of the lease are at least as favourable to the Company as those available from unaffiliated third parties.

AIL entered into an alliance called Global Distribution Alliance ("GDA") in December 2003. GDA is a global alliance among thirty two leading independent express companies that functions as a worldwide delivery network for its members in which AIL is one of the founding members. AIL and GDA maintain normal business relations. At 31 December 2006, AED 0.66 million *(2005: AED 0.86 million)* was due from AIL to GDA and has been included under other current liabilities. Aramex Beirut premises are rented from the station manager and her relatives for an amount equivalent to AED 0.13 million for the year 2006 *(2005: AED 0.13 million)*. Management believes that the terms of the rental are at least as favourable to the Group as those available from unaffiliated third parties.

One of the subsidiary leases its premises from one of its directors at an annual rental of AED 3.4 million.

During the ordinary course of its operations, the Group carries out transactions, which are within the principal activities of the Group, with other entities that fall within the definition of a related party as per International Accounting Standard ("IAS") 24. The terms of these transactions are not significantly different from those with other third parties. On account of the small value and the high volume of such individual transactions, the Group does not have a process in place to separately record and disclose such transactions. Management believes that such non disclosure does not affect the assessment of the Group's operations by the users of the financial statements.

Details of other significant related party transactions are as follows:

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
Compensation paid/payable to key management personnel for the year/ period		
-Short term benefits*	**12,933**	4,532
-End of service benefits	**344**	152

(*) Includes proposed director fees of AED 0.8 million.

Notes *(continued)*

29 Earning per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2006 is based on the profit attributable to the shareholders of the Company of AED 95.2 million *(2005: AED 51.2 million)* and a weighted average number of ordinary shares outstanding of 1,000 million *(2005: 924 million)*, calculated as follows:

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
Profit for the year/ period	**95,224**	51,187
Weighted average number of ordinary shares as at 31 December	**1,000,000,000**	924,375,000

30 Operating leases

As lessee

The Group leases land, office space, warehouses and transportation equipment under various operating leases, some of which are renewable annually. Rent expense related to these leases amounted to AED 34.3 million for the year ended 31 December 2006 *(2005: AED 8.4 million)*. The Group believes that most operating leases will be renewed at comparable rates to the expiring leases.

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

	2006 AED'000	2005 AED'000
Less than one year	**38,417**	4,176
Between one and five years	**110,735**	4,569
More than five years	**119,669**	-

31 Contingent liabilities and commitments

Contingent liabilities

	2006 AED'000	2005 AED'000
Letters of guarantee	**29,715**	22,180

Capital Commitments

As at 31 December 2006 the Group has capital commitments of AED 26.4 million *(2005: AED Nil)* towards purchase/ construction of property, plant and equipment.

32 Information about segments

Segment information is presented in respect of the Group's business and geographical segment. The primary format, business segments, is based on the way senior management organizes operations within the Group for decision making purposes, internal reporting structure and performance assessment.

***Business segments*:**

The Group operates predominantly in a single industry as a courier and cargo freight forwarder and comprises of the following main business 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, customs clearance and break bulk services.

Domestic express: includes express delivery of small parcels and pick up and deliver shipments from city to city within the country.

Logistics: includes warehousing and its management, distribution, supply chain management, inventory management as well as other value added services.

Other operation: includes catalogue shipping services, document storage, shop n ship commercial services, airline ticketing and travel, logistics revenue, and visa services. All related costs are reflected in cost of services.

	International express	Freight Forwarding	Domestic Express	Logistics	Others	Elimination	Consolidated
Year ended 31 December 2006							
External sales	**411,751**	**611,188**	**176,962**	**52,471**	**111,431**		**1,363,803**
Inter-segment sales	**185,291**	**98,070**	**201**	**156**	**26,222**	**(309,940)**	
Segment sales	**597,042**	**709,258**	**177,163**	**52,627**	**137,653**	**(309,940)**	
Gross profit	**224,255**	**164,899**	**126,779**	**40,176**	**63,728**		**619,837**

	International express	Freight Forwarding	Domestic Express	Logistics	Others	Elimination	Consolidated
Period ended 31 December 2005							
External sales	186,535	150,840	63,065	4,560	53,904		458,904
Inter-segment sales	86,203	39,055	138	-	11,360	(136,756)	
Segment sales	272,738	189,893	63,203	4,560	65,264	(136,756)	
Gross profit	97,774	40,013	49,522	3,799	28,238		219,346

Notes *(continued)*

32 Information about segments *(continued)*

Transactions between stations are priced at agreed upon rates. All material intra group transactions have been eliminated in consolidation.

The Group does not segregate assets and liabilities by business segment and accordingly such information is not available.

Geographical segments

The business segments are managed on a world wide basis, but operate in four principal geographical areas, Middle East and North 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.

	Year ended 31 December 2006 AED'000	Period ended 31 December 2005 AED'000
Revenues		
Middle East and North Africa	**911,222**	385,464
Europe	**340,057**	23,975
North America	**18,535**	9,152
Asia	**93,989**	40,313
	1,363,803	458,904

	2006 AED'000	2005 AED'000
Assets		
Middle East and North Africa	**1,352,113**	1,188,937
Europe	**122,830**	19,934
North America	**8,158**	7,500
Asia	**29,315**	21,888
	1,512,416	1,238,259
Long lived assets *		
Middle East and North Africa	**100,242**	70,698
Europe	**22,618**	2,809
North America	**1,827**	1,240
Asia	**3,456**	3,369
	128,143	78,116

* Long lived assets include property, plant and equipment but excludes intangible assets.

Notes *(continued)*

32 Information about segments *(continued)*

	2006 AED'000	2005 AED'000
Liabilities		
Middle East and North Africa	**205,583**	142,400
Europe	**120,602**	13,356
North America	**5,914**	7,021
Asia	**12,834**	9,560
	344,933	172,337

33 Group entities

Significant subsidiaries

Aramex International Limited, Bermuda
Aramex Amman, Jordan
Arab American International Express Company, Lebanon
Jordan Distribution Agency, Amman
Aramex India Private Limited, India
Aramex Interntaional Egypt for Air and local services (S.A.E), Egypt
Saudi Tal for Commerce and Contract Company Limited, Kingdom of Saudi Arabia
Aramex, Kuwait
Aramex Emirates LLC, Dubai
Memo Express, Dubai
Aramex, Abu Dhabi
Freight Professionals, Egypt

For details of Two Way Group refer note 4.

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

34 Financial instruments

Financial assets of the Group include available for sale investments, trade receivables, other current and non current assets, cash in hand and at bank and related party balances. Financial liabilities include, trade payables, other current and non current liabilities and loans and borrowings from banks. Accounting policies for financial assets and liabilities are set out in note 3.

a) Fair value

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

b) Interest rate risks

The Group's deposits with banks carry interest at agreed rates. Further the interest rates and terms of repayment of loans of the Group are described in note 22 and 25 of these consolidated financial statements.

c) Credit risks

The Group has no concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. The Group has procedures in place to ensure that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

d) Currency risks

Most of the Group's transactions are in US Dollars, a currency to which the UAE Dirham is pegged. However, the group is exposed to foreign currency risk with respect to sales and purchases that are denominated in a currency other than the functional currency of the Group entities. The currencies giving rise to this risk are primarily Pound Sterling (GBP) and Euros (EUR). As a result, the Group's operations are subject to various risks associated with currency fluctuation. There can be no assurance that such risks will not have an adverse effect on the Group. Exchange gains or loss resulting from these currencies has been accounted for in the income statement.

35 Accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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. Cash flow projections beyond five years have been extrapolated using a 4% growth rate. This growth rate is considered appropriate considering the nature of the industry and the general growth in economic activity being witnessed in the location/region where these entities operate. A discount rate of 10% has been used in discounting the cash flows projected. Also refer note 12.

35 Accounting estimates and judgments *(continued)*

Provision for bad and doubtful receivables

Provision for bad and doubtful receivables is calculated on the basis of a Group provisioning policy which requires for provision to be created for overdue outstanding balances. Provision is also made for receivable balances, which based on the information available with management, are considered to be uncollectible. The above provisioning policy is based on historical experience and is believed to be reasonable under the circumstances.

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.

Contingent consideration payable for the acquisition of a subsidiary

The contingent consideration payable is based on the estimated future earnings of the acquired subsidiary. Management reviews these estimated future earnings on a regular basis, based on currently available information, until the actual settlement of the consideration. The management considers the estimated future earnings to be reasonable and probable, after considering the past performance of the subsidiary and forecasted business growth.

Identifiable assets and liabilities taken over on acquisition of subsidiaries

The Group separately recognizes 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 recognized when they meet the criteria for recognition set out in IFRS 3. Intangible assets, acquired on acquisition, mainly represents lists of customers, bound by a contract, valued on the basis of minimum cash flows.

36 Comparative figures

Comparative information in these consolidated financial statements represents the results of operations of the Company for a 320 days period from 15 February 2005 to 31 December 2005. Moreover, comparative financial information only includes the results of operations of Aramex International Limited from 22 June 2005. Accordingly, comparatives in these consolidated financial statements are not strictly comparable. Certain figures have been reclassified/regrouped, wherever found necessary, so as to conform to the presentation adopted in these consolidated financial statements.