Aramex PJSC and its subsidiaries

Consolidated financial statements

31 December 2007

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في المركز الأمثل للنمو

السادة المساهمين الكرام،،

احتفلنا في عام ٢٠٠٧ بمرور ٢٥ عاماً على رحلة ارامكس التي استطعنا خلالها مواجهة تحديات بناء شبكة عالمية لحلول النقل، وحرصنا على إرساء معايير نقلت مفهوم عمل وتأثير الشركات في منطقتنا إلى آفاق مختلفة، لنلمس اليوم قصة نجاح ارامكس التي تجاوزت نطاق الأعمال، لتشمل ثقافة ابداع خلاقة ومواكبة للصعوبات على اختلافها وتحمل لمسؤولياتنا أمام مجتمعاتنا.
نتوجه بالشكر والتقدير إلى كافة أعضاء عائلة ارامكس من القادة المبدعين وطاقمنا المتفاني من موظفي العمليات والتوصيل الأرضي. وبالطبع ما كنا أن نشهد هذه الانجازات من دون ثقة عملائنا ومساهمينا وكافة شركائنا الذين جعلوا من ارامكس قصة نجاح حقيقة.

نحن سعداء لتسجيل نتائج مالية قوية في إطار توقعاتنا، وتعكس الرؤية الصائبة لخططنا التوسعية الاستراتيجية. فقد سجلنا نمواً بنسبة ٢٨% في الأرباح الصافية لتصل إلى ١٢١,٦ مليون درهم، فيما وصلت إيراداتنا إلى ١,٧٨٤ مليار درهم خلال العام ٢٠٠٧ بزيادة نسبتها ٣١% عن العام الذي سبقه، ونتطلع بعزم إلى معدلات نمو مماثلة خلال السنة الحالية.

نحن نرى في حضورنا القوي في أسواقنا التقليدية في الشرق الأوسط وشمال افريقيا وجنوب آسيا، التي تعتبر من أسرع الأسواق نمواً عالمياً والرافد للحصة الأكبر من أرباحنا الصافية، المركز الأمثل لننطلق منه لتطوير شبكتنا العالمية وتعزيز عملياتها في مجموعة من الأسواق الناشئة والاستراتيجية. وفي هذا الصدد انجزنا خلال العام ٢٠٠٧ عمليتا استحواذ استراتيجيتين في جاكارتا وسنغافورة لتمثل الأخيرة مركزاً اقليمياً لنمو عملياتنا في أسواق جنوب شرق آسيا الواعدة.

كما واصلنا بسط شبكة ارامكس في مناطق جغرافية مختلفة عبر منح الامتياز لشركات تتمتع بحضور قوي في أسواقها المحلية ومن بين هذه الأسواق مالطا وجورجيا وغانا. ولا زلنا ندرس ونراقب عن كثب عمليات الاستحواذ المحتملة في أسواق عالمية استراتيجية وتحديداً في السوق الصينية، التي ستمثل نموا استثنائيا لعملياتنا، وفي الولايات المتحدة، حيث نسعى إلى بوابات لعملياتنا، تضمن فاعليتها واستقلاليتها في أسواق أمريكية حيوية ومختارة.

إنهماكنا في خدمة عملائنا وتعزيز شبكتنا العالمية لم يحد من استثماراتنا في البنية التحتية لأسواقنا التقليدية، حيث شهدنا إرتفاعاً في إيراداتنا الناجمة عن خدماتنا اللوجستية نمواً بنسبة ١٠٣% خلال العام ٢٠٠٧ وذلك استجابة للنمو الاقتصادي الكبير الذي تشهده الأسواق الخليجية وميول المجموعات التجارية الكبرى إلى تعهيد شبكات الإمداد بالكامل، ونحن ماضون في تعزيز شبكة مراكزنا اللوجستية وقد باشرنا عمليات تطوير مرفقنا الجديد في مدينة دبي اللوجستية على مساحة ٧٥ ألف متر مربع.

سعينا الدؤوب لتلبية تطلعات عملائنا على مستوى جودة الخدمة والتغطية العالمية لم يحد من الإلتفات إلى محيطنا الأوسع ووضع مسؤولياتنا اتجاه مجتمعاتنا وبيئتنا التي نتواجد فيها ضمن أولوياتنا. شهد العام الماضي تتويجاً لثقافة وعي والتزام متجذرة في ارامكس من خلال إصدار أول تقرير عن "أنشطتنا في التنمية المستدامة" عن العام ٢٠٠٦ والأول من نوعه على مستوى المنطقة.

لقد وضعنا أهدافاً طموحة لنشاطاتنا في مجال التنمية المستدامة بالاستناد إلى معايير دولية تتوخى الشفافية، لإيماننا بأن هذا النهج سيكون له مرده الإيجابي طويل الأمد على مساهمينا وزبائننا وشركائنا وموظفينا ومجتمعاتنا ككل.

ولعل عزمنا أن نكون الشركة الأولى العاملة في قطاع النقل السريع والخدمات اللوجستية التي تعادل من انبعاثات غاز ثاني أكسيد الكربون على مستوى العالم يمثل طموحاً نوعياً لكنه يعكس التزامنا الأصيل في هذا الاتجاه، وقد وضعنا أهدافاً تتعلق بتعزيز حضور المرأة ضمن الصفوف الإدارية في الشركة وسلامة العاملين في الشركة سواء في مناطق العمل أو على الطرقات إلى جانب برامجنا الهادفة إلى تمكين وتحفيز المجتمعات المهمشة لتشمل أكثر من مليون شخص ضمن هذه المجتمعات على المدى الطويل.

تقريرنا عن التنمية المستدامة هو بمثابة دعوة للقطاع الخاص في المنطقة لاتباع هذا النهج وهو يتزامن مع إنضمامنا إلى مبادرة الميثاق العالمي للأمم المتحدة التي تتضمن إعلان مباديء لتعزيز ممارسات الإيجابية للقطاع الخاص في مجال حقوق الإنسان والعمالة والشؤون البيئية والشفافية في التعاملات.

نحن نضع تجربة ارامكس بين أيديكم ومرتاحون لتقاطع رؤوانا معكم وواثقون من قدرة عائلة ارامكس، التي تجاوزت ٧ آلاف مؤمن بقيم الإبداع، المضي قدما في هذا التجربة التي توازي بين مفاهيم العمل الجاد والتوجهات الإنسانية الكونية.

وتفضلوا بقبول فائق الاحترام والتقدير،،

عبد الله المزروعي
رئيس مجلس الإدارة

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Independent auditors' report

The Shareholders
Aramex PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Aramex PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2007, 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 of 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 2007, 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 2007, 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: 26 February 2008

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Aramex PJSC and its subsidiaries

Consolidated income statement

for the year ended 31 December 2007

	Note	2007 AED'000	2006 AED'000
Revenue	*6*	**1,783,788**	1,363,803
Cost of services	*7*	**(948,132)**	(743,966)
Gross profit		**835,656**	619,837
Other operating expenses	*8*	**(268,548)**	(191,911)
Selling expenses		**(79,224)**	(57,961)
General and administrative expenses	*9*	**(344,871)**	(260,644)
Other income/(expenses) net	*10*	**3,566**	(1,135)
Result from operating activities		**146,579**	108,186
Finance income		**8,070**	8,564
Finance expense		**(4,132)**	(3,309)
Net finance income	*11*	**3,938**	5,255
Profit before income tax		**150,517**	113,441
Income tax expense	*12*	**(9,450)**	(4,437)
Profit for the year		**141,067**	109,004
Attributable to:			
Equity holders of the Company		**121,552**	95,224
Minority interest		**19,515**	13,780
Profit for the year		**141,067**	109,004
Basic earnings per share (AED)	*31*	**0.110**	0.086

The notes on pages 8 to 41 are an integral part of these consolidated financial statements.

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

Aramex PJSC and its subsidiaries

Consolidated balance sheet

as at 31 December 2007

	Note	2007 AED'000	2006 AED'000
Assets			
Property, plant and equipment	*13*	**192,986**	128,143
Goodwill	*14*	**803,399**	803,731
Other intangible assets	*15*	**3,493**	3,613
Available for sale investments	*16*	**17,040**	2,720
Other non-current assets	*17*	**1,496**	8,449
Deferred tax assets	*12*	**2,428**	3,213
Total non-current assets		**1,020,842**	949,869
Cash in hand and at bank	*18*	**238,856**	222,562
Trade receivables	*19*	**319,152**	261,655
Other current assets	*20*	**95,985**	78,330
Total current assets		**653,993**	562,547
Total assets		**1,674,835**	1,512,416
Equity			
Share capital	*21*	**1,100,000**	1,000,000
Currency translation adjustment		**3,694**	1,785
Statutory reserve	*22(a)*	**13,699**	1,978
Fair value reserve	*22(b)*	**14,320**	-
Retained earnings	*23*	**153,464**	144,433
Total equity attributable to equity holders of the Company		**1,285,177**	1,148,196
Minority interest		**25,444**	19,287
Total equity		**1,310,621**	1,167,483
Liabilities			
Loans and borrowings – non current	*24*	**14,707**	13,379
Other long term liabilities	*25*	**-**	10,224
Employee end of service benefits	*26*	**39,428**	30,849
Deferred tax liabilities	*12*	**539**	34
Total non-current liabilities		**54,674**	54,486
Bank overdrafts	*27*	**20,191**	27,435
Loans and borrowings - current	*24*	**13,056**	8,306
Trade payables	*28*	**132,093**	117,538
Other current liabilities	*29*	**144,200**	137,168
Total current liabilities		**309,540**	290,447
Total liabilities		**364,214**	344,933
Total equity and liabilities		**1,674,835**	1,512,416

The notes on pages 8 to 41 are an integral part of these consolidated financial statements.

The Board of Directors authorized these consolidated financial statements on 26 FEB 2008

Abdullah Al Mazrui
Chairman

Fadi Ghandour
(Director, President & CEO)

Emad Shishtawi
(Vice President Finance)

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

Aramex PJSC and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December 2007

	2007 AED'000	2006 AED'000
Operating activities		
Profit for the year before income tax	**150,517**	113,441
Adjustments for:		
Depreciation	**34,742**	24,017
Amortization/ write off of intangible assets	**862**	829
Provision for doubtful debts, net	**6,751**	2,228
Provision for employee end of service benefits	**13,289**	9,659
Net finance income	**(3,938)**	(5,255)
Loss on sale of property, plant and equipment	**298**	543
Operating profit before working capital changes	**202,521**	145,462
Change in trade receivables	**(64,248)**	(45,523)
Change in other current assets	**(17,655)**	(38,645)
Change in trade payables	**14,555**	25,377
Change in other current liabilities	**20,515**	(320)
Employee end of service benefits paid	**(5,113)**	(3,269)
Directors' fees paid	**(800)**	-
Cash generated by operations	**149,775**	83,082
Income tax paid	**(7,815)**	(4,418)
Net cash flows from operating activities	**141,960**	78,664
Investing activities		
Acquisition of property, plant and equipment	**(97,828)**	(55,284)
Proceeds from sale of property, plant and equipment	**786**	2,519
Acquisition of intangible assets	**(742)**	-
Consideration paid for acquisition of GDA Singapore	**(1,635)**	-
Adjustment to goodwill	**(40)**	-
Acquisition of subsidiaries, net of cash acquired	-	(158,815)
Acquisition of minority interest	**(5,907)**	(3,540)
Acquisition of available for sale investments	-	(2,720)
Change in other non-current assets	**6,953**	(3,307)
Change in margin deposits	**(1,383)**	(288)
Interest income	**8,070**	8,564
Net cash flows from investing activities	**(91,726)**	(212,871)
Financing activities		
Interest paid	**(4,132)**	(2,558)
Net movement in bank borrowings	**6,078**	958
Dividends paid to minority shareholders	**(14,346)**	(10,524)
Amount paid to former shareholders of Two Way	**(16,522)**	-
Net other movements in minority interest	**1,270**	178
Net cash flows from financing activities	**(27,652)**	(11,946)
Net increase/(decrease) in cash and cash equivalents	**22,582**	(146,153)
Cash and cash equivalents at beginning of the year	**190,447**	335,965
Effect of exchanges rate changes on cash held	**(427)**	635
Cash and cash equivalents at end of the year (note 18)	**212,602**	190,447

The notes on pages 8 to 41 are an integral part of these consolidated financial statements.

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

Aramex PJSC and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2007

	Share capital		Currency translation adjustments	Fair value reserve	Statutory reserve	Retained earnings	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
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	-	-	-	-	-	-	-	372	372
Dividends paid during the year	-	-	-	-	-	-	-	(10,524)	(10,524)
Net other movements during the year	-	-	-	-	-	-	-	518	518
Balance at 31 December 2006	1,000,000,000	1,000,000	1,785	-	1,978	144,433	1,148,196	19,287	1,167,483
Balance at 1 January 2007	1,000,000,000	1,000,000	1,785	-	1,978	144,433	1,148,196	19,287	1,167,483
Bonus shares issued (refer note 21)	100,000,000	100,000	-	-	-	(100,000)	-	-	-
Directors' fees paid (refer note 23 (b))	-	-	-	-	-	(800)	(800)	-	(800)
Profit for the year	-	-	-	-	-	121,552	121,552	19,515	141,067
Translation adjustment	-	-	1,909	-	-	-	1,909	(147)	1,762
Net change in fair value of available for sale investments (refer note 16)	-	-	-	14,320	-	-	14,320	-	14,320
Transfer to statutory reserve	-	-	-	-	11,721	(11,721)	-	-	-
Acquisition of minority interest (refer note 5)	-	-	-	-	-	-	-	(282)	(282)
Dividends paid during the year	-	-	-	-	-	-	-	(14,346)	(14,346)
Net other movements during the year	-	-	-	-	-	-	-	1,417	1,417
Balance at 31 December 2007	**1,100,000,000**	**1,100,000**	**3,694**	**14,320**	**13,699**	**153,464**	**1,285,177**	**25,444**	**1,310,621**

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 41 are an integral part of these consolidated financial statements.

Aramex PJSC and its subsidiaries

Notes

(forming part of the consolidated financial statements)

1 Legal status and principal activities

Aramex 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 2007 comprise the Company and its subsidiaries (collectively referred to as "the Group" and individually as "Group entities").

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, 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 previous year, the Company 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 Federal 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 and derivative financial instruments, 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 the nearest thousand.

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 37.

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 to note 35 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 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.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity.

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 equivalents comprises cash balances, short term deposits, call deposits and current account with banks. 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 a component of 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 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.

Cost of acquisition also includes contingent consideration. A liability is recognised for contingent consideration as soon as the payment becomes probable and the amount can be measured reliably. The purchase price is subsequently adjusted against goodwill or negative goodwill as the estimate of the amount payable is revised.

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.

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 the income statement over the period equivalent to the number of years of agency fees paid in advance.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise available for sale investments, trade receivables, advances and other receivables, cash in hand and at bank, trade payables, 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 changes 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.

Other

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

3 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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.

3 Significant accounting policies *(continued)*

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.

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 the 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. 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 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. The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for the issue of bonus shares.

3 Significant accounting policies *(continued)*

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. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments.

New standards and interpretations not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007 and therefore have not been applied in preparing these consolidated financial statements. With particular relevance to the Group are:

- *IFRS 8 'Operating Segments'* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to them.
- *Revised IAS 23 'Borrowing Costs'* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements. Currently the Group follows the policy of capitalizing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Accordingly, the adoption of the revised IAS 23 is not expected have a material impact on the consolidated financial statements.

4 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Senior Group management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in others. The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

4 Financial risk management *(continued)*

Overview *(continued)*

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, advances and other receivables and balances with banks.

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 71 percent of the Group's trade receivables are based in Middle East and North Africa.

Management have 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, which represents the maximum open amount without requiring approval from senior Group management; these limits are reviewed regularly.

A significant portion of the Group's customers have been transacting with the Group for over 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, wholeseller, retail 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.

4 Financial risk management *(continued)*

Balances with banks

The Group limits its exposure to credit risk by only placing balances with international banks and local banks of repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. For details of guarantees outstanding at the reporting date refer note 33.

***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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, in order to manage market risks. All such transactions are carried out under the supervision of senior Group management. The Group does not apply hedge accounting.

Currency risk

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 primarily are denominated are Euro, USD, and GBP. The Company and a number of other Group entities functional currencies are either the USD or currencies that are pegged to the USD. As 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 against the USD. Intra Group transactions are primarily denominated in USD.

Notes *(continued)*

4 Financial risk management *(continued)*

Currency risk (continued)

From the current year the Group has started to hedge some its trade payables denominated in certain foreign currencies mainly Euros. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. 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.

All of the Group's borrowings are in the functional currencies of the Group entities who have taken out the loan.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investment in foreign subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Interest rate risk

The Group's exposure to interest rate risk is primarily on its borrowings and deposits with banks. The interest rate on the Group's financial instruments is based on market rates. The Group adopts a policy of ensuring a mix between fixed interest borrowings and variable interest borrowings.

Other market price risk

Equity price risk arises from available-for-sale equity securities held by the Group. Management of the Group monitors equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

The primary goal of the Group's investment strategy is to maximise investment returns.

Quantitative disclosures in respect of these financial instruments have been mentioned in note 36.

Capital management

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

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

There were no changes in the Group's approach to capital management during the year.

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.

Notes *(continued)*

5 Acquisition of subsidiary and minority interest *(continued)*

Business combination

GDA Singapore Pte Ltd

On 1 November 2007, the Group acquired the business of GDA Singapore Pte Ltd ("GDA Singapore") for an amount of AED 1.64 million, in cash. GDA Singapore is mainly involved in carrying on express business in Singapore. Since acquisition, the entity has contributed revenues of AED 0.91 million and a net loss of AED 0.65 million to the consolidated profits of the Group for the year ended 31 December 2007. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenues of the Group would have been AED 1,798 million and that the consolidated net profit after income tax of the Group would have been AED 142 million for the year ended 31 December 2007.

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

Assets/ (liabilities)	**AED'000**
Property, plant and equipment- net book value	**102**
Net identifiable assets (refer note 13)	**102**
Goodwill on acquisition (refer note 14)	**1,533**
Consideration paid, satisfied in cash	**1,635**

The goodwill recognized on acquisition is attributable mainly to the synergies expected to be achieved from integrating the acquired business into the Group's existing express business. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured. Also refer note 37.

Acquisition of minority interest

Aramex Lanka Private Limited and Aramex Freight Corporation Lanka Private Limited ("Aramex Lanka")

With effect from 1 May 2007, the Group has acquired the remaining 50% of the share capital of Aramex Lanka Private Limited and Aramex Freight Corporation Lanka Private Limited, subsidiaries of the Group, for a total consideration of AED 5.91 million. The carrying amount of the subsidiaries' net assets on the date of further acquisition was AED 0.28 million and AED 0.29 million, respectively. The Group recognized a decrease in minority interest of AED 0.29 million and additional goodwill of AED 5.63 million. Also refer note 14.

Business combinations in the previous year

During the year ended 31 December 2006, the following subsidiaries were acquired by the Group:

- On 1 January 2006, the Group acquired a 100% holding in Freight Professionals, an entity involved in carrying on freight forwarding and logistics business in Egypt, for a consideration of AED 31.87 million, paid in cash.
- On 13 April 2006, the Group effectively acquired a 100% interest in Two Way Freight and Logistics Group ("Two Way") for an initial consideration of AED 95.1 million paid in cash, deferred consideration of AED 12.95 million payable on 31 December 2007 and an estimated contingent consideration of AED 10.35 million payable in accordance with the agreement with the former shareholders of Two Way. Two Way is involved in the freight forwarding and logistics business primarily in the United Kingdom and Ireland. Also refer notes 25 and 29.

5 Acquisition of subsidiary and minority interest *(continued)*

Business combination *(continued)*

Business combinations in the previous year *(continued)*

- The Group acquired Docman Limited ("Docman") on 13 November 2006 for an initial consideration of AED 12 million paid in cash and an estimated contingent consideration amounting to AED 3.88 million payable to the former shareholders of Docman. Docman is involved in the business of document storage and document management services.

Also refer note 14.

6 Revenue

	2007 AED'000	2006 AED'000
International express*	519,085	439,769
Freight forwarding*	823,993	611,188
Domestic express*	224,988	176,962
Logistics revenue	106,766	52,471
Publications and distribution	35,952	34,565
Others**	73,004	48,848
	1,783,788	1,363,803

* 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, visa services and revenues from document retention business. All related costs are reflected in cost of services.

7 Cost of services

	2007 AED'000	2006 AED'000
International express	219,913	191,892
Freight forwarding	596,226	446,175
Domestic express	51,370	50,195
Publications and distributions	30,450	28,483
Logistics revenue	30,504	12,450
Others	19,669	14,771
	948,132	743,966

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

Notes *(continued)*

11 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 4.13 million *(2006: AED 3.31 million)*. During the year the Company has waived off interest amounting to AED 1.52 million *(2006: AED 0.7 million)* due against funds advanced to a related party. Also refer note 20.

12 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:

	2007 AED'000	2006 AED'000
Current tax expense	8,593	4,627
Deferred tax expense/(income)	857	(190)
	9,450	4,437

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:

	2007 AED'000	2006 AED'000
Provision for doubtful accounts	1,068	1,035
Depreciation	(408)	(51)
Termination indemnities	382	262
Net operating losses carry forwards	960	1,563
Capital allowance	(42)	304
Others	(71)	66
	1,889	3,179
Recognised as follows:		
As deferred tax assets	2,428	3,213
As deferred tax liabilities	(539)	(34)
	1,889	3,179

The Group's consolidated effective tax rate is 6.3% for 2007 *(2006: 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 37.

Notes *(continued)*

13 Property, plant and equipment

	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**
Cost – 2007							
Land	7,829	-	1,185	-	-	2	9,016
Leasehold improvements	31,585	32	10,811	-	(1,344)	980	42,064
Building	24,287	-	9,149	-	(5,164)	-	28,272
Furniture and fixtures	19,878	28	6,279	-	(476)	662	26,371
Office equipment	50,511	30	14,880	-	(1,525)	1,767	65,663
Computers	63,671	-	15,345	-	(1,524)	2,070	79,562
Vehicles	44,704	27	6,808	-	(4,589)	1,440	48,390
Capital work in progress	-	-	33,371	-	-	-	33,371
At 31 December 2007	**242,465**	**117**	**97,828**	**-**	**(14,622)**	**6,921**	**332,709**

	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**
Depreciation – 2007							
Leasehold improvements	13,509	5	4,969	-	(1,239)	381	17,625
Building	2,999	-	1,892	-	(201)	-	4,690
Furniture and fixtures	11,575	3	2,385	-	(377)	422	14,008
Office equipment	21,903	3	6,581	-	(1,411)	1,053	28,129
Computers	39,381	-	9,269	-	(1,256)	1,346	48,740
Vehicles	24,955	4	9,646	-	(9,054)	980	26,531
At 31 December 2007	**114,322**	**15**	**34,742**	**-**	**(13,538)**	**4,182**	**139,723**
Carrying amounts							
At 31 December 2007	**128,143**						**192,986**
At 31 December 2006	78,116						128,143

Notes *(continued)*

13 Property, plant and equipment *(continued)*

Capital work in progress includes warehouses under construction by certain Group entities in Dubai.

Property, plant and equipment includes:

i) vehicles with a net book value of AED 13.66 million *(2006: AED 8.1 million)* that have been obtained under capital leases.

ii) land and buildings amounting AED 23.8 million *(2006:AED 7.8 million)* have been pledged against the bank facilities.

iii)As at 31 December 2007, net book value of property, plant and equipment of Two Way amounts to AED 17.5 million *(2006: 19.6 million)*.

Also refer notes 24 and 27.

14 Goodwill

	2007 AED'000	2006 AED'000
Opening balance	**803,731**	628,343
Acquisitions through business combination		
- On acquisition of GDA Singapore business	**1,533**	-
- On acquisition of Freight Professionals	-	31,067
- On acquisition of Two Way	-	123,295
- On acquisition of Docman	-	15,168
Acquisition of minority interest		
- On additional acquisition in Aramex Lanka (refer note 5)	**5,625**	-
- On additional acquisition in Armak	-	3,673
- On additional acquisition in Arab Clearance	-	983
Adjustment to Priority Air Freight Ltd.	-	1,202
Adjustment on reversal of contingent consideration of Two Way (refer below)	**(7,530)**	-
Adjustment to Freight Professionals	**11**	-
Adjustment to Docman	**29**	-
Closing balance	**803,399**	803,731

The cost of acquisition of Two Way included an estimated contingent consideration of AED 10.35 million, the payment of which was dependent on the achievement of agreed future earnings of the subsidiary. As at 31 December 2007, management does not consider the achievement of these agreed earnings probable and accordingly the cost of acquisition has been reduced by reversing balance of the contingent consideration. Refer notes 25 and 37.

Annual impairment testing for goodwill has been carried out by management at 31 December 2007. 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 37.

Notes *(continued)*

15 Other intangible assets

Other intangible assets represents list of customers bound by contracts, preferential route rights and web site costs. The Group is amortising these intangible assets over a 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 is as under:

	2007 AED'000	2006 AED'000
Opening balance	3,613	4,022
Customers lists acquired on acquisitions of subsidiaries		
- Docman Limited	-	420
Write off	-	(179)
Payment for Website acquired	742	-
Amortization during the year	(862)	(650)
Closing balance	3,493	3,613

16 Available for sale investments

	2007 AED'000	2006 AED'000
Opening balance	2,720	-
Purchases during the year	-	2,720
Cumulative changes in fair value during the year	14,320	-
Closing balance	17,040	2,720

Investments amounting to AED 16.4 million *(2006: AED 2.7 million)* (fair value) represent shares in a Company listed on the Dubai Financial Market. This investment was being carried at cost at 31 December 2006 as the Company was in the process of being listed. The remaining investment represent holding in an entity registered on the Amman (Jordan) stock exchange.

Sensitivity analysis – equity price risk

For such investments classified as available-for-sale, a five percent increase in the price of its equity holding at the reporting date would have increased equity by AED 0.85 million *(2006: Nil)*; an equal change in the opposite direction would have decreased equity by AED 0.85 million *(2006: Nil)*.

17 Other non current assets

Other non current assets include an amount of AED 0.95 million representing share capital of a subsidiary under incorporation in Malta. As at 31 December 2007, this subsidiary had not been incorporated therefore the Group's investment was classified under non current assets. Subsequent to the year end, the subsidiary has been incorporated.

Non current assets as at 31 December 2006 included an amount of AED 3.1 million representing advance paid by the Group for the acquisition of an interest in an entity in Pakistan. This amount has been fully provided in the current year.

Notes *(continued)*

18 Cash and cash equivalents

Cash and cash equivalents comprise of the following:

	2007 AED'000	2006 AED'000
Cash in hand and at banks	**238,856**	222,562
Less: margin deposits	**(6,063)**	(4,680)
Less: overdrafts	**(20,191)**	(27,435)
	212,602	190,447

19 Trade receivables

	2007 AED'000	2006 AED'000
Trade receivables	**339,110**	283,094
Less: allowance for impairment losses	**(19,958)**	(21,439)
	319,152	261,655

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

	2007 %	2006 %
Middle East and North Africa	**71**	62
Europe	**21**	31
North America	**2**	1
Asia	**6**	6

Management believes that all trade receivables, net of impairment loss allowance, are collectable.

Movement in allowance for impairment losses during the year is as follows:

	2007 AED'000	2006 AED'000
Opening balance	**21,439**	16,685
Acquired on acquisition of subsidiaries	**-**	3,640
Provision made during the year	**6,867**	3,524
Write back during the year	**(116)**	(1,296)
Write-offs	**(8,232)**	(1,114)
Closing balance	**19,958**	21,439

The Group's exposure to credit and currency risk related to trade receivables is further disclosed in note 36.

Notes *(continued)*

20 Other current assets

	2007 AED'000	2006 AED'000
Prepaid expenses	**26,414**	21,769
Advances and other receivables*	**69,571**	56,561
	95,985	78,330

* Advances and other receivables includes an amount of AED 30 million *(2006: 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 2007 has been waived. Also refer note 11.

21 Share capital

	2007 AED'000	2006 AED'000
Authorised, issued and paid up		
1,100,000,000 shares of AED 1 each		
(31 December 2006:1,000,000,000 shares of AED 1 each)	**1,100,000**	1,000,000

During the year, the Company's share capital was increased by the issue of bonus shares to the extent of 10% of the share capital of the Company as approved by the shareholders in the Company's Annual General Meeting. Initially, the Directors' of the Company in their meeting to approve the 2006 annual financial statements, had proposed the distribution of cash dividend of AED 0.10 per share amounting to AED 100 million which subsequently was converted to an issue of bonus shares in the Annual General Meeting of the shareholders. Also refer note 23(a).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

22 Reserves

22(a) 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.

22(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale investments until the investments are derecognised or impaired.

23 Retained earnings

23(a) Proposed bonus share issue

The Directors have proposed an issue of bonus shares of AED 110 million, being 10% of the share capital of the Company. This proposed bonus share issue is subject to the approval of the shareholders at the Annual General Meeting. The amount of the proposed bonus issue has not been provided for and is included in the retained earnings. Also refer notes 21 and 38.

23(b) Proposed director fees

Directors fees of AED 1.6 million *(2006: AED 0.8 million)* representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2007 have been proposed. Also refer notes 30 and 38.

24 Loans and borrowings

	2007 AED'000	2006 AED'000
Term loan (a)	14,700	12,915
Notes payables (b)	273	575
Capital lease obligations (c)	12,790	8,195
	27,763	21,685
Less: current liability portion	(13,056)	(8,306)
Non current liability portion	14,707	13,379

(a) Term loan

This represents the balances outstanding relating to the following Group entities:

1. A term loan in Jordanian Dinar (JD) taken by Arab American Express company Ltd (Amman Station) (a subsidiary of the Group) on 5 October 2005 for an amount AED 10.3 million (JD 2 million) at an annual interest rates of ranging from 7% to 9%. Of the total facility, an amount of AED 3.15 million (JD 0.61 million) is outstanding as at 31 December 2007 *(2006: AED 5.2 million (JD 1 million))*. This loan is repayable over 60 monthly installments of AED 0.17 million 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 13.
2. Term loan in USD taken by Aramex International Courier Palestine (a subsidiary of the Group) on 1 March 2007 for an amount of AED 0.734 million (USD 0.2 million) at an annual interest rate of LIBOR plus 2%. This loan is repayable over 24 monthly installments of AED 0.03 million each commencing from March 2007. As at 31 December 2007 an amount of AED 0.5 million is outstanding in respect of this loan.
3. An amount of AED 1.8 million relating to a Euro denominated loan taken by Two Way. The rate of interest on the loan is 6.52%. The loan would be fully repaid by 2010.
4. A term loan taken by Aramex Emirates LLC a subsidiary of the Group in November 2007 for an amount of AED 8.6 million at an annual interest rate of DIBOR plus 1.25%. This loan is repayable over 33 monthly installments of AED 0.26 million each commencing from January 2008. This loan has been obtained by the Company for the construction of a warehouse in Dubai. This loan is secured by the pledge of land and the premises which would be constructed on the land. Also refer note 13.

24 Loans and borrowings *(continued)*

(a) Term loan *(continued)*

5. Aramex Perishable LLC has an outstanding bank loan of AED 0.65 million as at 31 December 2007, which is carrying interest rate ranging from 4.75% to 6.85%. The loan would be fully repaid by 2010. This loan is secured by a guarantee from the holding Company.

(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:

	2007 AED'000	2006 AED'000
Total notes payables	273	575
Less: current liability portion	(171)	(159)
Non current liability portion	102	416

(c) Capital lease obligation

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

	2007 AED'000	2006 AED'000
Less than one year	7,180	4,423
Between one and five years	7,085	4,519
Total minimum lease payments	14,265	8,942
Less: interest component	(1,475)	(747)
Present value of minimum lease payments	12,790	8,195

Capital lease obligations are denominated in Saudi Riyals (SR), Euro, GBP and Egyptian Pound (EGP) and have maturities between 2008 and 2010. Interest rate on capital lease obligations range from 8% to 12%.

25 Other long term liabilities

At 31 December 2006, other long term liabilities represented 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 was included under the other current liabilities. Also refer notes 5, 14, 29 and 37.

Notes *(continued)*

26 Employee end of service benefits

	2007 AED'000	2006 AED'000
Opening balance	**30,849**	24,051
Balance acquired on acquisitions	**-**	262
Provision made during the year	**13,289**	9,659
Payments made during the year	**(5,113)**	(3,269)
Exchange differences	**403**	146
Closing balance	**39,428**	30,849

27 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 2007*(2006: AED Nil)*.

Two Way has outstanding bank overdrafts and line of credits of AED 20 million as at 31 December 2007 *(2006: AED 26.7 million)*, which are secured by a floating charge over the assets of the Two Way Group together with inter-company guarantees within the Group. Two Way Group also has an invoice discounting facility which is secured by a charge over the books debts of Two Way. Also refer note 13.

Also refer notes 24 and 33.

28 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.

29 Other current liabilities

	2007 AED'000	2006 AED'000
Accrued expenses	**109,977**	91,175
Payable to Two Way Partners (refer notes 5 and 25)	**-**	13,828
Deferred revenue	**7,120**	6,589
Sales and other taxes	**6,518**	5,627
Income taxes payable	**9,160**	8,815
Customers' deposits	**56**	84
Social security taxes payable	**6,581**	5,890
Others	**4,788**	5,160
	144,200	137,168

30 Related party transactions

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 *(2006: AED 0.7 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 function 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 2007, AED 0.47 million *(2006: AED 0.66 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 2007 *(2006: 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 Group entities 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:

	2007 **AED'000**	2006 AED'000
Compensation paid/payable to key management personnel for the year		
-Short term benefits*	**14,745**	12,933
-End of service benefits	**181**	344

(*) Includes proposed director fees of AED 1.6 million *(2006: AED 0.8 million)*. Refer note 23(b).

Notes *(continued)*

31 Earning per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2007 is based on the profit attributable to the shareholders of the Company of AED 121.5 million *(2006: AED 95.2 million)* and a weighted average number of ordinary shares outstanding of 1,100 million *(2006: 1,100 million)*, calculated as follows:

	2007 AED'000	2006 AED'000
Profit for the year	**121,552**	95,224
Weighted average number of ordinary shares as at 31 December	**1,100,000,000**	1,100,000,000

For calculating the earning per share in 2006, the weighted average number of shares has been adjusted as if the bonus issue had occurred at the beginning of 2006. Refer note 21.

32 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 46.7 million for the year ended 31 December 2007 *(2006: AED 34.3 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:

	2007 AED'000	2006 AED'000
Less than one year	**57,964**	38,417
Between one and five years	**205,513**	110,735
More than five years	**86,714**	119,669

33 Contingent liabilities and commitments

Contingent liabilities

	2007 AED'000	2006 AED'000
Letters of guarantee	**36,651**	29,715

Capital commitments

As at 31 December 2007 the Group has capital commitments of AED 11.4 million *(2006: AED 26.4 million)* towards purchase/ construction of property, plant and equipment.

Also refer note 27.

Notes *(continued)*

34 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 operations: 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.

(in AED'000)

	Inter-national express	Freight forwarding	Domestic express	Logistics	Others	Elimi-Nation	Conso-Lidated
Year ended 31 December 2007							
External sales	**519,085**	**823,993**	**224,988**	**106,766**	**108,956**		**1,783,788**
Inter-segment sales	**234,410**	**130,987**	**219**	**5,238**	**8,334**	**(379,188)**	
Segment sales	**753,495**	**954,980**	**225,207**	**112,004**	**117,290**	**(379,188)**	
Gross profit	**297,802**	**227,718**	**173,629**	**76,262**	**60,245**		**835,656**
	Inter-national express	**Freight forwarding**	**Domestic express**	**Logistics**	**Others**	**Elimi-nation**	**Conso-Lidated**
Year ended 31 December 2006							
External sales	439,769	611,188	176,962	52,471	83,413		1,363,803
Inter-segment sales	202,332	98,070	201	156	9,181	(309,940)	
Segment sales	642,101	709,258	177,163	52,627	92,594	(309,940)	
Gross profit	247,186	164,899	126,779	40,176	40,797		619,837

34 Information about segments *(continued)*

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

The Group does not segregate assets and liabilities by business 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.

	2007 AED'000	2006 AED'000
Revenues		
Middle East and North Africa	**1,192,523**	911,222
Europe	**445,210**	340,057
North America	**31,300**	18,535
Asia	**114,755**	93,989
	1,783,788	1,363,803

	2007 AED'000	2006 AED'000
Assets		
Middle East and North Africa	**1,520,781**	1,352,113
Europe	**104,926**	122,830
North America	**10,058**	8,158
Asia	**39,070**	29,315
	1,674,835	1,512,416
Long lived assets *		
Middle East and North Africa	**165,367**	100,242
Europe	**20,612**	22,618
North America	**1,790**	1,827
Asia	**5,217**	3,456
	192,986	128,143

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

Notes *(continued)*

34 Information about segments *(continued)*

	2007 AED'000	2006 AED'000
Liabilities		
Middle East and North Africa	**233,077**	205,583
Europe	**103,968**	120,602
North America	**8,051**	5,914
Asia	**19,118**	12,834
	364,214	344,933

35 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

Two Way Forwarding & Logistics (Ireland) Limited

Two Way International Freight Services (UK) Limited

Two Way Holland BV

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

36 Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2007	2006
	AED'000	AED'000
Cash in hand and at bank (refer note 18)	**238,856**	222,562
Trade receivables (refer note 19)	**319,152**	261,655
Advances and other receivables (refer note 20)	**69,571**	56,561
	627,579	540,778

As the Group has operations in a number of geographical segments across various lines of business, its customer base consists of a large number of customers. Management therefore believes that the risk of credit concentration from a particular customer or a few customers is limited. Maximum exposure to credit risk for trade receivables at the reporting date by geographic segments has been mentioned in note 19.

The maximum exposure to credit risk for trade receivable at the reporting date by type of customers was:

	2007	2006
	AED'000	AED'000
Agents and wholesellers	**18,240**	10,259
Retail/ end customers	**300,912**	251,396
	319,152	261,655

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross	**Allowance for impairment**	Gross	Allowance for impairment	
	2007	**2007**	2006	2006	
	AED'000	**AED'000**	AED'000	AED'000	
0-60 days	**229,097**	-	210,770	-	
61-90 days	**63,006**	-	30,719	-	
91-180 days		**27,067**	**3,736**20,887		3,745
181-365 days	**7,912**	**4,194**	7,904	4,880	
More than one year	**12,028**	**12,028**	12,814	12,814	
	339,110	**19,958**	283,094	21,439	

36 Financial instruments *(continued)*

Impairment losses *(continued)*

Details of movement in the allowance for impairment in respect of trade receivables during the year has been mentioned in note 19.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 90 days.

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts is considered irrecoverable and is written off.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2007

		Contractual cash flows					
In AED'000	**Carrying amount**	**Total**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Term loans	**14,700**	**15,818**	**3,725**	**3,608**	**5,678**	**2,807**	**-**
Notes payables	**273**	**316**	**103**	**103**	**55**	**55**	**-**
Capital lease obligations	**12,790**	**14,265**	**3,802**	**3,379**	**4,704**	**2,380**	**-**
Overdrafts	**20,191**	**20,191**	**20,191**	**-**	**-**	**-**	**-**
Trade and other payables	**269,173**	**269,173**	**269,173**	**-**	**-**	**-**	**-**
	317,127	**319,763**	**296,994**	**7,090**	**10,437**	**5,242**	**-**

31 December 2006

		Contractual cash flows					
In AED'000	**Carrying amount**	**Total**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Term loans	12,915	13,492	2,489	2,338	4,572	4,093	-
Notes payables	575	674	224	156	208	86	-
Capital lease obligations	8,195	8,942	4,423	3,333	1,186	-	-
Overdrafts	27,435	27,435	27,435	-	-	-	-
Trade and other payables	248,117	248,117	248,117	-	-	-	-
	297,237	298,660	282,688	5,827	5,966	4,179	-

Notes *(continued)*

36 Financial instruments *(continued)*

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency (in AED equivalent) against the below currencies was as follows:

31 December 2007

In AED'000	31 December 2007 Euro	USD	GBP	31 December 2006 Euro	USD	GBP
Trade receivables	7,492	13,958	648	1,516	10,911	711
Secured bank loans	(11,126)	(459)	(16,552)	(15,606)	(73)	(22,129)
Trade and other payables	(5,713)	(7,792)	(1,361)	(5,134)	(4,502)	(847)
Gross balance sheet exposure	(9,347)	5,707	(17,265)	(19,224)	6,336	(22,265)
Intra group balances	-	(24,545)	-	-	(36,955)	-
Forward exchange contracts	1,487	-	-	-	-	-
Net exposure	(7,860)	(18,838)	(17,265)	(19,224)	(30,619)	(22,265)

The following are exchange rates applied during the year in respect of currencies where the Group has significant exposures to currency risk:

	Reporting date Spot rate 2007	2006	Reporting date Average rate 2007	2006
1USD to Euro	**0.679**	0.758	**0.731**	0.797
1USD to GBP	**0.501**	0.511	**0.500**	0.544
1USD to INR	**39.435**	44.120	**41.357**	45.319
1USD to EGP	**5.554**	5.745	**5.720**	5.818

Sensitivity analysis

A 10 percent strengthening of the USD against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the AED equivalent amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

Effect in AED'000	Equity	Profit or loss
31 December 2007		
Euro	**23**	**23**
GBP	**354**	**354**
INR	**820**	**820**
EGP	**(37)**	**(37)**
31 December 2006		
Euro	425	425
GBP	370	370
INR	559	559
EGP	717	717

A 10 percent weakening of the USD against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

36 Financial instruments *(continued)*

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2007 AED'000	2006 AED'000
Fixed rate instruments		
Financial assets	**190,901**	182,954
Financial liabilities	**(12,404)**	(12,185)
	178,497	170,769
Variable rate instruments		
Financial liabilities	**35,550**	36,935

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased /decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

	Profit or loss		Equity	
	100bp increase AED'000	100bp decrease AED'000	100bp increase AED'000	100bp decrease AED'000
31 December 2007				
Variable rate instruments	**335**	**(335)**	**335**	**(335)**
31 December 2006				
Variable rate instruments	257	(257)	257	(257)

36 Financial instruments *(continued)*

Fair values

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2007		31 December 2006	
In AED'000	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Available-for-sale financial assets	**17,040**	**17,040**	2,720	2,720
Cash in hand and at bank	**238,856**	**238,856**	222,562	222,562
Trade receivables	**319,152**	**319,152**	261,655	261,655
Advances and other receivables	**69,571**	**69,571**	56,561	56,561
Loans and borrowings	**(14,973)**	**(14,973)**	(13,490)	(13,490)
Finance lease liabilities	**(12,790)**	**(12,691)**	(8,195)	(7,275)
Trade payables	**(132,093)**	**(132,093)**	(117,538)	(117,538)
Other payables	**(137,080)**	**(137,080)**	(130,579)	(130,579)
Bank overdraft	**(20,191)**	**(20,191)**	(27,435)	(27,435)
	327,492	**327,591**	246,261	247,181

The basis for determining fair values of financial assets and financial liabilities is as under:

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For capital leases the market rate of interest is determined by reference to similar lease agreements.

Investment in equity securities

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

Qualitative disclosures in respect of financial instruments have been mentioned in note 4.

37 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 14.

Allowance for impairment losses

Allowance for impairment losses is calculated on the basis of a Group provisioning policy which requires for allowance to be created for overdue outstanding balances. Allowance is also made for receivable balances, which based on the information available with management, are considered to be uncollectible. The above 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 does not consider 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.

38 Comparative figures

The following comparative figures have been reclassified to conform to the presentation adopted in these consolidated financial statements:

- Appropriations in respect of proposed dividends and proposed directors in the previous year where disclosed as a separate component of equity. In accordance with the presentation adopted in these financial statements, these appropriations, made subsequent to the balance sheet date, have been included within retained earnings. Also refer note 23(a) and 23(b).