Aramex PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

aramex
delivery unlimited

Directors' Report

Dear Shareholders,

Following the strong financial results in the year 2009, we maintained our robust financial performance in the year 2010. Our revenues grew from AED 1,961 million to AED 2,212 million, an increase of 13% compared to year 2009. Furthermore, net profits attributed to the equity holders of the parent company increased by 11% over the same period, from AED 184 million to AED 204 million.

2010 was a year of significant expansion for us as we strengthened our presence in emerging markets such as Turkey, Malaysia, Bangladesh and Vietnam through a series of strategic acquisitions and partnerships. We will continue to execute our long-term growth strategy in 2011, focusing on expansion opportunities in key markets in Africa and Southeast Asia.

Despite more challenging conditions this year, however, we have a clear vision for the company in 2011 as we continue to focus carrying out our long-term growth strategy and meeting the operational milestones we have set for Aramex in the year to come.

Abdullah M. Mazrui
Chairman

Fadi Ghandour
Founder and CEO

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAMEX PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Aramex PJSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aramex PJSC as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAMEX PJSC (CONTINUED)

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out; and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Group or on its financial position.

Ernst & Young

Signed by
Joseph Alexander Murphy
Partner
Registration No. 492

For Ernst and Young

27 February 2011
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 AED'000	2009 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**332,144**	246,917
Goodwill	5	**863,199**	853,427
Other intangible assets	6	**8,927**	5,730
Available-for-sale investments	7	**3,988**	4,965
Investments in joint ventures	8	**19,165**	7,772
Deferred tax assets	9	**2,530**	1,476
Other non-current assets		**39**	18
		1,229,992	1,120,305
Current assets			
Accounts receivable	10	**404,028**	349,060
Other current assets	11	**97,699**	86,995
Bank balances and cash	12	**554,739**	501,862
		1,056,466	937,917
TOTAL ASSETS		**2,286,458**	2,058,222
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**1,464,100**	1,331,000
Statutory reserve	14	**62,274**	40,923
Foreign currency translation reserve	14	**(6,335)**	(2,561)
Fair value reserve	14	**1,268**	2,245
Reserve arising from acquisition of non-controlling interests	14	**(12,397)**	-
Retained earnings	15	**272,089**	224,048
Equity attributable to equity holders of the Parent		**1,780,999**	1,595,655
Non-controlling interests		**24,577**	28,143
Total equity		**1,805,576**	1,623,798
Non-current liabilities			
Interest-bearing loans and borrowings	16	**6,503**	6,463
Employees' end of service benefits	17	**66,958**	59,618
Deferred tax liabilities	9	**1,295**	1,037
		74,756	67,118
Current liabilities			
Accounts payable	18	**129,148**	118,435
Bank overdrafts	19	**6,863**	8,951
Interest-bearing loans and borrowings	16	**6,715**	7,482
Other current liabilities	20	**263,400**	232,438
		406,126	367,306
Total liabilities		**480,882**	434,424
TOTAL EQUITY AND LIABILITIES		**2,286,458**	2,058,222

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 27 February 2011.

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

The attached notes from 1 to 33 form part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 AED'000	2009 AED'000
Rendering of services	21	**2,211,996**	1,960,786
Cost of services	22	**(1,021,830)**	(852,745)
GROSS PROFIT		**1,190,166**	1,108,041
Share of results of joint ventures	8	**(256)**	130
Selling and marketing expenses		**(108,285)**	(98,814)
Administrative expenses	23	**(410,802)**	(390,520)
Operating expenses	24	**(444,596)**	(412,798)
Other income (expenses)	25	**3,168**	(250)
OPERATING PROFIT		**229,395**	205,789
Finance income		**16,283**	14,204
Finance expense		**(1,166)**	(1,830)
PROFIT BEFORE TAX		**244,512**	218,163
Income tax	9	**(14,935)**	(11,441)
PROFIT FOR THE YEAR		**229,577**	206,722
Attributable to:			
Equity holders of the Parent		**204,092**	184,287
Non–controlling interests		**25,485**	22,435
		229,577	206,722
Earnings per share attributable to the equity holders of the Parent:			
-basic and diluted earnings per share	27	**AED 0.139**	AED 0.126

The attached notes from 1 to 33 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 *AED'000*	*2009* *AED'000*
Profit for the year	**229,577**	206,722
Other comprehensive income, net of tax:		
Exchange differences on translation of foreign operations	**(3,603)**	3,555
Net (loss) gain on available-for-sale financial assets	**(977)**	1,664
Other comprehensive (loss) income for the year, net of tax	**(4,580)**	5,219
Total comprehensive income for the year	**224,997**	211,941
Total comprehensive income attributable to:		
Equity holders of the parent	**199,341**	189,516
Non-controlling interests	**25,656**	22,425
	224,997	211,941

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to equity holders of the parent								
	Share capital AED'000	*Statutory reserve AED'000*	*Foreign currency translation reserve AED'000*	*Fair value reserve AED'000*	*Reserve arising from acquisition of non-controlling interests AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
At 1 January 2009	1,210,000	25,698	(6,126)	581	-	177,386	1,407,539	28,956	1,436,495
Total comprehensive income for the year	-	-	3,565	1,664	-	184,287	189,516	22,425	211,941
Issue of share capital	121,000	-	-	-	-	(121,000)	-	-	-
Transfer to statutory reserve	-	15,225	-	-	-	(15,225)	-	-	-
Directors' fees paid	-	-	-	-	-	(1,400)	(1,400)	-	(1,400)
Dividends of subsidiaries	-	-	-	-	-	-	-	(23,794)	(23,794)
Non-controlling interests	-	-	-	-	-	-	-	556	556
At 1 January 2010	1,331,000	40,923	(2,561)	2,245	-	224,048	1,595,655	28,143	1,623,798
Total comprehensive income for the year	-	-	(3,774)	(977)	-	204,092	199,341	25,656	224,997
Acquisition of non-controlling interests	-	-	-	-	(12,397)	-	(12,397)	(1,376)	(13,773)
Issue of share capital	133,100	-	-	-	-	(133,100)	-	-	-
Transfer to statutory reserve	-	21,351	-	-	-	(21,351)	-	-	-
Directors' fees paid	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
Dividends of subsidiaries	-	-	-	-	-	-	-	(21,702)	(21,702)
Non-controlling interests	-	-	-	-	-	-	-	(6,144)	(6,144)
At 31 December 2010	**1,464,100**	**62,274**	**(6,335)**	**1,268**	**(12,397)**	**272,089**	**1,780,999**	**24,577**	**1,805,576**

The attached notes from 1 to 33 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 AED'000	2009 AED'000
OPERATING ACTIVITIES			
Profit before tax		**244,512**	218,163
Adjustment for:			
Depreciation of property, plant and equipment	4	**47,741**	44,837
Amortisation of intangible assets	6	**962**	889
Provision for employees' end of service benefits	17	**13,002**	12,471
Provision for doubtful accounts, net		**7,974**	8,792
Net finance income		**(15,117)**	(12,374)
Share of results of joint ventures		**256**	(130)
Loss on disposal of property, plant and equipment		**459**	259
		299,789	272,907
Working capital changes:			
Accounts receivable		**(60,854)**	(5,472)
Accounts payable		**9,912**	1,569
Other current assets		**(10,978)**	13,938
Other current liabilities		**23,840**	(1,257)
Cash from operations		**261,709**	281,685
Employees' end of service benefits paid	17	**(5,795)**	(5,511)
Income tax paid		**(9,534)**	(11,701)
Net cash from operating activities		**246,380**	264,473
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(136,893)**	(52,294)
Proceeds from sale of property, plant and equipment		**1,841**	2,901
Interest received		**16,283**	14,204
Acquisition of non-controlling interests	3	**(13,773)**	-
Acquisition of subsidiaries, net of cash acquired	3	**(11,908)**	(25,982)
Other non–current assets		**(21)**	4,332
Margin deposits		**(3,513)**	(1,022)
Intangible assets	6	**(13)**	(234)
Investments in joint ventures		**(12,487)**	(7,642)
Net cash used in investing activities		**(160,484)**	(65,737)
FINANCING ACTIVITIES			
Interest paid		**(1,166)**	(1,830)
Repayment of loans and borrowings		**(908)**	(13,520)
Dividends paid to non-controlling interests		**(21,702)**	(23,794)
Non-controlling interests		**(8,234)**	556
Directors' fees paid		**(1,600)**	(1,400)
Net cash used in financing activities		**(33,610)**	(39,988)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**52,286**	158,748
Net foreign exchange difference		**(834)**	3,614
Cash and cash equivalents at 1 January		**485,090**	322,728
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**536,542**	485,090

The attached notes from 1 to 33 form part of these consolidated financial statements

1 ACTIVITIES

Aramex PJSC ("the Parent Company") is a Public Joint Stock Company registered in the Emirate of Dubai, United Arab Emirates on 15 February 2005 under UAE Federal Law No 8 of 1984 (as amended).

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

The Principal activities of the Group are to invest in the freight, express, logistics and supply chain management businesses through acquiring and owning controlling interests in companies in the Middle East and other parts of the world.

The Parent Company's registered office is Business Center Towers, 2302A, Media City (TECOM), Sheikh Zayed Road, Dubai, United Arab Emirates.

The consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2011.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The consolidated financial statements are presented in UAE Dirhams (AED), being the functional currency of the Parent Company. Financial information is presented in AED and has been rounded to the nearest thousands, except where otherwise stated.

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

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2010.

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

Losses within a subsidiary that are attributable to non-controlling interests are attributed to the non-controlling interests even if that results in a deficit balance.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill or as negative goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements(Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5 IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 19 *Employee Benefits*
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The adoption of the standards or interpretations is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. As the Group did not enter in cash settled share-based transactions, it did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

IAS 19 Employee Benefits
The Group has assessed its accounting policy with regard to the recognition of actuarial gains and losses arising from its end of service benefits plan. The Group recognised only the net cumulative unrecognised actuarial gains and losses of the previous period, which exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets in accordance with IAS 19.93. As a consequence, the Group carried unrecognised gains and losses outside its statement of financial position. The IASB issued an amendment to IAS 19 which states that the Group can voluntarily change its accounting policy to recognise actuarial gains and losses in the period in which they occur in total in other comprehensive income. The Change into the new accounting policy will be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior year financial information.

No material actuarial gains or losses have arisen on the Group's plan and, hence, the change in accounting policy had no impact on the Group's net results or net equity for the year or prior years.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Group has concluded that the interpretation will have no effect on either, the financial position nor performance of the Group, as The Group did not enter into such arrangements.

Improvements to IFRSs
In April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have any impact on the financial position or performance of the group.

Issued in April 2009

- IFRS 8 *Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has continued not to disclose this information in Note 29.

- IAS 7 *Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from-investing activities. This amendment has not impacted the presentation of the statement of cash flows.

- IAS 36 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

Issued in April 2009

- IFRS 2 *Share-based Payment*
- IFRS 5 *Non-current Assets Held for Sale and Discounted Operations*
- IAS 1 *Presentation of Financial Statements*
- IAS 17 *Leases*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

2.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 *Related Party Disclosures (Amendment)*
- The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 *Financial Instruments: Classification and Measurement*
- IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Improvements to IFRSs (issued in May 2010)
- The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below:

  - IFRS 3 *Business Combinations*
  - IFRS 7 *Financial Instruments: Disclosures*
  - IAS 1 *Presentation of Financial Statements*
  - IAS 27 *Consolidated and Separate Financial Statements*
  - IFRIC 13 *Customer Loyalty Programmes*

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that may affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts.

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

In particular, information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies (that have the most significant effect on the amount recognised in the financial statements) are discussed in note 33.

Identifiable assets and liabilities taken over on acquisition of subsidiaries

The Group separately recognises assets and liabilities on the acquisition of a subsidiary when it is probable that the associated economic benefits will flow to the acquirer or when, in the case of liability, it is probable that an outflow of economic resources will be required to settle the obligation and the fair value of the asset or liability can be measured reliably. Intangible assets and contingent liabilities are separately recognised when they meet the criteria for recognition set out in IFRS 3. Intangible assets, acquired on acquisition, mainly represent lists of customers, bound by a contract, valued on the basis of minimum cash flows.

2.5 Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Except for capital work in progress, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	over 4-7 years
Buildings	over 14-15 years
Furniture and fixtures	over 5-10 years
Warehousing racks	over 15 years
Office equipment	over 3-7 years
Computers	over 3-5 years
Vehicles	over 4-5 years

Land is not depreciated

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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies

Property, plant and equipment (continued)
An item of property, plant and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.
Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Other intangible assets (continued)
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible assets.

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

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

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

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

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

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

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

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

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts and cash margin.

Accounts receivable
Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Foreign currency translation
The Group's consolidated financial statements are presented in AED, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the consolidated income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies
The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Loans and borrowings and other financial liabilities
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisations are included in finance cost in the consolidated income statement.

Other financial liabilities including deferred consideration on acquisition of subsidiaries are measured at amortised cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' end of service benefits
The provision for employees' end of service benefits, disclosed as a long-term liability, is calculated in accordance with IAS19 for Group's entities where their respective labour laws require providing indemnity payments upon termination of relationship with their employees.

Pensions and other post employment benefits
The Group provides for a number of post employment defined benefit plans required under several jurisdictions in which Aramex PJSC and its subsidiaries operate. These benefits are un-funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for the defined benefit plans are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested.

The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on high quality corporate bonds. The Group has not allocated any assets to such plans.

Social security
Payments made to the social Security Institutions in connection with government pension plans applicable in certain jurisdictions are dealt with as payments to defined contribution plans, where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the social security institutions on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the period to which the employees' service relates.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. The following specific recognition criteria must also be met before revenue is recognised:

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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

Borrowing cots
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Taxation

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

Deferred income tax
Deferred income tax is provided for using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Going concern
Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting, are taken directly to the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

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

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3 BUSINESS COMBINATION AND ACQUISITION OF NON –CONTROLLING INTEREST

Business acquisitions – year ended 31 December 2010
During the year ended 31 December 2010, the Group acquired a controlling stake in a number of companies specialising in courier and logistics services, based in Africa and the Far East.

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

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

	Fair value recognised on acquisition AED'000	*Carrying value AED'000*
Assets		
Property and equipment	**177**	**177**
Trade and other receivables	**1,812**	**1,812**
Intangible assets	**4,146**	**-**
Bank balances and cash	**4,499**	**4,499**
	10,634	**6,488**
Liabilities		
Trade and other payables	**(1,729)**	**(1,729)**
Term loan	**(180)**	**(180)**
	(1,909)	**(1,909)**
Total identifiable net assets at fair value	**8,725**	
Non-controlling interests	**(2,090)**	
Goodwill arising on acquisition	**9,772**	
Purchase consideration transferred	**16,407**	

	AED'000
Cash flow on acquisition:	
Net cash acquired with the subsidiaries	**4,499**
Cash paid	**(16,407)**
Net cash outflow on acquisition	**(11,908)**

The group has finalized the purchase price allocation (PPA) exercise.

The goodwill of AED 9.77 million comprises the value of expected synergies arising from the acquisitions. Goodwill was allocated to International Express, Domestic Express, Freight Forwarding and Logistics.

From the date of acquisition, the new companies have contributed AED 8.6 million of revenue and AED 771 thousand to the net profit before tax of the Group. If the combinations had taken place at the beginning of the year, revenue for the Group would have been AED 2,231 million and the profit before tax for the Group would have been AED 244.4 million.

Transaction costs of AED 139 thousand have been expensed and included in administrative expenses.

3 BUSINESS COMBINATION AND ACQUISITION OF NON –CONTROLLING INTEREST (continued)

Acquisition of additional interest in Aramex Hava Cargo – year ended 31 December 2010
On 1 December 2010 the Group acquired an additional 50% interest of the voting shares of Aramex Hava Cargo, increasing its ownership interest to 100%.

A consideration of AED 13.77 million was paid to the non-controlling interest shareholders.

The carrying value of the net assets of Aramex Hava Cargo at the acquisition date was AED 2.75 million. The carrying value of the additional interest acquired was AED 1.38 million.

The difference of AED 12.4 million between the consideration paid and the carrying value of the interest acquired has been recognised in equity as a reserve arising from acquisition of non-controlling interests.

Transaction costs of AED 51 thousand have been expensed and included in administrative expenses.

Acquisition of Metrofile Middle East L.L.C – year ended 31 December 2009
On 21 January 2009, the Group acquired 100% of the voting shares of Metrofile Middle East L.L.C, a company specialising in archiving services, based in the United Arab Emirates.

The provisional fair values of the identifiable assets and liabilities of Metrofile Middle East L.L.C, as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Provisional fair value recognised on acquisition AED'000	*Carrying value AED'000*
Assets		
Property and equipment	2,348	5,176
Trade and other receivables	9,034	9,479
Intangible assets	3,609	-
	14,991	14,655
Liabilities		
Trade and other payables	(6,307)	(6,307)
Employees' end of service benefits	(686)	(686)
Bank overdrafts	(524)	(524)
	(7,517)	(7,517)
Total identifiable net assets at fair value	7,474	7,138
Goodwill arising on acquisition	47,984	
Purchase consideration transferred	55,458	

	AED'000
Cash flow on acquisition:	
Net cash acquired with the subsidiary	(524)
Cash paid	(25,458)
Net cash outflow	(25,982)

3 BUSINESS COMBINATION AND ACQUISITION OF NON – CONTROLLING INTEREST (continued)

Acquisition of Metrofile Middle East L.L.C – year ended 31 December 2009 (continued)
The purchase consideration at the date of acquisition included a deferred amount of AED 30 million, which was short term in nature and was carried at amortised cost.

During 2010, the provisional values were finalised within the timelines specified under IFRS 3 - Business Combinations based on the completion of the purchase price allocation (PPA) exercise. The final PPA did not result in any material adjustments to the provisional values or goodwill reported as of 31 December 2009.

The goodwill of AED 47,984 thousand comprises the value of expected synergies arising from the acquisition.

Since Metrofile operations have been merged with existing operations, it was not practicable to separately disclose revenues and profits arising as a result of this business combination from the date of acquisition, or the total impact on the results for the year had the acquisition taken place at the beginning of the year.

4 PROPERTY, PLANT AND EQUIPMENT

	Land AED'000	*Leasehold improvements AED'000*	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Warehousing Racks AED'000*	*Office equipment AED'000*	*Computers AED'000*	*Vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:										
At 1 January 2010	12,529	43,091	74,392	22,687	33,773	57,274	89,933	61,950	30,872	426,501
Additions	-	6,501	3,492	2,760	5,047	7,472	18,565	16,815	76,241	136,893
Acquisitions of a subsidiary	-	-	-	20	-	64	57	737	-	878
Transfers	-	1,040	-	(849)	393	(5,610)	1,621	3,405	-	-
Disposals	-	(5,461)	-	(4,039)	(182)	(6,655)	(26,036)	(16,175)	-	(58,548)
Exchange differences	(250)	(573)	-	(703)	(197)	(948)	(1,211)	(638)	-	(4,520)
At 31 December 2010	**12,279**	**44,598**	**77,884**	**19,876**	**38,834**	**51,597**	**82,929**	**66,094**	**107,113**	**501,204**
Depreciation:										
At 1 January 2010	-	22,245	12,498	13,625	9,714	28,860	58,102	34,540	-	179,584
Charge for the year	-	4,899	4,856	2,142	2,200	6,587	13,501	13,556	-	47,741
Acquisitions of a subsidiary	-	-	-	17	-	55	40	589	-	701
Transfers	-	1,000	-	(798)	300	(4,076)	1,161	2,413	-	-
Disposals	-	(5,378)	-	(3,829)	(160)	(6,253)	(25,256)	(15,372)	-	(56,248)
Exchange differences	-	(63)	-	(282)	(96)	(833)	(884)	(560)	-	(2,718)
At 31 December 2010	**-**	**22,703**	**17,354**	**10,875**	**11,958**	**24,340**	**46,664**	**35,166**	**-**	**169,060**
Net carrying amount:										
At 31 December 2010	**12,279**	**21,895**	**60,530**	**9,001**	**26,876**	**27,257**	**36,265**	**30,928**	**107,113**	**332,144**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land AED'000	*Leasehold improvements AED'000*	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Warehousing racks AED'000*	*Office equipment AED'000*	*Computers AED'000*	*Vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:										
At 1 January 2009	8,921	42,913	72,830	37,703	-	65,906	82,485	56,516	29,617	396,891
Additions	4,591	3,953	1,562	246	9,142	2,804	12,600	16,141	1,255	52,294
Acquisition of a subsidiary	-	-	-	-	3,323	-	-	946	-	4,269
Transfers	-	(1,257)	-	(13,334)	21,534	(6,943)	-	-	-	-
Disposals	(997)	(2,543)	-	(1,885)	(342)	(3,776)	(5,540)	(11,717)	-	(26,800)
Exchange differences	14	25	-	(43)	116	(717)	388	64	-	(153)
At 31 December 2009	12,529	43,091	74,392	22,687	33,773	57,274	89,933	61,950	30,872	426,501
Depreciation:										
At 1 January 2009	-	19,528	7,771	16,523	-	29,686	50,907	32,109	-	156,524
Charge for the year	-	5,208	4,727	1,926	2,461	6,028	12,177	12,310	-	44,837
Acquisition of a subsidiary	-	-	-	-	1,145	-	-	776	-	1,921
Transfers	-	(133)	-	(3,203)	6,176	(2,840)	-	-	-	-
Disposals	-	(2,373)	-	(1,630)	(124)	(3,526)	(5,305)	(10,682)	-	(23,640)
Exchange differences	-	15	-	9	56	(488)	323	27	-	(58)
At 31 December 2009	-	22,245	12,498	13,625	9,714	28,860	58,102	34,540	-	179,584
Net carrying amount:										
At 31 December 2009	12,529	20,846	61,894	9,062	24,059	28,414	31,831	27,410	30,872	246,917

Capital work in progress includes a warehouse under construction in Dubai.

Property, plant and equipment includes:

- Vehicles with a net book value of AED 11.45 million (2009: AED 12.05 million) that have been obtained under finance leases (note 16).
- Vehicles amounting to AED 0.13 million have been pledged against bank facilities as of 31 December 2010 (2009: AED 0.1 million).

5 GOODWILL

	2010 AED'000	*2009 AED'000*
At 1 January	**853,427**	805,443
Goodwill resulting from acquisition of Metrofile Middle East Limited	**-**	47,984
Goodwill resulting from acquisition of Expo Express Services	**2,718**	-
Goodwill resulting from acquisition of Avanti Worldwide Express	**7,054**	-
At 31 December	**863,199**	853,427

Annual impairment testing for goodwill has been carried out by the management at 31 December 2010. The impairment test is based on the "value in use" calculation. These calculations have used five year cash flow projections based on actual operating results and future expected performance. A discount rate of 12% has been used in discounting the cash flows projected.

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

	2010 AED'000	*2009 AED'000*
Express shipping	**291,576**	285,394
Freight forwarding	**190,146**	190,035
Domestic shipping	**183,826**	182,442
Logistics	**79,075**	76,980
Documents storage	**109,388**	109,388
Publication and distribution	**9,188**	9,188
	863,199	853,427

Key assumptions used in value-in-use calculations
The calculation of the value-in-use is most sensitive to the following assumptions:

Transaction volumes - these are based on budgeted performance of individual cash generating units.

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry which is 12%.

Growth rate estimates – Growth rate used of 3% is based on actual operating results and future expected performance.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

6 OTHER INTANGIBLE ASSETS

	2010 AED'000	*2009 AED'000*
Cost:		
At 1 January	**9,276**	5,433
Acquisition of subsidiaries	**4,146**	3,609
Additions net of amounts written off	**13**	234
At 31 December	**13,435**	9,276
Amortisation:		
At 1 January	**(3,546)**	(2,657)
Amortisation during the year	**(962)**	(889)
At 31 December	**(4,508)**	(3,546)
Net carrying amount at 31 December	**8,927**	5,730

7 AVAILABLE FOR SALE INVESTMENTS

This item represents investment in shares of a listed company in the Dubai Financial Market.

All available-for-sale financial instruments are measured using level 1 of the fair value hierarchy.

8 INVESTMENTS IN JOINT VENTURES

The Group has a 50% interest in Aramex Mashreq for Logistics Services, 50% interest in Aramex Delmege Logiskil (PVT) LTD and 50% of Aramex Logistics LLC (newly established company), located in Egypt, Sri-lanka and Oman, respectively.

Aramex Mashreq Logistics Services, Aramex Delmege Logistics (PVT) and Aramex Logistics LLC are private entities that are not listed in any public exchange. The following tables illustrate summarised financial information of the Group's investment in each entity:

Aramex Mashreq for Logistics Services

	2010 AED'000	*2009 AED'000*
Share of the joint venture's statement of financial position:		
Current assets	**17,755**	3,106
Non-current assets	**6,292**	6,589
Current liabilities	**(6,920)**	(1,967)
Non-current liabilities	**(83)**	-
Equity	**17,044**	7,728
Share of the joint venture's revenue and profit:		
Revenue	**10,826**	1,309
Profit	**204**	182
Carrying amount of the investment	**17,044**	7,728

8 INVESTMENTS IN JOINT VENTURES (continued)

Aramex Delmege Logistics (PVT) LTD

	2010 AED'000	*2009 AED'000*
Share of the joint venture's statement of financial position:		
Current assets	**48**	115
Non-current assets	**5**	14
Current liabilities	**(35)**	(130)
Non-current liabilities	**(6)**	-
Equity	**12**	(1)
Share of the joint venture's revenue and profit:		
Revenue	**302**	88
Loss	**(190)**	(52)
Carrying amount of the investment	**12**	44

Aramex Logistics LLC

	2010 AED'000	*2009 AED'000*
Share of the joint venture's statement of financial position:		
Current assets	**2,246**	-
Non-current assets	**3**	-
Current liabilities	**(135)**	-
Non-current liabilities	**(5)**	-
Equity	**2,109**	-
Share of the joint venture's revenue and profit:		
Revenue	**-**	-
Loss	**(270)**	-
Carrying amount of the investment	**2,109**	-

9 INCOME TAX

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

	2010 AED'000	*2009 AED'000*
Current tax expense	**15,517**	11,543
Deferred income tax	**(796)**	(72)
Exchange differences	**214**	(30)
Income tax expense for the year	**14,935**	11,441

9 INCOME TAX (continued)

Deferred tax relates to the following:

	2010 AED'000	*2009 AED'000*
Provision for doubtful accounts	**208**	22
Depreciation	**(830)**	(805)
Termination indemnities	**302**	341
Net operating losses carried forward	**1,733**	1,212
Capital allowance	**(306)**	(461)
Others	**128**	130
	1,235	439
Recognised as follows:		
As deferred tax assets	**2,530**	1,476
As deferred tax liabilities	**(1,295)**	(1,037)
	1,235	439

The Group's consolidated effective tax rate for 2010 is 6.11 % (2009: 5.24%).

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

10 ACCOUNTS RECEIVABLE

	2010 AED'000	*2009 AED'000*
Trade receivables	**439,911**	383,023
Less: allowance for doubtful accounts	**(35,883)**	(33,963)
	404,028	349,060

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

	2010 %	*2009 %*
- Middle East and Africa	**73**	75
- Europe	**17**	19
- North America	**2**	2
- Asia	**8**	4

As at 31 December 2010, trade receivables at nominal value of AED 35,883 thousand (2009: AED 33,963 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

10 ACCOUNTS RECEIVABLE (continued)

	2010 AED'000	*2009 AED'000*
At 1 January	**33,963**	25,592
Charge for the year	**9,833**	9,049
Relating to acquisition of a subsidiary	**-**	2,298
Unused amounts reversed	**(1,859)**	(257)
Amounts written-off	**(6,054)**	(2,719)
At 31 December	**35,883**	33,963

As at 31 December, the ageing of unimpaired trade accounts receivable was as follows:

		Past due but not impaired				
	Total AED'000	*0-60 days AED'000*	*61-90 days AED'000*	*91-180 days AED'000*	*181-365 days AED'000*	*More than 1 year AED'000*
2010	**404,028**	**312,316**	**54,888**	**26,046**	**10,778**	**-**
2009	349,060	271,385	43,427	24,424	9,824	-

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

11 OTHER CURRENT ASSETS

	2010 AED'000	*2009 AED'000*
Prepaid expenses	**32,955**	24,453
Advances and other receivables *	**64,744**	62,542
	97,699	86,995

* Advances and other receivables include an amount of AED 15 million (2009: AED 15 million) due from a related party in connection with employees participating in an incentive plan as at 31 December 2010 and 2009.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2010 AED'000	*2009 AED'000*
Cash and short term deposits	**554,739**	501,862
Less: cash margin	**(11,334)**	(7,821)
Less: bank overdrafts (note 19)	**(6,863)**	(8,951)
	536,542	485,090

Included in cash and short term deposits are amounts totalling AED 197,975 thousand (31 December 2009: AED 165,279 thousand) held at foreign banks abroad.

13 SHARE CAPITAL

	2010 AED'000	*2009 AED'000*
Authorised, issued and paid up		
1,464,100,000 ordinary shares of AED 1 each (2009: 1,331,000,000 ordinary shares of AED 1 each)	**1,464,100**	1,331,000

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.

14 RESERVES

Statutory reserve
In accordance with the Articles of Association of certain entities in the Group and Article 255 of the UAE Federal Commercial Companies Law of 1984 (as amended), a minimum of 10% of the net profit for the year of the individual entities to which the law is applicable has been transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid up share capital of the applicable entities. This reserve is non distributable except in certain circumstances. The consolidated statutory reserve reflects transfers made post-acquisition for subsidiary companies together with transfers made by the parent company. It does not, however, reflect the additional transfers to the consolidated statutory reserves which would be made if the retained post-acquisition profits of the subsidiaries were distributed to the parent company.

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

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Reserve arising from acquisition of non-controlling interests
The reserve represents the difference between the consideration paid to acquire non-controlling interests and the carrying amount of those interests at the date of acquisition.

15 RETAINED EARNINGS

Dividends
The Company's share capital was increased by the issue of bonus shares of AED 133.1 million, being 10% of the share capital of the Company as at 31 December 2009 as approved by the shareholders in the Company's annual General Meeting held on 18 April 2010.

During the year ended 31 December 2009, the Company's share capital was increased by the issue of bonus shares of AED 121 million, being 10% of the share capital of the Company as of 31 December 2008 as approved by the shareholders in the Company's annual General Meeting held on 15 April 2009.

Directors' fees paid
Directors' fees of AED 1.6 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2009 were paid in 2010 (2009: AED 1.4 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2008 were paid).

16 LOANS AND BORROWINGS

	2010 AED'000	*2009 AED'000*
Non-current		
Term loan	**199**	26
Notes payable	**284**	126
Finance lease obligations (a)	**6,020**	6,311
	6,503	6,463
Current		
Term loan	**506**	778
Notes payable	**170**	182
Finance lease obligations (a)	**6,039**	6,522
	6,715	7,482

(a) Finance lease obligation

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

	Future minimum lease payments AED'000	*Interest AED'000*	*Present value of minimum lease payments AED'000*
Less than one year	**6,761**	**722**	**6,039**
Between one and five years	**6,463**	**443**	**6,020**
31 December 2010	**13,224**	**1,165**	**12,059**
Less than one year	7,400	878	6,522
Between one and five years	6,847	536	6,311
31 December 2009	14,247	1,414	12,833

Finance lease obligations are denominated in Saudi Riyals (SR), Euro, GBP, Egyptian Pound (EGP) and Malaysian Ringgit (MYR) and have maturities between 2011 and 2013. Interest rates on finance lease obligations range from 6% to 16%.

17 EMPLOYEES' END OF SERVICE BENEFITS

	2010 AED'000	*2009 AED'000*
Provision as at 1 January	**59,618**	52,010
Provided during the year	**13,002**	12,471
Paid during the year	**(5,795)**	(5,511)
Employees' end of service benefits arising from acquisition of Metrofile	**-**	686
Exchange differences	**133**	(38)
Provision as at 31 December	**66,958**	59,618
Actuarial gains and losses	**-**	-
Present value of the defined benefit obligations	**66,958**	59,618

18 ACCOUNTS PAYABLE

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

19 BANK OVERDRAFTS

The Group maintains overdrafts and lines of credit with various banks. Aramex International Limited (AIL) has provided a corporate guarantee of AED 1.8 million to Audi Bank in Lebanon to secure the bank facilities given for the Aramex subsidiary in Lebanon. The outstanding balance of the overdrafts and lines of credit amounted to AED 848 thousand (2009: AED Nil).

Two Way Group has outstanding bank overdrafts and lines of credit of AED 6.01 million as at 31 December 2010 (2009: AED 8.92 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 book debts of Two Way.

20 OTHER CURRENT LIABILITIES

	2010 AED'000	*2009 AED'000*
Accrued expenses	**208,799**	186,814
Deferred revenue	**12,621**	10,696
Sales and other taxes	**6,281**	8,978
Income taxes payable	**18,590**	12,393
Customers' deposits	**86**	199
Social security taxes payable	**5,181**	4,387
Others	**11,842**	8,971
	263,400	232,438

21 REVENUE

	2010 AED'000	*2009 AED'000*
International express	**689,112**	626,588
Freight forwarding	**924,101**	758,790
Domestic express	**331,153**	302,302
Logistics	**103,764**	124,485
Publications and distribution	**30,035**	31,745
Others*	**133,831**	116,876
	2,211,996	1,960,786

* 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.

22 COST OF SERVICES

	2010 AED'000	*2009 AED'000*
International express	**228,867**	200,871
Freight forwarding	**660,673**	518,626
Domestic express	**74,224**	65,914
Logistics	**21,236**	28,884
Publications and distribution	**22,807**	23,065
Others	**14,023**	15,385
	1,021,830	852,745

23 ADMINISTRATIVE EXPENSES

	2010 AED'000	*2009 AED'000*
Salaries and benefits	**193,409**	187,964
Rent	**45,675**	40,849
Depreciation	**32,430**	31,334
Communication expenses	**19,959**	19,499
Repairs and maintenance	**10,898**	11,777
Travel expenses	**10,107**	8,246
Allowance for impairment losses (Note 10)	**7,974**	8,792
Utilities	**7,818**	6,990
Printing and stationary	**5,504**	5,398
Entertainment	**4,535**	3,617
Vehicle running expenses	**3,320**	3,250
Insurance	**3,328**	3,112
Conference and meeting expenses	**1,422**	595
Sponsorship fees	**1,068**	1,175
Government fees and taxes	**2,923**	2,286
Corporate Social Responsibility	**6,240**	2,141
Others	**54,192**	53,495
	410,802	390,520

24 OPERATING EXPENSES

	2010 AED'000	*2009 AED'000*
Salaries and benefits	**294,318**	274,773
Vehicle running and maintenance	**57,371**	52,144
Supplies	**18,580**	19,006
Communication expenses	**5,294**	4,865
Depreciation	**15,311**	13,503
Rent	**35,145**	31,316
Others	**18,577**	17,191
	444,596	412,798

25 OTHER INCOME (EXPENSES)

	2010 AED'000	*2009 AED'000*
Exchange gain (loss)	**1,264**	(1,090)
Loss on sale of property, plant and equipment	**(457)**	(259)
Miscellaneous income	**2,361**	1,099
	3,168	(250)

26 RELATED PARTY TRANSACTIONS

Certain related parties (directors, officers of the Group and companies which they control or over which they exert significant influence) were suppliers of the Company and its subsidiaries in the ordinary course of business. Such transactions were made on substantially the same terms as with unrelated parties.

Transactions with related parties included in the consolidated income statement are as follows:

	Related party			*Total*	
	Officers AED'000	*Companies controlled by the directors AED'000*	*Directors AED'000*	*2010 AED'000*	*2009 AED'000*
Rent expense	**272**	**1,580**	**5,515**	**7,367**	7,796

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

	2010 AED'000	*2009 AED'000*
Salaries and other short term benefits	**23,256**	21,266
End of service benefits	**183**	152
	23,439	21,418

26 RELATED PARTY TRANSACTIONS (continued)

Significant subsidiaries of the Group include:
Aramex Amman, Jordan
Jordan Distribution Agency, Amman
Aramex India Private Limited, India
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex, Bahrain
Aramex Emirates LLC, Dubai
Two Way Forwarding & Logistics (Ireland) Limited
Two Way Holland BV

All of the above subsidiaries are 100% owned by the Parent Company.

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

Balances with related parties are disclosed throughout these financial statements.

27 EARNINGS PER SHARE

	31 December 2010	*31 December 2009*
Profit attributable to shareholders of the parent (AED'000)	**204,092**	184,287
Weighted average number of shares during the period (shares)	**1,464 million**	1,464 million
Basic and diluted earnings per share (AED)	**0.139**	0.126

Earnings per share for the current and prior periods have been adjusted for bonus shares issued.

28 OPERATING LEASES

As lessee
The Group leases land, office space, warehouses and transportation equipments under various operating leases, some of which are renewable annually. Rent expense related to these leases amounted to AED 80.82 million for the year ended 31 December 2010 (2009: AED 72.17 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:

	2010 AED'000	*2009 AED'000*
Less than one year	**75,261**	66,571
Between one and five years	**266,382**	223,707
More than five years	**105,254**	103,042
	446,897	393,320

29 SEGMENTAL INFORMATION

For management purposes, the Group is organised into five operating segments.

- International express: includes delivery of small packages across the globe to both, retail and wholesale customers.
- Freight forwarding: includes forwarding of loose or consolidated freight through air, land and ocean transport, warehousing, customer clearance and break bulk services.
- Domestic express: includes express delivery of small parcels and pick up and deliver shipments within the country.
- Logistics: includes warehousing and its management distribution, supply chain management, inventory management as well as other value added services.
- Other operations: includes catalogue shipping services, document storage, airline ticketing and travel, visa services, and publication and distribution.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Transfer prices between operating segments are on an arm's - length basis in a manner similar to transactions with third parties.

The following table presents revenue and profit information regarding the Group's operating segments for the years ended 31 December 2010 and 2009, respectively.

29 SEGMENTAL INFORMATION (continued)

	International express AED'000	*Freight forwarding AED'000*	*Domestic express AED'000*	*Logistics AED'000*	*Others AED'000*	*Elimination AED'000*	*Total AED'000*
Year ended 31 December 2010							
Revenue							
Third party	**689,112**	**924,101**	**331,153**	**103,764**	**163,866**	**-**	**2,211,996**
Inter-segment	**312,005**	**175,410**	**15,129**	**1,318**	**4,244**	**(508,106)**	**-**
Total revenues	**1,001,117**	**1,099,511**	**346,282**	**105,082**	**168,110**	**(508,106)**	**2,211,996**
Gross profit	**460,245**	**263,428**	**256,929**	**82,528**	**127,036**	**-**	**1,190,166**
Year ended 31 December 2009							
Revenue							
Third party	626,587	758,790	302,302	124,485	148,622	-	1,960,786
Inter-segment	295,436	166,204	14,253	3,476	4,690	(484,059)	-
Total revenues	922,023	924,994	316,555	127,961	153,312	(484,059)	1,960,786
Gross profit	425,717	240,164	236,388	95,601	110,171	-	1,108,041

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

Geographical segments

The business segments are managed on a worldwide basis, but operate in four principal geographical areas, Middle East and Africa, Europe, North America and Asia. In presenting information on the geographical segments, segment revenue is based on the geographical location of customers. Segments assets are based on the location of the assets.

29 SEGMENTAL INFORMATION (continued)

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

	2010 AED'000	*2009 AED'000*
Revenues		
Middle East and Africa	**1,564,778**	1,454,411
Europe	**408,105**	356,742
North America	**46,878**	29,124
Asia	**192,235**	120,509
	2,211,996	1,960,786
Assets		
Middle East and Africa	**2,072,099**	1,902,897
Europe	**109,432**	101,123
North America	**23,621**	10,745
Asia	**81,306**	43,457
	2,286,458	2,058,222
Non- current assets		
Middle East and Africa	**323,467**	238,842
Europe	**18,034**	16,392
North America	**7,320**	1,242
Asia	**11,415**	3,943
	360,236	260,419
Liabilities		
Middle East and Africa	**347,228**	320,528
Europe	**86,680**	83,948
North America	**14,968**	9,984
Asia	**32,006**	19,964
	480,882	434,424

Non-current assets for this purpose consist of property, plant and equipment, other intangible assets and investments in joint ventures. Goodwill is allocated to business segments (note 5).

30 COMMITMENTS AND CONTINGENCIES

Contingent liabilities

	2010 AED'000	*2009 AED'000*
Letters of guarantee	**51,143**	45,653

Capital commitments

As at 31 December 2010, the Group has capital commitments of AED 81.74 million (2009: AED 43.95 million) towards purchase/construction of property, plant and equipment.

31 RISK MANAGEMENT

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft, notes payable and term loans).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant. There is no other direct impact on the Group's equity.

	Increase/ (decrease) in basis points	*Effect on profit for the year AED'000*
2010		
Variable rate instruments	**+100**	**72**
Variable rate instruments	**-100**	**(72)**
2009		
Variable rate instruments	+100	105
Variable rate instruments	-100	(105)

Credit risk
This is the risk that other parties will fail to discharge their obligations to the Group. The Group manages credit risk with its customers by establishing credit limits for customers' balances and also disconnects the service for customers exceeding certain limits for a certain period of time. Also, the diversity of the Group's customer base (residential, corporate, government agencies) limits the credit risk. The Group also has a credit department that continuously monitors the credit status of the Group's customers.

The Group also deposits its cash balances with a number of major high rated financial institutions and has a policy of limiting its balances deposited with each institution.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 73 percent of the Group's trade receivables are based in Middle East and Africa.

Management has established a credit policy under which new customers are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for customers, who represent the maximum open amount without requiring approval from senior Group management; these limits are reviewed regularly.

A significant portion of the Group's customers have been transacting with the Group for a number of years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are an agent, wholesaler, retailer or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

31 RISK MANAGEMENT (continued)

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturities of the group's financial liabilities at 31 December, based on contractual undiscounted payments:

At 31 December 2010

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1-2 year AED'000*	*2-5 years AED'000*	*> 5 years AED'000*	*Total AED'000*
Term loans	**151**	**385**	**182**	**23**	**-**	**741**
Notes payable	**68**	**126**	**91**	**221**	**-**	**506**
Finance lease obligations	**1,946**	**4,814**	**4,647**	**1,816**	**-**	**13,223**
Bank overdrafts	**6,863**	**-**	**-**	**-**	**-**	**6,863**
Trade and other payables	**361,337**	**-**	**-**	**-**	**-**	**361,337**
	370,365	**5,325**	**4,920**	**2,060**	**-**	**382,670**

At 31 December 2009

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1-2 year AED'000*	*2-5 years AED'000*	*> 5 years AED'000*	*Total AED'000*
Term loans	298	491	26	-	-	815
Notes payable	61	147	110	20	-	338
Finance lease obligations	2,123	5,277	4,335	2,512	-	14,247
Bank overdrafts	8,951	-	-	-	-	8,951
Trade and other payables	327,784	-	-	-	-	327,784
	339,217	5,915	4,471	2,532	-	352,135

Currency risk
Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

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

31 RISK MANAGEMENT (continued)

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

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

	Changes in currency rate to AED %	*Effect on profit before tax AED'000*
2010		
EUR	**+10**	**150**
INR	**+10**	**1,191**
GBP	**+10**	**1,384**
EGP	**+10**	**(1,122)**
2009		
EUR	+10	663
INR	+10	220
GBP	+10	586
EGP	+10	(788)

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

Equity price risk
The Group's listed equity securities are susceptible to market price risks.

The following table shows the effect of changes in year -end prices of equity securities:

	Changes in market year end price %	*Effect on equity for the year AED'000*
2010		
Dubai financial market	**+5**	**199**
Dubai financial market	**-5**	**(199)**
2009		
Dubai financial market	+5	248
Dubai financial market	-5	(248)

Capital management
The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interest and retained earnings, and is measured at AED 1,786,066 thousand as at 31 December 2010 (2009: AED 1,595,971 thousand).

31 RISK MANAGEMENT (continued)

Capital management (continued)
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 up to 50% would still enable the Group to achieve its objective of maintaining a strong capital base.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements other than the statutory requirements in the jurisdictions where the Group entities are incorporated.

32 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables, available-for-sale investments and other current assets. Financial liabilities consist of loans and borrowings, bank overdrafts, trade payables and other current liabilities.

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

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

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

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

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

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

33 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the statement of financial position date, gross trade accounts receivable were AED 439,911 thousand (2009: AED 383,023 thousand) and the provision for doubtful debts was AED 35,883 thousand (2009: AED 33,963 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Useful lives of property and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

33 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

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

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

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

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