Aramex PJSC and its subsidiaries

Consolidated financial statements

31 December 2008

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Contents **Page**

Directors' report	1- 2
Independent auditors' report	3
Consolidated income statement	4
Consolidated balance sheet	5
Consolidated statement of cash flows	6
Consolidated statement of changes in equity	7-8
Notes	9- 43

Directors' Report

Dear Shareholders,

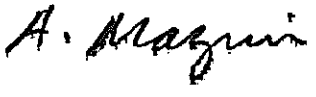
We have concluded year 2008 with a strong financial performance; Aramex revenues grew from AED 1.8 billion to AED 2.1 billion, an increase of 17% compared to year 2007. Furthermore, net profits increased by 21% over the same period, from AED 122 million to AED 147 million.

We were able to maintain our revenue growth and profit margins at a very healthy level, a result of serious cost cutting measures taken to control the upward spiraling costs in the first 9 months of the year

Going forward, Aramex is well positioned to deal with the challenges ahead in year 2009. We continue to maintain a very healthy balance sheet with little debt and our non-asset based business model enables us to maintain flexibility in our costs

We are confident of our ability to achieve long term sustainable growth for the company despite the challenges ahead in 2009.

Abdullah Al Mazroui
Chairman



Fadi Ghandour
Founder and CEO



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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 2008, 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 error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 disclosures in the financial statements. The procedures selected depend on our 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 2008, 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 contents of the Directors' report which relates to these consolidated financial statements are 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 2008, 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 2009

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Aramex PJSC and its subsidiaries

Consolidated income statement

for the year ended 31 December 2008

	Note	2008 AED'000	2007 AED'000
Revenue	*6*	**2,079,954**	1,783,788
Cost of services	*7*	**(1,041,971)**	(948,132)
Gross profit		**1,037,983**	835,656
Other operating expenses	*8*	**(364,961)**	(268,548)
Selling expenses		**(99,230)**	(79,224)
General and administrative expenses	*9*	**(398,567)**	(344,871)
Other income (net)	*10*	**2,787**	3,566
Result from operating activities		**178,012**	146,579
Finance income		**5,375**	8,070
Finance expense		**(3,442)**	(4,132)
Net finance income	*11*	**1,933**	3,938
Profit before income tax		**179,945**	150,517
Income tax expense	*12*	**(10,573)**	(9,450)
Profit for the year		**169,372**	141,067
Attributable to:			
Equity holders of the Company		**147,321**	121,552
Minority interest		**22,051**	19,515
Profit for the year		**169,372**	141,067
Basic earnings per share (AED)	*30*	**0.122**	0.100

The notes on pages 9 to 43 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 2008

	Note	2008 AED'000	2007 AED'000
Assets			
Property, plant and equipment	13	**240,367**	192,986
Goodwill	14	**805,443**	803,399
Other intangible assets	15	**2,776**	3,493
Available for sale investments	16	**3,301**	17,040
Other non-current assets	17	**4,350**	1,496
Deferred tax assets	12	**964**	2,428
Total non-current assets		**1,057,201**	1,020,842
Cash in hand and at bank	18	**343,827**	238,856
Trade receivables	19	**346,270**	319,152
Other current assets	20	**98,009**	95,985
Total current assets		**788,106**	653,993
Total assets		**1,845,307**	1,674,835
Equity			
Share capital	21	**1,210,000**	1,100,000
Statutory reserve	22(a)	**25,698**	13,699
Fair value reserve	22(b)	**581**	14,320
Translation reserve	22(c)	**(6,126)**	3,694
Retained earnings	23	**177,386**	153,464
Total equity attributable to equity holders of the Company		**1,407,539**	1,285,177
Minority interest		**28,956**	25,444
Total equity		**1,436,495**	1,310,621
Liabilities			
Loans and borrowings - non current	24	**15,767**	14,707
Employees' end of service benefits	25	**52,010**	39,428
Deferred tax liabilities	12	**597**	539
Total non-current liabilities		**68,374**	54,674
Bank overdrafts	26	**14,300**	20,191
Loans and borrowings - current	24	**11,698**	13,056
Trade payables	27	**113,175**	132,093
Other current liabilities	28	**201,265**	144,200
Total current liabilities		**340,438**	309,540
Total liabilities		**408,812**	364,214
Total equity and liabilities		**1,845,307**	1,674,835

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

The Board of Directors authorized these consolidated financial statements on 25 February 2009.

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

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

Aramex PJSC and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December 2008

	2008 AED'000	2007 AED'000
Cash flows from operating activities		
Profit for the year before income tax	**179,945**	150,517
Adjustments for:		
Depreciation	**43,228**	34,742
Amortization of intangible assets	**717**	862
Provision for doubtful debts (net)	**9,981**	6,751
Provision for employees' end of service benefits	**15,747**	13,289
Net finance income	**(1,933)**	(3,938)
Loss on sale of property, plant and equipment	**853**	298
Profit on sale of investment	**(512)**	-
Operating profit before working capital changes	**248,026**	202,521
Change in trade receivables	**(37,098)**	(64,248)
Change in other current assets	**(2,024)**	(17,655)
Change in trade payables	**(18,918)**	14,555
Change in other current liabilities	**53,643**	20,515
Employees' end of service benefits paid	**(2,970)**	(5,113)
Directors' fees paid	**(1,400)**	(800)
Cash generated by operations	**239,259**	149,775
Income tax paid	**(5,631)**	(7,815)
Net cash from operating activities	**233,628**	141,960
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(96,614)**	(97,828)
Proceeds from sale of property, plant and equipment	**1,666**	786
Acquisition of intangible assets	**-**	(742)
Consideration paid for acquisition of GDA Singapore	**-**	(1,635)
Adjustment to goodwill	**-**	(40)
Acquisition of minority interest	**(2,044)**	(5,907)
Proceeds from sale of available for sale investment	**512**	-
Change in other non-current assets	**(2,855)**	6,953
Change in margin deposits	**(735)**	(1,383)
Interest income received	**5,375**	8,070
Net cash used in investing activities	**(94,695)**	(91,726)
Cash flows from financing activities		
Interest paid	**(3,442)**	(4,132)
Net movement in bank borrowings	**(299)**	6,078
Dividends paid to minority shareholders	**(20,035)**	(14,346)
Amount paid to former shareholders of Two Way	**-**	(16,522)
Net other movements in minority interest	**1,495**	1,270
Net cash used in financing activities	**(22,281)**	(27,652)
Net increase in cash and cash equivalents	**116,652**	22,582
Cash and cash equivalents at beginning of the year	**212,602**	190,447
Effect of exchange rate changes on cash held	**(6,526)**	(427)
Cash and cash equivalents at end of the year (note 18)	**322,728**	212,602

The notes on pages 9 to 43 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 2008

	Attributable to the equity holders of the Company								
	Share capital		Translation reserve	Statutory reserve	Fair value reserve	Retained earnings	Total	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 2007	1,000,000,000	1,000,000	1,785	1,978	-	144,433	1,148,196	19,287	1,167,483
Directors' fees paid (refer note 23 (b))	-	-	-	-	-	(800)	(800)	-	(800)
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
Total income and expense recognized directly in equity	-	-	1,909	-	14,320	(800)	15,429	(147)	15,282
Profit for the year	-	-	-	-	-	121,552	121,552	19,515	141,067
Total recognized income and expense	-	-	1,909	-	14,320	120,752	136,981	19,368	156,349
Bonus shares issued (refer note 21)	100,000,000	100,000	-	-	-	(100,000)	-	-	-
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	13,699	14,320	153,464	1,285,177	25,444	1,310,621

Aramex PJSC and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2008

	Attributable to the equity holders of the Company								
	Share capital		Translation reserve	Statutory reserve	Fair value reserve	Retained earnings	Total	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 2008	1,100,000,000	1,100,000	3,694	13,699	14,320	153,464	1,285,177	25,444	1,310,621
Directors' fees paid (refer note 23 (b))	-	-	-	-	-	(1,400)	(1,400)	-	(1,400)
Translation adjustment	-	-	(9,820)	-	-	-	(9,820)	168	(9,652)
Adjustment on sale of available for sale investments (refer note 16)	-	-	-	-	(665)	-	(665)	-	(665)
Net change in fair value of available for sale investments (refer note 16)	-	-	-	-	(13,074)	-	(13,074)	-	(13,074)
Total income and expense recognized directly in equity	-	-	(9,820)	-	(13,739)	(1,400)	(24,959)	168	(24,197)
Profit for the year	-	-	-	-	-	147,321	147,321	22,051	169,372
Total recognized income and expense	-	-	(9,820)	-	(13,739)	145,921	122,362	22,219	144,581
Bonus shares issued (refer note 21)	110,000,000	110,000	-	-	-	(110,000)	-	-	-
Transfer to statutory reserve	-	-	-	11,999	-	(11,999)	-	-	-
Acquisition of minority interest (refer note 5)	-	-	-	-	-	-	-	(144)	(144)
Dividends paid during the year	-	-	-	-	-	-	-	(20,035)	(20,035)
Net other movements during the year	-	-	-	-	-	-	-	1,472	1,472
Balance at 31 December 2008	**1,210,000,000**	**1,210,000**	**(6,126)**	**25,698**	**581**	**177,386**	**1,407,539**	**28,956**	**1,436,495**

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 9 to 43 are an integral part of these consolidated financial statements.

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 2008 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.

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, except wherever stated otherwise.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, 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.

2 Basis of preparation (continued)

Use of estimates and judgments (continued)

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 36.

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 34 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.

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 rate ruling on the date of the transaction. Realized and unrealized exchange gains and losses are accounted for in 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 the reporting date 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.

3 Significant accounting policies (continued)

Foreign operations (continued)

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.

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.

3 Significant accounting policies (continued)

Property, plant and equipment (continued)

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 if the estimate of the amount payable is revised.

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 and which have finite useful lives, are stated at cost less accumulated amortization and accumulated impairment losses, if any. 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.

3 Significant accounting policies (continued)

Intangible assets (continued)

Prepaid agency fees

Amounts paid in advance to agents to purchase or alter their agency rights are accounted for as prepayments. As these amounts are paid in lieu of annual payments they are expensed to 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, 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 financial 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 the income statement.

Other

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

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.

3 Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

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 the income statement 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. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies (continued)

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.

Employees' end of service benefits

The provision for employees' 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

Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance 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.

3 Significant accounting policies (continued)

Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for the issue of bonus shares.

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 2008 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 consolidated financial statements, will require a change in the presentation and 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. Currently, the Group presents segment information in respect of its business and geographical segments.

- *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 consolidated financial statements. Currently, the Group follows the policy of capitalising 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.

- *Revised IAS 1 Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. However, the revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, will have a significant impact on the presentation of the Group's consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

Notes *(continued)*

3 Significant accounting policies (continued)

New standards and interpretations not yet effective (continued)

- *Amended IAS 27 Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which becomes mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on these consolidated financial statements.

- *Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application and is not expected to have a significant impact on the consolidated financial statements.

- *Revised IFRS 3 Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 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.

4 Financial risk management (continued)

Overview (continued)

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 practices 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.

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 Group 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, 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 77 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 represent 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)

Credit risk (continued)

Balances with banks

The Group limits its exposure to credit risk by only placing balances with international 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 32.

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 are primarily denominated are Euro, USD, and GBP. The Company's 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 to the USD. Intra Group transactions are primarily denominated in USD.

The Group has recently 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.

4 Financial risk management (continued)

Currency risk (continued)

A significant portion of the Group's borrowings are denominated 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 is 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 35.

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.

5 Acquisition of subsidiary and minority interest

Business combination

Acquisition of minority interest

On 30 December 2008, the Group has acquired the remaining 15% shareholding in Two Way Holland from the minority shareholder for a consideration of AED 2.18 million in cash. The carrying amount of the subsidiary's net assets as on the date of further acquisition was AED 0.96 million. The Group recognized a decrease in minority interest of AED 0.14 million and additional goodwill of AED 2.04 million. Also refer note 14.

Business combinations in the previous year

During the year ended 31 December 2007, the following subsidiary was acquired by the Group:

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 resulting in goodwill of AED 1.5 million recognized on acquisition. GDA Singapore is mainly involved in carrying on express business in Singapore. Also refer note 14.

Acquisition of minority interest in the previous year

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.

6 Revenue

	2008 AED'000	2007 AED'000
International express*	**610,343**	519,085
Freight forwarding*	**912,599**	823,993
Domestic express*	**295,665**	224,988
Logistics	**132,654**	106,766
Publications and distribution	**35,955**	35,952
Others**	**92,738**	73,004
	2,079,954	1,783,788

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

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

Notes *(continued)*

7 Cost of services

	2008 AED'000	2007 AED'000
International express	**251,747**	219,913
Freight forwarding	**652,518**	596,226
Domestic express	**67,527**	51,370
Logistics	**27,300**	30,504
Publications and distributions	**27,991**	30,450
Others	**14,888**	19,669
	1,041,971	948,132

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

8 Other operating expenses

	2008 AED'000	2007 AED'000
Staff salaries and benefits	**252,643**	192,333
Vehicle running and maintenance	**51,491**	37,809
Supplies	**19,634**	16,659
Communication expenses	**4,776**	2,723
Depreciation	**4,017**	3,154
Others	**32,400**	15,870
	364,961	268,548

9 General and administrative expenses

	2008 AED'000	2007 AED'000
Staff salaries and benefits	**176,793**	146,071
Rentals	**45,637**	46,787
Depreciation	**39,211**	31,588
Communication expense	**21,054**	19,913
Repairs and maintenance	**12,017**	11,447
Travel expenses	**8,691**	9,475
Allowance for impairment losses	**9,981**	6,751
Utilities	**7,925**	6,641
Printing and stationary	**5,706**	5,938
Entertainment	**3,922**	3,940
Vehicle running expenses	**4,450**	4,676
Insurance	**3,249**	3,682
Conference and meeting expenses	**2,444**	3,971
Sponsorship fees	**1,252**	1,667
Government fees and taxes	**2,049**	1,835
Contributions and donations	**4,949**	388
Others	**49,237**	40,101
	398,567	344,871

10 Other income (net)

	2008 AED'000	2007 AED'000
Exchange gain	1,771	3,442
Loss on sale of fixed assets	(852)	(298)
Gain on sale of available for sale investment	512	-
Miscellaneous income	1,356	422
	2,787	3,566

11 Net finance income

Finance income primarily represents interest on deposits with banks. Finance income is stated net of interest expense on loans and other borrowings of AED 3.44 million *(2007: AED 4.13 million)*. During the year, the Company has waived off interest amounting to AED 1.52 million *(2007: AED 1.52 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:

	2008 AED'000	2007 AED'000
Current tax expense	9,256	8,593
Deferred tax expense	1,317	857
	10,573	9,450

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

	2008 AED'000	2007 AED'000
Provision for doubtful accounts	52	1,068
Depreciation	(475)	(408)
Termination indemnities	244	382
Net operating losses carried forward	642	960
Capital allowance	(46)	(42)
Others	(50)	(71)
	367	1,889
Recognised as follows:		
As deferred tax assets	964	2,428
As deferred tax liabilities	(597)	(539)
	367	1,889

The Group's consolidated effective tax rate is 5.88 % for 2008 *(2007: 6.27%)*.

Notes *(continued)*

12 Income taxes (continued)

In some countries the tax returns for certain years have not yet been reviewed by the tax authorities. In certain tax jurisdictions, the Group has provided for its tax exposures based on the current interpretation and enforcement of the tax legislation in the jurisdiction. However, the Group' management is satisfied that adequate provisions have been made for potential tax contingencies. Also refer note 36.

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 – 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**
Cost – 2008							
Land	9,016	-	-	-	(83)	(12)	8,921
Leasehold improvements	42,064	-	5,153	-	(2,769)	(1,535)	42,913
Building	28,272	-	1,207	43,351	-	-	72,830
Furniture and fixtures	26,371	-	10,977	3,522	(2,167)	(1,000)	37,703
Office equipment	65,663	-	4,403	1,453	(2,555)	(3,058)	65,906
Computers	79,562	-	14,323	216	(8,850)	(2,766)	82,485
Vehicles	48,390	-	15,275	489	(6,291)	(1,347)	56,516
Capital work in progress	33,371	-	45,277	(49,031)	-	-	29,617
At 31 December 2008	**332,709**	**-**	**96,615**	**-**	**(22,715)**	**(9,718)**	**396,891**

	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 – 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**
Depreciation – 2008							
Leasehold improvements	17,625	-	4,876	-	(2,248)	(725)	19,528
Building	4,690	-	3,111	-	(1)	(29)	7,771
Furniture and fixtures	14,008	-	5,131	-	(2,020)	(596)	16,523
Office equipment	28,129	-	5,130	-	(1,567)	(2,006)	29,686
Computers	48,740	-	12,679	-	(8,702)	(1,810)	50,907
Vehicles	26,531	-	12,301	-	(5,657)	(1,066)	32,109
At 31 December 2008	**139,723**	**-**	**43,228**	**-**	**(20,195)**	**(6,232)**	**156,524**
Carrying amounts							
At 31 December 2008	**192,986**	**-**	**-**	**-**	**-**	**-**	**240,367**
At 31 December 2007	128,143	-	-	-	-	-	192,986

13 Property, plant and equipment (continued)

Capital work in progress includes a warehouse under construction by a Group entity in Dubai.

Property, plant and equipment includes:

i) Vehicles with a net book value of AED 8.81 million *(2007: AED 13.66 million)* that have been obtained under finance leases.

ii) Land and buildings amounting AED 28.93 million *(2007: AED 23.8 million)* have been pledged against bank facilities.

Also refer notes 24 and 26.

14 Goodwill

	2008 AED'000	2007 AED'000
Opening balance	**803,399**	803,731
Acquisitions through business combination		
- On acquisition of GDA Singapore business (refer note 5)	-	1,533
Acquisition of minority interest		
- On additional acquisition in Aramex Lanka (refer note 5)	-	5,625
- On additional acquisition in Two Way Holland (refer note 5)	**2,044**	-
Adjustment on reversal of contingent consideration of Two Way (refer below)	-	(7,530)
Adjustment to Freight Professionals	-	11
Adjustment to Docman	-	29
Closing balance	**805,443**	803,399

The cost of acquisition of Two Way Freight and Logistics Group ("Two Way") in 2006 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 did not consider the achievement of these agreed earnings probable and accordingly the cost of acquisition was reduced by reversing balance of the contingent consideration. Refer note 36.

Annual impairment testing for goodwill has been carried out by management at 31 December 2008. 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 11% has been used in discounting the cash flows projected. Also refer note 36.

Notes *(continued)*

15 Other intangible assets

Other intangible assets represents list of customers bound by contracts and web site costs. The Group is amortizing these intangible assets over a period between three to ten years. The amortization is recognized in the general and administration expenses in the income statement.

The movement during the year is as under:

	2008 AED'000	2007 AED'000
Opening balance	3,493	3,613
Payment for website acquired	-	742
Amortization during the year	(717)	(862)
Closing balance	2,776	3,493

16 Available for sale investments

	2008 AED'000	2007 AED'000
Opening balance	17,040	2,720
Sale during the year	(665)	-
Cumulative changes in fair value during the year	(13,074)	14,320
Closing balance	3,301	17,040

During the year, the Group has disposed off its investment in an entity listed in the Amman (Jordon) stock exchange for an amount of AED 0.51 million. The original cost of the said investment was AED Nil and the carrying value at the previous balance sheet date was AED 0.67 million. The reported gain of AED 0.51 million has been recognized in the income statement.

The balance amount of AED 3.3 million as at 31 December 2008 *(31 December 2007: AED 16.37million)* represents shares in a company listed in the Dubai Financial Market.

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 0.17 million *(2007:AED 0.85 million)*; an equal change in the opposite direction would have decreased equity by AED 0.17 million *(2007:AED 0.85 million)*.

17 Other non-current assets

Other non-current assets include an amount of AED 3.02 million representing advance paid for purchase of land by a Group entity. Other non current assets also includes an amount of AED 0.82 million representing the Group's investment in an entity currently under formation in Egypt.

17 Other non-current assets (continued)

The corresponding amount in other non-current assets for the previous year included an amount of AED 0.95 million representing share capital of a subsidiary under incorporation in Malta.

18 Cash and cash equivalents

Cash and cash equivalents comprise of the following:

	2008 AED'000	2007 AED'000
Cash in hand and at banks	**343,827**	238,856
Less: margin deposits	**(6,799)**	(6,063)
Less: overdrafts	**(14,300)**	(20,191)
	322,728	212,602

Cash at banks include an amount of AED 5.75 million *(2007: AED 0.61 million)* and AED 194.75 million *(2007: AED 161.63 million)* held with local and foreign banks, respectively, based in the UAE and amount of AED 138.01 million *(2007: AED 68.90 million)* with foreign banks based outside of UAE.

19 Trade receivables

	2008 AED'000	2007 AED'000
Trade receivables	**371,862**	339,110
Less: allowance for impairment losses	**(25,592)**	(19,958)
	346,270	319,152

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

	2008 %	2007 %
Middle East and North Africa	**77**	71
Europe	**16**	21
North America	**1**	2
Asia	**6**	6

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

19 Trade receivables (continued)

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

	2008 AED'000	2007 AED'000
Opening balance	**19,958**	21,439
Provision made during the year	**10,202**	6,867
Write back during the year	**(221)**	(116)
Write-offs	**(4,347)**	(8,232)
Closing balance	**25,592**	19,958

The Group's exposure to credit and currency risk related to trade receivables is further disclosed in note 35.

20 Other current assets

	2008 AED'000	2007 AED'000
Prepaid expenses	**23,345**	26,414
Advances and other receivables*	**74,664**	69,571
	98,009	95,985

* Advances and other receivables includes an amount of AED 30 million *(2007: 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 2008 has been waived. Also refer note 11.

21 Share capital

	2008 AED'000	2007 AED'000
Authorised, issued and paid up		
1,210,000,000 shares of AED 1 each		
(31 December 2007: 1,100,000,000 shares of AED 1 each)	**1,210,000**	1,100,000

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.

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.

Notes *(continued)*

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.

22(c) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

23 Retained earnings

23(a) Proposed bonus share issue

The Directors have proposed an issue of bonus shares of AED 121 million, being 10% of the share capital of the Company. This proposed bonus share issue is subject to 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.

23(b) Proposed directors' fees

Directors' fees of AED 1.4 million *(2007: AED 1.6 million)* representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2008 have been proposed. Out of the amount proposed in 2007, an amount of AED 1.4 million *(2007: AED 0.8 million)* was paid during the year ended 31 December 2008. Also refer note 29.

24 Loans and borrowings

	2008	2007
	AED'000	AED'000
Term loan (a)	**15,719**	14,700
Notes payable (b)	**160**	273
Finance lease obligations (c)	**11,586**	12,790
	27,465	27,763
Less: current maturity	**(11,698)**	(13,056)
	15,767	14,707

24 Loans and borrowings (continued)

(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 rate ranging from 7% to 9.75%. Of the total facility, an amount of AED 1.10 million (JD 0.21 million) is outstanding as at 31 December 2008 *(2007: AED 3.15 million (JD 0.61 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 a pre-agreed mark-up. During the year, a further draw down of AED 0.83 million (USD 0.22 million) has been made against this loan facility. The original loan is repayable over equal monthly installments of AED 0.03 million each commencing from March 2007 whereas the additional loan is also repayable on a similar basis commencing August 2008. As at 31 December 2008 an amount of AED 0.65 million *(2007: AED 0.5 million)* is outstanding in respect of this loan. This loan is secured against a corporate guarantee given by the Holding Company.
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% (*2007: 5.17%*). The loan would be fully repaid by 2010. Of the total loan, an amount of AED 1.15 million is outstanding as at 31 December 2008 *(2007: AED 1.80 million)*. This loan is secured against a corporate guarantee given by the Holding Company.
4. A term loan taken by Aramex Emirates LLC (a subsidiary of the Group) in November 2007. The total loan facility is AED 16 million out of which an amount of AED 12.81 million has been drawn as of 31 December 2008 (*2007: AED 8.6 million*). The loan carries an annual interest rate of DIBOR plus a pre-agreed mark-up. This loan is repayable over 33 monthly installments of AED 0.267 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.

(b) Notes payable

This represents various notes payable for the purpose of financing the purchase of vehicles and equipment, with original average maturities of three years. These notes are repayable in equal monthly installments and carry interest rates ranging from 6% to 25%.

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

	2008 AED'000	2007 AED'000
Total notes payables	**160**	273
Less: current maturity	**(88)**	(171)
	72	102

24 Loans and borrowings (continued)

(c) Finance lease obligation

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

	Future minimum lease payments AED'000	Interest AED'000	Present value of minimum lease payments AED'000
Less than one year	**6,958**	**764**	**6,194**
Between one and five years	**5,873**	**481**	**5,392**
31 December 2008	**12,831**	**1,245**	**11,586**
Less than one year	7,180	880	6,300
Between one and five years	7,085	595	6,490
31 December 2007	14,265	1,475	12,790

Finance lease obligations are denominated in Saudi Riyals (SR), Euro, GBP and Egyptian Pound (EGP) and have maturities between 2009 and 2013. Interest rate on finance lease obligations range from 8% to 16%.

25 Employees' end of service benefits

	2008 AED'000	2007 AED'000
Opening balance	**39,428**	30,849
Provision made during the year	**15,747**	13,289
Payments made during the year	**(2,970)**	(5,113)
Exchange differences	**(195)**	403
Closing balance	**52,010**	39,428

26 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 2008 *(2007: AED nil)*.

Two Way has outstanding bank overdrafts and line of credits of AED 14.08 million as at 31 December 2008 *(2007: AED 20 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 24 and 32.

Notes *(continued)*

27 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.

28 Other current liabilities

	2008 AED'000	2007 AED'000
Accrued expenses	**161,721**	109,977
Deferred revenue	**7,991**	7,120
Sales and other taxes	**5,361**	6,518
Income taxes payable	**12,580**	9,160
Customers' deposits	**1,314**	56
Social security taxes payable	**3,532**	6,581
Others	**8,766**	4,788
	201,265	144,200

29 Related party transactions

Since 1996, AIL has 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 1.58 million *(2007: 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 2008, AED 1.04 million *(2007: AED 0.47 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 0.22 million for the year 2008 *(2007: 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 5.12 million *(2007: 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.

29 Related party transactions (continued)

Details of other significant related party transactions are as follows:

	2008 AED'000	2007 AED'000
Compensation paid/payable to key management personnel for the year		
-Short term benefits*	**17,292**	14,545
-End of service benefits	**152**	181

(*) Includes proposed directors' fees of AED 1.4 million *(2007: AED 1.4 million)*. Refer note 23(b).

30 Earning per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2008 is based on the profit attributable to the shareholders of the Company of AED 147.32 million *(2007: AED 121.55 million)* and a weighted average number of ordinary shares outstanding of 1,210 million *(2007: 1,210 million)*.

For calculating the earning per share in 2007, the weighted average number of shares has been adjusted as if the bonus issue had occurred at the beginning of 2007. Refer note 21.

31 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 64.40 million for the year ended 31 December 2008 *(2007: AED 46.7 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:

	2008 AED'000	2007 AED'000
Less than one year	**61,622**	57,964
Between one and five years	**194,855**	205,513
More than five years	**81,889**	86,714

32 Contingent liabilities and commitments

Contingent liabilities

	2008 AED'000	2007 AED'000
Letters of guarantee	**39,353**	36,651

Capital commitments

As at 31 December 2008 the Group has capital commitments of AED 97.03 million *(2007: AED 11.4 million)* towards purchase/construction of property, plant and equipment. Also refer note 13.

33 Information about segments

Segment information is presented in respect of the Group's business and geographical segments. 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.

33 Information about segments (continued)

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

(in AED'000)

	International express	Freight forwarding	Domestic express	Logistics	Others	Elimination	Consolidated
Year ended 31 December 2008							
External sales	610,343	912,599	295,665	132,654	128,693	-	2,079,954
Inter-segment sales	294,361	158,828	105	8,874	6,775	(468,943)	-
Segment sales	904,704	1,071,427	295,770	141,528	135,468	(468,943)	2,079,954
Gross profit	358,596	260,081	228,138	105,354	85,814	-	1,037,983
	International express	**Freight forwarding**	**Domestic express**	**Logistics**	**Others**	**Elimination**	**Consolidated**
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)	1,783,788
Gross profit	299,172	227,767	173,618	76,262	58,837	-	835,656

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 worldwide 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.

	2008 AED'000	2007 AED'000
Revenues		
Middle East and North Africa	**1,476,205**	1,192,523
Europe	**427,174**	445,210
North America	**41,251**	31,300
Asia	**135,324**	114,755
	2,079,954	1,783,788

33 Information about segments (continued)

	2008 AED'000	2007 AED'000
Assets		
Middle East and North Africa	**1,700,558**	1,520,781
Europe	**87,594**	104,926
North America	**11,822**	10,058
Asia	**45,332**	39,070
	1,845,307	1,674,835
Long lived assets *		
Middle East and North Africa	**217,267**	165,367
Europe	**15,842**	20,612
North America	**1,462**	1,790
Asia	**5,796**	5,217
	240,367	192,986

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

	2008 AED'000	2007 AED'000
Liabilities		
Middle East and North Africa	**296,069**	233,077
Europe	**82,115**	103,968
North America	**10,093**	8,051
Asia	**20,534**	19,118
	408,811	364,214

34 Group entities

Significant subsidiaries of the Group include:

Aramex International Limited, Bermuda

Aramex Amman, Jordan

Arab American International Express Company, Lebanon

Jordan Distribution Agency, Amman

Aramex India Private Limited, India

Aramex International Egypt for Air and local services (S.A.E), Egypt

Aramex, Kuwait

Aramex Emirates LLC, Dubai

Aramex, Abu Dhabi

Freight Professionals, Egypt

Two Way Forwarding & Logistics (Ireland) Limited

Two Way International Freight Services (UK) Limited

Two Way Holland BV

34 Group entities (continued)

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

35 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	
	2008	2007
	AED'000	AED'000
Cash in hand and at bank (refer note 18)	**343,827**	238,856
Trade receivables (refer note 19)	**346,270**	319,152
Other receivables	**52,294**	47,755
	742,391	605,763

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:

	2008	2007
	AED'000	AED'000
Agents and wholesellers	**13,054**	18,240
Retail/end customers	**333,216**	300,912
	346,270	319,152

35 Financial instruments (continued)

Credit risk (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2008 AED'000	**Allowance for impairment 2008 AED'000**	Gross 2007 AED'000	Allowance for impairment 2007 AED'000
Not past due 0-60 days	**262,128**	-	229,097	-
Past due 61-90 days	**48,867**	-	63,006	-
Past due 91-180 days	**37,676**	**9,229**	27,067	3,736
Past due 181-365 days	**11,382**	**4,554**	7,912	4,194
More than one year	**11,809**	**11,809**	12,028	12,028
	371,862	**25,592**	339,110	19,958

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. The management believes that the existing impairment loss provision is adequate and considers the balance amount as fully recoverable.

35 Financial instruments (continued)

Liquidity risk

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

31 December 2008

In AED'000	Carrying amount	Contractual cash flows: Total	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Term loans	**15,719**	**17,681**	**3,684**	**2,636**	**4,489**	**6,872**	-
Notes payables	**160**	**220**	**112**	**66**	**38**	**4**	-
Finance lease obligations	**11,586**	**12,831**	**3,909**	**3,049**	**4,196**	**1,677**	-
Bank overdrafts	**14,300**	**14,300**	**14,300**	-	-	-	-
Trade and other payables	**293,869**	**293,869**	**293,869**	-	-	-	-
	335,634	**338,901**	**315,874**	**5,751**	**8,723**	**8,553**	-

31 December 2007

In AED'000	Carrying amount	Contractual cash flows: 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	-
Finance lease obligations	12,790	14,265	3,802	3,379	4,704	2,380	-
Bank overdrafts	20,191	20,191	20,191	-	-	-	-
Trade and other payables	260,014	260,014	260,014	-	-	-	-
	307,968	310,604	287,835	7,090	10,437	5,242	-

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 2008

In AED'000	31 December 2008 Euro	USD	GBP	31 December 2007 Euro	USD	GBP
Trade receivables	**3,105**	**15,262**	**470**	7,492	13,958	648
Secured bank loans	-	**(654)**	-	-	(459)	-
Trade and other payables	**(7,114)**	**(7,332)**	**(655)**	(5,713)	(7,792)	(1,361)
Gross balance sheet exposure	**(4,009)**	**7,276**	**(185)**	1,779	5,707	(713)
Intra group balances	-	**(16,737)**	-	-	(24,545)	-
Forward exchange contracts	-	-	-	1,487	-	-
Net exposure	**(4,009)**	**(9,461)**	**(185)**	3,266	(18,838)	(713)

Notes *(continued)*

35 Financial instruments (continued)

Currency risk (continued)

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		Reporting date Average rate	
	2008	2007	**2008**	2007
1USD to Euro	**0.710**	0.679	**0.683**	0.731
1USD to GBP	**0.691**	0.501	**0.545**	0.500
1USD to INR	**48.95**	39.435	**43.81**	41.357
1USD to EGP	**5.602**	5.554	**5.495**	5.720

Sensitivity analysis

A 10 percent strengthening of the USD against the following currencies at 31 December 2008 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 2007.

Effect in AED'000	Equity	Profit or loss
31 December 2008		
Euro	**553**	**553**
GBP	**(186)**	**(186)**
INR	**440**	**440**
EGP	**292**	**292**
31 December 2007		
Euro	23	23
GBP	354	354
INR	820	820
EGP	(37)	(37)

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.

Interest rate risk

Profile

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

	Carrying amount	
	2008	2007
	AED'000	AED'000
Fixed rate instruments		
Financial assets	**252,887**	190,901
Financial liabilities	**(11,260)**	(12,404)
	241,627	178,497
Variable rate instruments		
Financial liabilities	**30,505**	35,550

35 Financial instruments (continued)

Interest rate risk (continued)

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 2007.

	Profit or loss		Equity	
	100bp increase AED'000	**100bp decrease AED'000**	**100bp increase AED'000**	**100bp decrease AED'000**
31 December 2008				
Variable rate instruments	**(362)**	**362**	**(362)**	**362**
31 December 2007				
Variable rate instruments	(335)	335	(335)	335

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 2008		31 December 2007	
In AED'000	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Available for sale financial assets	**3,301**	**3,301**	17,040	17,040
Cash in hand and at bank	**343,827**	**343,827**	238,856	238,856
Trade receivables	**346,270**	**346,270**	319,152	319,152
Other receivables	**52,294**	**52,294**	47,755	47,755
Loans and borrowings	**(15,879)**	**(15,879)**	(14,973)	(14,973)
Finance lease liabilities	**(11,586)**	**(11,586)**	(12,790)	(12,691)
Trade payables	**(113,175)**	**(113,175)**	(132,093)	(132,093)
Other payables	**(180,693)**	**(180,693)**	(127,921)	(127,921)
Bank overdraft	**(14,300)**	**(14,300)**	(20,191)	(20,191)
	410,059	**410,059**	314,835	314,934

35 Financial instruments (continued)

Fair values (continued)

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 finance 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.

36 Accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. 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. Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are as under:

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 11% has been used in discounting the cash flows projected. Also refer note 14.

36 Accounting estimates and judgments (continued)

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.

37 Subsequent events

Subsequent to the year end, the Group has acquired a 100% shareholding in Metrofile Middle East LLC, a limited liability company registered in Dubai, UAE. Metrofile Middle East LLC is involved in the business of storage, archive, maintenance and management of files and records of other business entities. .