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

Consolidated financial statements
for the period ended 31 December 2005

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Consolidated financial statements

31 December 2005

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ARAMEX ARAB INTERNATIONAL LOGISTICS Co. (PJSC)
ارامكس الشركة العربية الدولية للخدمات اللوجستية (ش م ع)

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To: Arab International Logistics Shareholders

Dear Shareholders,

The first few months since our inception have been extremely gratifying for Arab International Logistics (AIL). The company was launched in February 2005 with a very successful Public Offering (IPO). In June 2005, AIL acquired Aramex International, the region's leading transportation solutions provider, and embarked upon a series of other strategic moves, closing the year with impressive financial results.

While we are proud of our performance to date, we are more excited by the prospects for our future. Guided by a strong Board of Directors and a very experienced management team, we believe that Aramex has a great future, one which is based on the very solid foundations that have been built over the past 24 years.

A Confident Beginning

Our IPO in 2005 established AIL as the first public shareholding logistics company in the United Arab Emirates. The IPO was 80 times oversubscribed, attesting to very strong investor confidence. The company's shares are listed and traded on the Dubai Financial Market (DFM). The AED 1 billion in capital raised provides a robust platform on which to grow our business.

Proceeds from the IPO enabled us to accomplish the strategic acquisition of Aramex, the leading provider of total transportation & logistics solutions in the Middle East and South Asia with a global network of offices and an impressive client base of over 50,000 companies and organizations.

Capital AED 1,000,000,000 رأسمال ١,٠٠٠,٠٠٠,٠٠٠ درهم

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The Aramex acquisition gave us a management team that is committed and determined to succeed, a global network, a customer centric culture driven by excellence, and 24 years of achievement. There is no doubt we acquired more than just a company; we acquired a strong brand with experience, history, and a great corporate culture.

Financial Results:

Aramex results for the year ended December 31, 2005, were outstanding: Revenues were up 23% from 2004, reaching AED 853.853 million, and net income, at AED 74.403 million, was up 56% from 2004.

Since the acquisition of Aramex was concluded by AIL in the second half of 2005, only six-month Aramex figures are included in AIL's results. AIL revenues and net income for the period ended December 31, 2005, were AED 458.904 million and AED 51.187 million, respectively.

Unstoppable Momentum

We did not stop at Aramex International. Over the last six months of 2005 we forged ahead with an aggressive expansion and acquisition strategy, working towards a strategic repositioning of ARAMEX as a major player in the global marketplace.

Total investment in acquisitions to date exceeded AED 94 million. By year end, our acquisitions included Priority Airfreight, a UK-based express service provider that specializes in express traffic between the UK and US markets; Dubai-based InfoFort, a leading Middle East and North Africa (MENA) region; Egypt-based Freight Professionals, a freight forwarding company specializing in air and sea freight which was concluded in January 2006; Al-Khazen, the only independent publication distribution company in Palestine; and a joint venture with SMS Couriers, a domestic express company in Pakistan.

Capital AED 1,000,000,000 رأسمال ١٠٠٠٠٠٠٠٠٠ درهم

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The year 2005 also witnessed key expansions in our logistics facilities in order to meet increasing demand in the MENA region. We are particularly proud of the recently opened ARAMEX logistics center in Jabal Ali Free Zone in Dubai. The center includes state of the art facilities capable of serving major markets and clients in the region. We have also invested in logistics infrastructure in Lebanon, Jordan and Egypt.

Exciting Times Ahead

These are exciting times for us – we think we have the foundation to build a global brand. It is with your support that we can make things happen.

The Aramex people are always making a difference to their clients and ensuring the highest quality of service. To them, we always say thank you for your continued commitment and hard work.

Yours sincerely,

A. Mazrui

Abdullah M. Mazrui
Chairman

Fadi Ghandour
President & CEO

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

Report of the Auditors

We have audited the accompanying consolidated balance sheet of Arab International Logistics (ARAMEX) Co. (PJSC) ("the Company") and its subsidiaries (collectively referred to as "the Group") as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in equity for the 320 days period then ended ("the period").

Respective responsibilities of the Company's Management and the Auditors

These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion these consolidated financial statements, present fairly, in all material respects, the financial position of the Group as of 31 December 2005 and the results of its operations and its cash flows for the 320 days period then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association and the UAE Federal Law No. 8 of 1984 (as amended).

Other matters

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanation necessary for our audit, that proper financial records have been kept by the Group and the content of the Directors' report which relates to these consolidated financial statements is in agreement with the Group's financial records. We are not aware of any violation of the above-mentioned Law and the Articles of Association having occurred during the 320 days period ended 31 December 2005, which may have had a material adverse effect on the business of the Group or its financial position.

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

Date: 15 March 2006

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

Consolidated income statement

for the period ended 31 December 2005

	Note	**Period ended 31 December 2005 AED'000**
Revenue	*6*	**458,904**
Cost of services	*7*	**(239,558)**
Gross profit		**219,346**
Other operating expenses	*8*	**(64,897)**
Selling expenses		**(23,672)**
General and administrative expenses	*9*	**(87,044)**
Profit from operations		**43,733**
Other income		
Interest income - net	*10*	**13,374**
Other miscellaneous income		**910**
		14,284
Net profit before income tax		**58,017**
Income tax	*11*	**(2,318)**
Net profit after income tax		**55,699**
Minority interest		**(4,512)**
Net profit for the period		**51,187**
Basic earnings per share (AED)	*26*	**0.055**

The notes on pages 9 to 29 form part of these consolidated financial statements.

The report of the Auditors is set out on page 4.

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

Consolidated balance sheet

as at 31 December 2005

Assets	*Note*	**31 December 2005 AED'000**
Property, plant and equipment	*12*	**78,116**
Goodwill	*13*	**628,343**
Other intangible assets	*14*	**4,022**
Deferred tax assets	*11*	**2,709**
Other non current assets	*15*	**5,578**
Total non-current assets		**718,768**
Cash and cash equivalents	*16*	**340,360**
Trade receivables	*17*	**149,550**
Other current assets	*18*	**29,581**
Total current assets		**519,491**
Total assets		**1,238,259**
Equity		
Share capital	*19*	**1,000,000**
Currency translation adjustment		**(618)**
Statutory reserve	*20*	**1,199**
Retained earnings		**49,988**
Total equity attributable to equity holders of the parent		**1,050,569**
Minority interest		**15,353**
Total equity		**1,065,922**
Liabilities		
Deferred tax liabilities	*11*	**36**
Long term debt	*21*	**4,731**
Employee end of service benefits	*22*	**24,051**
Total non-current liabilities		**28,818**
Due to banks	*23*	**3**
Current portion of long-term debt	*21*	**5,505**
Trade payables		**71,356**
Other current liabilities	*24*	**66,655**
Current liabilities		**143,519**
Total liabilities		**172,337**
Total equity and liabilities		**1,238,259**

The notes on pages 9 to 29 form part of these consolidated financial statements.

The Board of Directors approved these consolidated financial statements on 15 March 2006.

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

The report of the Auditors is set out on page 4.

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

Consolidated statement of cash flows

for the period ended 31 December 2005

	Period ended 31 December 2005 AED'000
Operating activities	
Net profit for the period before income tax and minority interest	**58,017**
Adjustments to reconcile net profit before tax and minority interest to net cash from operating activities	
Depreciation	**8,753**
Amortisation	**427**
Provision for doubtful debts	**1,331**
Provision for employee end of service benefits	**4,514**
Interest expense	**732**
Profit on sale of property, plant and equipment	**(180)**
Operating profit before working capital changes	**73,594**
Decrease in receivables	**1,179**
Decrease in other current assets	**6,877**
Increase in trade payables	**2,157**
Employee end of service benefits paid	**(1,478)**
Increase in other current liabilities	**5,043**
Decrease in due to a related party	**(6,978)**
Cash generated by operations	**80,394**
Income tax paid	**(1,262)**
Cash flows from operating activities	**79,132**
Investing activities	
Purchase of property, plant and equipment	**(39,366)**
Proceeds from sale of property, plant and equipment	**360**
Acquisition of Aramex International Limited, net of cash acquired	**(654,646)**
Acquisition of Info Fort Dubai & Cairo, net of cash acquired	**(46,339)**
Acquisition of Info Fort KSA, net of cash acquired	**(1,701)**
Acquisition of Priority Air Limited, net of cash acquired	**(4,965)**
Acquisition of other subsidiaries, net of cash acquired	**(2,271)**
Intangible assets acquired	**(1,229)**
Decrease in other non-current assets	**9,124**
Cash flows from investing activities	**(741,033)**
Financing activities	
Interest paid	**(732)**
Net movement in bank borrowings	**3,810**
Net movement in minority interest	**(231)**
Share capital issued	**1,000,000**
Cash flows from financing activities	**1,002,847**
Net increase in cash and cash equivalents	**340,946**
Cash and cash equivalents at beginning of the period	**-**
Effect of exchange rate changes on cash held	**(586)**
Cash and cash equivalents at end of the period	**340,360**

The notes on pages 9 to 29 form part of these consolidated financial statements.

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

Consolidated statement of changes in equity

for the period ended 31 December 2005

	Share capital		Currency translation adjustments	Statutory reserve	Retained earnings	Total shareholders' equity	Minority shareholders' interest	Total equity
	Number	Amount AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Share capital issued	1,000,000,000	1,000,000	-	-	-	1,000,000	-	1,000,000
Net profit after tax	-	-	-	-	51,187	51,187	4,512	55,699
Translation adjustment	-	-	(618)	-	-	(618)	-	(618)
Transfer to statutory reserve	-	-	-	1,199	(1,199)	-	-	-
On acquisition of Aramex International Limited (refer note 2)	-	-	-	-	-	-	11,072	11,072
Net other movements during the period	-	-	-	-	-	-	(231)	(231)
At 31 December 2005	**1,000,000,000**	**1,000,000**	**(618)**	**1,199**	**49,988**	**1,050,569**	**15,353**	**1,065,922**

The notes on pages 9 to 29 form part of these consolidated financial statements.

The report of the Auditors is set out on page 4.

Notes
(forming part of the consolidated financial statements)

1 Legal status and principal activities

Arab International Logistics (ARAMEX) Co. (PJSC) ("the Company") is a Public Joint Stock Company registered in the Emirate of Dubai, UAE on 15 February 2005 under UAE Federal law No 8 of 1984 (as amended).

The principle activities of the Company are to invest in the freight, express, logistics and supply chain management businesses through acquiring and owning controlling interests in one or more existing companies in the Middle East and other parts of the world.

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

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

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

The Company was listed on the Dubai Financial Market on 9 July 2005. During the current period the Company amended its name from Arab International Logistics PJSC to Arab International Logistics (ARAMEX) Co. (PJSC) ("the Company").

Also refer to notes 2, 3 and 25

2. Acquisition of subsidiaries

Aramex International Limited ("AIL")

During the current period the Company acquired 100% of the shareholding of AIL. An amount of AED 681.5 million was paid for the acquisition which was settled in cash. This acquisition had the following effect on the Company's assets and liabilities:

Assets/(liabilities)	**AED'000**
Property,plant and equipment	44,144
Deferred tax and other non current assets	16,178
Trade and other receivables	181,311
Cash in hand and at bank	26,930
Bank loans	(1,894)
Long term loans	(4,536)
Minority interest	(11,072)
Employee end of service benefits	(20,841)
Trade and other payables	(120,810)
Due to a related party	(6,978)
Net fair value of assets and liabilities acquired	102,432
Goodwill on acquisition (refer note 13)	579,144
Consideration paid (A)	681,576
Cash and cash equivalents acquired (B)	(26,930)
Net cash outflow (A)-(B)	**654,646**

2. Acquisition of subsidiaries (continued)

Other subsidiaries

During the current period, the Company also acquired the following other subsidiaries apart from its acquisition of Aramex International Limited. The details of the subsidiaries acquired, together with the percentage holding in the subsidiaries is as under:

Subsidiary	Acquisition effective date	% holding
Priority Air Freight Limited ("Priority")	1 September 2005	100%
Al Qalaa Warehouse Limited ("Info Fort KSA")	1 September 2005	100%
Info Fort Dubai and Cairo	1 July 2005	100%

The above subsidiaries are involved with carrying on freight forwarding, logistics and document storage business.

These acquisitions had the following effect on the Company's assets and liabilities:

	Info Fort Dubai & Cairo AED'000	Priority AED'000	Info Fort KSA AED'000	Others AED'000
Net assets taken over	1,412	5,979	377	1,515
Intangible assets taken over (refer note 14)	2,237	-	983	-
Goodwill on acquisition (refer note 13)	45,724	2,236	483	756
Consideration paid (A)	49,373	8,215	1,843	2,271
Cash and cash equivalents (B)	3,034	3,250	142	-
Net cash outflow (A)-(B)	**46,339**	**4,965**	**1,701**	**2,271**

Other subsidiaries include subsidiaries in Sudan (acquired with effect from 1 May 2005) and Oman (acquired with effect from 1 September 2005).

Since the date of acquisition Info Fort Dubai and Cairo have contributed a profit of AED 2,698K, Priority Air Freight Limited has contributed a profit of AED 484K and Info Fort KSA has contributed a loss of AED 47 K to the consolidated profits of the Group for the 320 days period ended 31 December 2005 ("the period").

Had the above acquisitions taken place from the beginning of the year, Group revenues would have been AED 876.9 million and net profit would have been AED 95.6 million. For certain subsidiaries, in the absence of reliable and accurate financial records for the pre acquisition period, the results for the year have been annualized on the basis of actual results of the post acquisition period.

Also refer to notes 1, 3 and 25.

3. Financial information relating to Aramex International Limited

Since acquisition, Aramex International Limited has contributed AED 45.7 million to the consolidated profits of the Group for the period ended 31 December 2005.

The financial information relating to Aramex International Limited and its subsidiaries for the year ended 31 December 2005 is as under:

	Year ended 31 December 2005 AED'000
Revenue	**853,851**
Gross profit	**406,532**
Net profit before minority interest	**84,489**

Also refer to notes 1 and 2.

4 Basis of preparation

Basis of consolidation

The consolidated financial statements comprise a consolidation of the audited financial statements of the Company and its subsidiaries ("the Group"), on a line-by-line basis. Intra-group balances and transactions, and any unrealised gains/ losses arising from intra-group transactions, have been eliminated in preparing these consolidated financial statements.

Although the Company acquired AIL on 22 June 2005, the financial statements of AIL have been consolidated in the Group with effect from 1 July 2005 as consolidated financial information of AIL for the 9 days period from 22 June 2005 to 30 June 2005 is not available. The effect of not consolidating the financial performance for this period is not considered material.

5 Significant accounting policies

Statement of compliance

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

Basis of accounting

These consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), rounded to the nearest thousand and have been prepared under the historical cost convention. These consolidated financial statements include the results of operations of the Group for the 320 days period, from 15 February 2005 to 31 December 2005 ("the period").

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in note 31.

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The results of operations and total assets and liabilities of subsidiary companies are included in the consolidated financial statements and the interest of minority shareholders, if any, in the net assets of the subsidiaries is stated separately.

5 Significant accounting policies (continued)

A listing of the subsidiaries, included in these consolidated financial statements, together with the respective ownership percentage by the Company, is as follows:

Subsidiaries (described by location)	% Ownership 31 December 2005
Amman (except for Arab American Clearance and Transport Company owned 90%)	**100**
Damascus	**60**
Beirut	**100**
Beirut CGO	**100**
Cairo	**100**
Casablanca	**100**
Tripoli	**100**
Dubai	**100**
Abu Dhabi	**100**
Doha	**100**
Bahrain	**100**
Jeddah*	**50**
Nicosia	**100**
Paris	**100**
London	**100**
Washington, D.C.	**100**
New York	**100**
Montreal*	**20**
Kuwait	**100**
Athens	**100**
Jerusalem	**60**
Palestine	**100**
Ramallah	**60**
Istanbul*	**50**
Colombo*	**50**
Mumbai	**100**
Hong Kong	**100**
Memo Express - Dubai	**100**
Prague	**100**
Info Fort –UAE	**100**
Info Fort-Cairo	**100**
Info Fort-KSA	**100**
Sudan	**60**
Slovakia	**100**
Priority Air Freight Limited	**100**
Muscat	**100**
Info Fort Holding Limited (Bermuda)	**100**
Iran	**50**

* Controlled through shareholders' agreements

The above subsidiaries are involved in the business of freight, logistics, supply chain management and document storage.

5 Significant accounting policies (continued)

Revenue

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

Revenue recognition

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

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

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

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

Revenue from document storage services is recognized when services are rendered.

Trade and other receivables

Trade and other receivables are stated at amortized cost less impairment losses.

Trade and other payables

Trade and other payables are stated at amortised cost. Liabilities are recognized for amounts to be paid for goods or services received whether or not billed to the Group.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to AED at the foreign exchange rate ruling at date. Foreign exchange differences arising on translation are recognised in the income statement. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Translation of the financial statements of foreign subsidiaries

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

5 Significant accounting policies (continued)

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses if any. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

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

The useful lives and residual value, if not insignificant, is reassessed annually.

Leased assets

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

Assets held under capital leases are depreciated over the shorter of the lease terms or the estimated useful lives of the assets.

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less impairment losses, if any. Goodwill is allocated to cash generating units and is tested annually for impairment.

The measurement of possible impairment is based primarily on the ability to recover the balance of the goodwill from discounted expected future operating cash flows. Negative goodwill arising on an acquisition is recognized directly in the income statement.

Provisions

A provision is recognized in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5 Significant accounting policies (continued)

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date, whenever, there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the income statement.

Income taxes

The Group provides for income taxes in accordance with IAS 12. As the Company is incorporated in the UAE, profits from operations of the Company are not subject to taxation, however certain subsidiaries of the Company are based in taxable jurisdictions and are therefore liable to tax. Income tax on the profit or loss for the year comprises of current and deferred tax on the profits of these subsidiaries. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Employee end of service benefits

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

Borrowing costs

Interest is payable on current facilities from banks, overdrafts and long-term loans from banks at normal commercial or agreed rates. Borrowing costs are recognized as an expense in the period in which these are incurred.

Interest income

Interest income is recognized in the income statement as it accrues, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalent comprises cash balances, short term deposits and call deposits. Due to banks are included as part of cash flows from financing activities for the purpose of the statement of cash flows.

Intangible assets

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

Notes *(continued)*

5 Significant accounting policies (continued)

Leases

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

Capital leases
Leases in term of which the Group assumes substantially all the risks and rewards of ownership are classified as capital leases.

6 Revenue

	Period ended 31 December 2005 AED'000
International express*	**186,535**
Freight forwarding*	**150,840**
Domestic express*	**63,065**
Publications and distributions	**17,242**
Shop 'n' ship	**10,330**
Documents storage	**10,564**
Other**	**20,328**
	458,904

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

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

7 Cost of services

	Period ended 31 December 2005 AED'000
Line haul expenses - express	**46,408**
Distribution expenses – express	**32,790**
Inbound costs – express	**9,910**
Freight forwarding and related expenses	**110,827**
Catalogue shopping services	**2,941**
Magazines and newspapers distribution	**14,723**
Others	**21,959**
	239,558

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

8 Other operating expenses

	Period ended 31 December 2005 AED'000
Staff salaries and benefits	**47,229**
Vehicle running and maintenance	**11,330**
Stationary and supplies	**5,126**
Communication expenses	**529**
Others	**683**
	64,897

9 General and administrative expenses

	Period ended 31 December 2005 AED'000
Staff salaries and benefits	**39,779**
Rentals	**8,457**
Depreciation charge	**8,753**
Communication expense	**5,201**
Maintenance	**2,514**
Printing and stationary	**1,738**
Provision for bad and doubtful debts	**1,331**
Sponsorship fees	**1,111**
Government fees and taxes	**716**
Others	**17,444**
	87,044

10 Interest income -net

Interest income primarily represents interest on funds collected by the Company from shareholders following the listing of the Company on the Dubai Financial Market which have not been utilized to date. Interest income is stated net of interest expense of AED 732K.

11 Income taxes

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

	Period ended 31 December 2005 AED'000
Current	**3,698**
Deferred	**(1,380)**
	2,318

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

	31 December 2005 AED'000
Provision for doubtful accounts	**1,354**
Other	**26**
Depreciation	**(60)**
Termination indemnities	**198**
Net operating losses carry forwards	**1,192**
Capital allowance	**(37)**
	2,673

	31 December 2005 AED'000
Recognised as follows:	
As deferred tax assets	**2,709**
As deferred tax liabilities	**(36)**
	2,673

The Group's consolidated effective tax rate was 4 % for 2005.

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

12 Property, plant and equipment

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

	At the beginning of the period AED'000	Addition on acquisition of subsidiaries AED'000	Depre-ciation AED'000	Disposals AED'000	Exchange differences AED'000	At the end of the period AED'000
Accumulated depreciation						
Land	-	-	-	-	-	-
Leasehold improvements	-	8,074	1,154	-	4	9,232
Building	-	1,281	221	-	-	1,502
Furniture and fixtures	-	7,764	600	(238)	(96)	8,030
Office equipment	-	9,784	1,058	(105)	(198)	10,539
Computers	-	28,245	2,496	(795)	(266)	29,680
Vehicles	-	17,346	3,224	(2,162)	(12)	18,396
	-	72,494	8,753	(3,300)	(568)	77,379
Net book value	-					**78,116**

Capital work in progress represents ongoing construction of a warehouse facility in Jebel Ali at 31 December 2005. Property, plant and equipment includes vehicles with a net book value of AED 4.6 million that have been obtained under capital leases. Also refer note 21.

13 Goodwill

The movement in the goodwill account is as follows:

	Period ended 31 December 2005 AED'000
Opening balance	**-**
On acquisition of Aramex International Limited	**579,144**
On acquisition of Info Fort Dubai and Cairo	**45,724**
On acquisition of Info Fort KSA	**483**
On acquisition of Priority Air Freight Limited	**2,236**
On acquisition of others	**756**
Closing balance (refer note 2)	**628,343**

13 Goodwill (continued)

The impairment test is based on the "value in use" calculation. These calculations have used cash flow projections based on actual operating results and future expected performance. Cash flow projections beyond five years have been extrapolated using a four percent growth rate. This growth rate is considered appropriate considering the nature of the industry and the general growth in economic activity being witnessed in the location/region where these entities operate. A discount rate of ten percent has been used in discounting the cash flows projected. Also refer note 31.

14 Other intangible assets

Other intangible assets represents list of customers, bound by contracts, and preferential route rights acquired by the Group. The Group is amortising these intangible assets over period between three to ten years. The movement during the period in the balance of intangible assets is as under:

	Period ended 31 December 2005 AED'000
Opening balance	**-**
Customers lists acquired on acquisitions of subsidiaries (refer note 2)	**3,220**
Preferential route rights acquired	**1,229**
Amortisation during the period	**(427)**
Closing balance	**4,022**

15 Other non current assets

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

16 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at bank amounting to AED 340.3 million. These include restricted cash amounting to AED 4.3 million as of 31 December 2005. This amount represents margin against bank guarantees.

17 Trade receivables

	31 December 2005 AED'000
Trade receivables	**166,235**
Less: Provision for doubtful accounts	**(16,685)**
	149,550

Geographic concentration of accounts receivables as of 31 December 2005 is as follows:

	31 December 2005 %
Middle East and North Africa	**84**
Europe	**7**
North America	**2**
Asia	**7**

Management believes that all receivables, net of related provisions, are collectable.

Movement in the provision for doubtful accounts during the period is as follows:

	Period ended 31 December 2005 AED'000
Opening balance	**-**
Balance acquired on acquisition of Aramex International Limited	**18,417**
Balance acquired on acquisition of other subsidiaries	**605**
Provision made during the period	**1,331**
Write-offs	**(3,668)**
Closing balance	**16,685**

18 Other current assets

	31 December 2005 AED'000
Prepaid expenses	**7,938**
Refundable deposits	**6,756**
Stationary and supplies	**3,189**
Advances	**912**
Withholding tax	**4,231**
Employees' advances	**1,566**
Others	**4,989**
	29,581

19 Share capital

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

Of the total shares, 450 million shares were issued to the founder shareholders on 15 February 2005 and the remaining 550 million shares were issued on 31 March 2005.

20 Statutory reserve

In accordance with the Articles of Association of the entities in the Group and Article 255 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit for the year of the individual entities to which the law is applicable has been transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid up share capital of applicable entities. This reserve is non distributable except in certain circumstances.

21 Long term debt

	31 December 2005 AED'000
Long term loan (a)	**5,020**
Long term notes payables (b)	**416**
Capital lease obligations (c)	**4,800**
Less: Current maturities	**(5,505)**
Long term portion	**4,731**

(a) Long term loan

This represents the balances outstanding from:

1. A term loan facility taken by Arab American Express company Ltd (Amman Station) (a 100% owned subsidiary of the Company) from Jordan Kuwait Bank on 5 October 2005 for an amount of AED 10.3 million (JD 2 million) at an annual interest rate of 7%. Of the total facility, Arab American Express Company Ltd has made a drawdown of AED 4.7 million (JD 901K) as at 31 December 2005. This loan is repayable over 60 monthly installments amounting to AED 170.7K commencing from October 2005. This loan has been obtained by the Company for the construction of new premises in Amman. This loan is secured by the pledge of land and the premises which would be constructed on the land. Also refer note 12

2. Term loan taken by Aramex International Courier Palestine (a 60% owned subsidiary of the Group) from HSBC Bank on 26 March 2005 for an amount of AED 551K (USD 150K) at an annual interest rate of 7%. This loan is repayable over 23 monthly installments of AED 23.9K commencing from May 2005.

21 Long-term debt (continued)

(b) Long term notes payable

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

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

	31 December 2005 AED'000
Total notes payables	**416**
Less: current maturities	**(257)**
Long term portion	**159**

(c) Future minimum annual payments under all non-cancelable capital leases are as follows:

	31 December 2005 AED'000
Less than one year	**3,173**
Between one and five years	**1,986**
Total minimum lease payments	**5,159**
Less: Interest component	**(359)**
Present value of minimum lease payments	**4,800**

22 Employee end of service benefits

	Period ended 31 December 2005 AED'000
At 1 January	-
Balance acquired on acquisition of Aramex International Limited	**20,841**
Balance acquired on acquisition of other subsidiaries	**222**
Provision made during the year	**4,514**
Payments made during the year	**(1,478)**
Currency translation reserve	**(48)**
At 31 December	**24,051**

23 Due to banks

The Group maintains lines of credit with various banks. The Group had utilized AED 3K of these lines of credit as at 31 December 2005. AIL has provided a corporate guarantee of AED 1.8 million to Audi Bank in Lebanon to secure the bank facilities given for Aramex subsidiary in Lebanon, none of which was utilized by Aramex Lebanon as of 31 December 2005. Also refer note 28.

24 Other current liabilities

	31 December 2005 AED'000
Accrued expenses	**49,571**
Deferred revenue	**4,319**
Sales and other taxes	**4,461**
Income taxes payable	**6,216**
Customers' deposits	**303**
Social securities and taxes payable	**714**
Others	**1,071**
	66,655

25 Related party transactions

As explained in note 1 of the financial statements, the Company acquired 100% shareholding in Aramex International Limited, an entity in which the CEO of the Company held a minority shareholding of 22%. The total consideration paid on acquisition of the Company was AED 681.5 million. The CEO also holds 124 million shares in the Company representing a share holding of 12.4%. Also refer notes 1, 2 and 3.

AIL leases the premises currently occupied by the Group's London operations from Mr. Ali Ghandour, the father of Mr. Fadi Ghandour (CEO), at an annual rental of AED 506K (GBP 75K). The lease is open-ended and is renewed annually. Management believes that the terms of the lease are at least as favourable to AIL as those available from unaffiliated third parties. During 1996, AIL leased the premises currently occupied by the AIL's corporate office in Amman, Jordan, from ARAM, an investment company controlled by the CEO's family. Rent expense for period ended 31 December 2005 equals AED 605K (JD 117K). The lease is open-ended and is renewed annually. Management believes that the terms of the lease are at least as favourable to the Company as those available from unaffiliated third parties.

AIL entered into a new alliance called Global Distribution Alliance ("GDA") in December 2003. GDA is a global alliance among thirty two leading independent express companies that functions as a worldwide delivery network for its members in which AIL is one of the founding members. AIL and the GDA maintain normal business relations. At 31 December 2005, AED 866K was due from Aramex International Limited to the network and has been included under other current liabilities. Aramex Beirut premises are rented from the station manager and her relatives at an annual rental equivalent to AED 132 K. Management believes that the terms of the rental are at least as favourable to the Company as those available from unaffiliated third parties.

25 Related party transactions (continued)

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

Details of other significant related party transactions are as follows:

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

26 Earning per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders amounting to AED 51.2 million and a weighted average number of ordinary shares outstanding during the period ended 31 December 2005 of 1,000,000 shares outstanding were:

	Period ended 31 December 2005 AED'000
Profit for the period	**51,187**
	=====
Weighted average number of ordinary shares at 31 December	**924,375,000**
	=========

27 Operating leases

The Group leases office space and transportation equipment under various operating leases, some of which are renewable annually. Rent expense related to these leases amounted to AED 8.4 million for the period ended 31 December 2005. 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:

	31 December 2005 AED'000
Less than one year	**4,176**
Between one and five years	**4,569**
	====

Notes (*continued)*

28 Contingent liabilities and commitments

	31 December 2005 AED'000
Letters of guarantee	**22,180**

As at 31 December 2005, there were no material outstanding capital commitments.

29 Information about business segments

The Group operates predominantly in a single industry as a courier and cargo freight forwarder. The following is a summary of financial data by business segment consistent with the way senior management organizes operations within the Group for decision making purposes and performance assessment.

	Inter-national express	Freight Forwarding	Domestic Express	Other	Elimi-Nation	Conso-Lidated
320 days period ended 31 December 2005						
External sales	**186,535**	**150,840**	**63,065**	**58,464**		**458,904**
Inter-segment sales	**86,203**	**39,055**	**138**	**11,360**	**(136,756)**	
Segment sales	**272,738**	**189,893**	**63,203**	**69,824**	**(136,756)**	
Gross profit	**97,774**	**40,013**	**49,522**	**32,037**		**219,346**

Revenue between stations that are wholly owned subsidiaries is priced at cost. Transactions with other affiliated stations are typically priced at cost plus 10%. All material intra group transactions have been eliminated in consolidation.

The Group does not segregate assets and liabilities by business segment and accordingly such information is not available. The following table shows the Group's consolidated revenues, assets and liabilities by geographical area:

	Period ended 31 December 2005 AED'000
Revenues	
Middle East and North Africa	**385,464**
Europe	**23,975**
North America	**9,152**
Asia	**40,313**
	458,904

29 Information about business segments (continued)

	31 December 2005 AED'000
Assets	
Middle East and North Africa	**1,188,937**
Europe	**19,934**
North America	**7,500**
Asia	**21,888**
	1,238,259

	31 December 2005 AED'000
Long lived assets *	
Middle East and North Africa	**70,698**
Europe	**2,809**
North America	**1,240**
Asia	**3,369**
	78,116

* Long lived assets include property, plant and equipment.

	31 December 2005 AED'000
Liabilities	
Middle East and North Africa	**142,400**
Europe	**13,356**
North America	**7,021**
Asia	**9,560**
	172,337

30 Financial instruments

Financial assets of the Group include cash at bank and in hand, trade and other receivables and other current assets. Financial liabilities include trade and other payables, short-term and long-term borrowings from banks and other current liabilities. Accounting policies for financial assets and liabilities are set out in note 5.

a) Fair value

The fair value of the Group's financial assets and liabilities approximate their carrying amounts.

b) Interest rate risks

The Group's deposits with banks carry interest at agreed rates. Further the interest rates and terms of repayment of loans of the Group are described in note 21 and 23 of these financial statements.

c) Credit risks

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

d) Currency risks

Most of the Group's transactions are in US Dollars, a currency to which the UAE Dirham is pegged. However, a substantial amount of the Group's business is conducted in currencies other than the US Dollar. As a result, the Group's operations are subject to various risks associated with currency fluctuation. There can be no assurance that such risks will not have an adverse effect on the Group. Exchange gains or loss resulting from these currencies has been accounted for in the income statement.

31 Accounting estimates and judgments

Key sources of estimation uncertainty

Goodwill impairment

The impairment test is based on the "value in use" calculation. These calculations have used cash flow projections based on actual operating results and future expected performance. Cash flow projections beyond five years have been extrapolated using a four percent growth rate. This growth rate is considered appropriate considering the nature of the industry and the general growth in economic activity being witnessed in the location/region where these entities operate. A discount rate of ten percent has been used in discounting the cash flows projected. Also refer to note 13.

Provision for bad and doubtful receivables

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

31 Accounting estimates and judgments (continued)

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.

Identifiable assets and liabilities taken over on acquisition of subsidiaries

The Group separately recognizes assets and liabilities on the acquisition of a subsidiary when it is probable that the associated economic benefits will flow to the acquirer or when, in the case of liability, it is probable that an outflow of economic resources will be required to settle the obligation and the fair value of the asset or liability can be measured reliably. Intangible assets and contingent liabilities are separately recognized when their fair values can be measured reliably. Intangible assets, acquired on acquisition, mainly represents lists of customers, bound by a contract, valued on the basis of discounted cash flows.

32 Subsequent events

In January 2006, the Group has acquired a 100% shareholding in Freight Professionals, a freight forwarder registered in Egypt for a cost of AED 29.4 million (USD 8 million).