# ANNUAL REPORT 2009

aramex
delivery unlimited

# Mission and Purpose

## Mission

To be recognized as one of the top five global logistics and express transportation service providers.

## Purpose

To enable and facilitate regional and global trade and commerce.

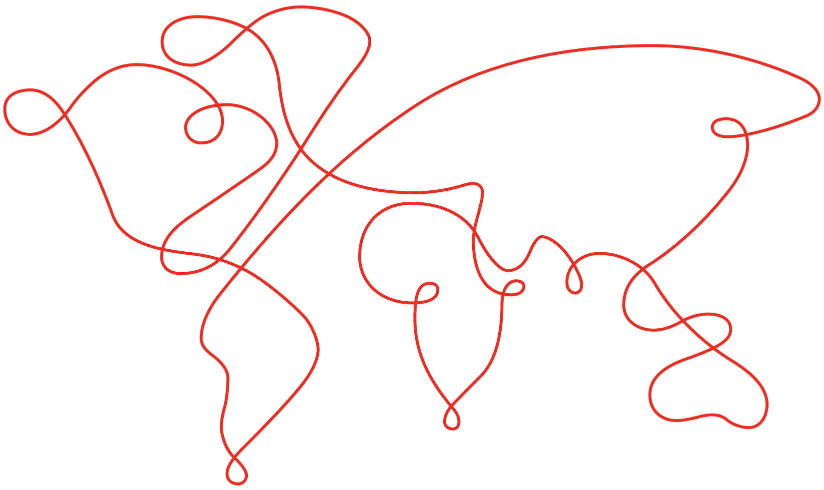
# Delivering Results

In spite of a turbulent economic climate, Aramex's agile business model and stakeholder-centered approach reflected into record profits in 2009. Despite a 6% drop in revenues to AED 1,961 million, our net profits surged by 25% to AED 184 million, as net profit margins increased to 9.4%.

We were able to deliver these results thanks to cost-cutting programs and an entrepreneurial culture that empowered our people to innovate and deliver customer-focused solutions.


aramex

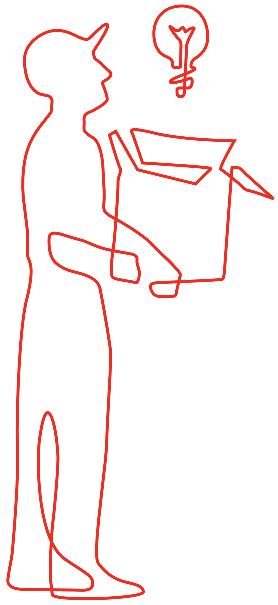
# Delivering Growth



2009 was another year of expansion, both in terms of entering new emerging markets and investing in logistics infrastructure. We forged new ventures to deliver our complete range of logistics solutions in Sri Lanka and Oman. We also acquired Metrofile—a UAE outfit—bolstering our document and data management solutions company, InfoFort.

Building on our investments in logistics infrastructure, we broke ground on an environmentally friendly Logistics Center in Dubai Logistics City—set to open in early 2011—and started construction on a new logistics center in Cairo. The facilities will enhance our capabilities to deliver cost-effective and reliable logistics solutions for our regional and global customers.

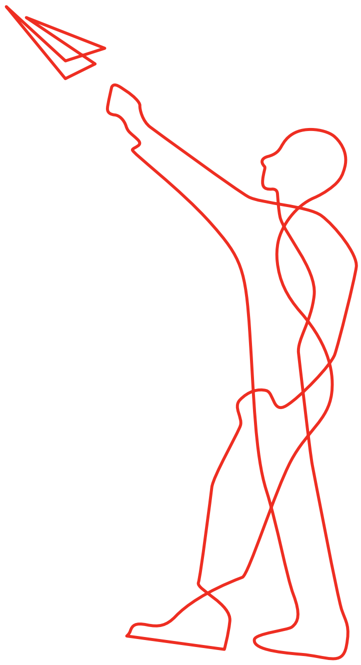
# Delivering Customer Service



Our customers continue to drive our operations, and we are constantly seeking innovative solutions to meet their evolving needs. In 2009, we launched Value Express, a service that enables our customers in the MENA and South Asia regions to deliver non-urgent packages economically.

Also in 2009, we restructured our customer management teams to improve service efficiency. Furthermore, we responded to evolving communication trends by introducing online social media channels to provide swift customer support and facilitate collaborative interactions.

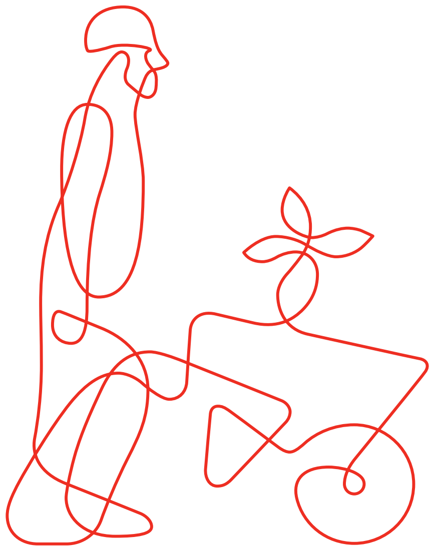
# Delivering Opportunities



Investing in our communities, empowering youth, and supporting education and entrepreneurship are building blocks of our sustainability activities. On the education front, we supported students by partnering with Future Generation Foundation in Egypt and the Student to Student initiative in Palestine. While in Syria, we continued to support the Syrian Young Entrepreneurs Association, which assists the development of new enterprises and the promotion of a progressive business environment.

Collaborating with Ruwwad—the region-wide initiative to empower youth and communities—remained a central part of our activities. We also signed an agreement with UNICEF to provide free outbound shipping to their Riyadh and Dubai offices, and again helped facilitate their ***"Send a Card, Save a Life"*** greeting card campaign.

# Delivering Responsibly



Environmental sustainability remains a priority in all our activities. In 2009, we enhanced the fuel-efficiency of our fleets by upgrading more vehicles to Euro 4 standards, and we started a program to reduce energy consumption in our offices and warehouses by complying with several international certificates.

We also expanded our paper and cardboard recycling activities to new countries, and planted 10,000 new trees in Aqaba, Jordan to offset our carbon footprint.

**Abdulla M. Mazrui**
Chairman

**Fadi Ghandour**
Founder and CEO

For us, 2009 was a year filled with challenges and opportunities. In spite of a turbulent economic climate, we continued to deliver value to all our stakeholders—our customers, our business partners and shareholders, our people, and the communities we belong to.

In fact, 2009 was the year when Aramex's agile business model, sustainable practices, and entrepreneurial spirit were clearly reflected in our performance, as Aramex was acknowledged regionally by topping the Logistics Middle East Power 25 list. Moreover, financially, and despite a 6% drop in revenues to AED 1,961 million, our net profits surged by 25% to AED 184 million, as net profit margins increased from 7.1% in 2008 to 9.4% in 2009. Additionally, we maintained a very healthy balance sheet, with a cash position of AED 502 million.

Throughout the year, we invested in our logistics infrastructure and moved forward with our expansion in emerging markets. In November, we broke ground on our environmentally friendly Logistics Center in Dubai Logistics City, set to open in early 2011, and started a new logistics center in Cairo. As part of our strategy to boost our customer portfolio and service offerings in emerging markets, we forged new ventures in Oman and Sri Lanka. We also acquired Metrofile, a UAE outfit, bolstering our document and data management solutions company, InfoFort.

In this unstable economic environment, and despite a minimal restructuring in a few locations, we maintained our employee base and strengthened the professional development of our people by enhancing our corporate university's programs.

Our sustainability commitments—evident through investments in our communities, youth, education, entrepreneurship, and sports—remained a priority in 2009. In Egypt, we collaborated with Future Generation Foundation (FGF) to equip students with the skills required in the job market. In Syria, we continued to support aspiring entrepreneurs through the Syrian Young Entrepreneurs Association (SYEA). Furthermore, we retained our partnership with Ruwwad for Development, a region-wide initiative to empower youth and communities.

Needless to say, implementing environmentally sustainable practices across our operations was at the forefront of our activities in 2009. This included introducing fuel-efficient cars, cutting our emissions, expanding our paper and cardboard recycling activities to new countries, and planting 10,000 new trees in Aqaba, Jordan. The second edition of our sustainability report, to be released in 2010, will chronicle some of these accomplishments*.

In 2010, we will deepen and expand our investments in Africa, Southeast Asia and CIS countries, while consolidating our capabilities in third-party logistics. Seeking new partners will also be on our agenda as we strive to foster an environment where entrepreneurs can thrive, and to enable trade, including e-commerce, through supporting the growth of SMEs and startups. We will also build on the strong track record of 2009—financial, social, and environmental—as we continue to place the interests of our stakeholders at the heart of our business goals.

Abdulla M. Mazrui
Chairman

Fadi Ghandour
Founder and CEO

*For more information on Aramex's sustainability initiatives visit aramex.org

## About the Company:

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

The principal 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 of the existing companies in the Middle East and other parts of the world. The company's registered office is: Business Center Towers, 2302A, Media City (TECOM), Sheikh Zayed Road, Dubai, United Arab Emirates.

On 22 June 2005, the company acquired 100% shareholding in Aramex International Limited, a company incorporated under the laws of Bermuda. The following section presents information about Aramex PJSC for the years 2006, 2007, 2008 and 2009.

## Selected Financial Data

The below schedule presents selected consolidated financial data of Aramex PJSC for the years 2006, 2007, 2008 and 2009. These statements have been prepared in accordance with international financial reporting standards.

### Consolidated Income Statement
**(In Thousands in UAE Dirhams)**
**(Year ended Decemeber 31)**

| Revenues | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| International express | 439,769 | 519,085 | 610,343 | 626,588 |
| Freight forwarding | 611,188 | 823,993 | 912,599 | 758,790 |
| Domestic express | 176,962 | 224,988 | 295,665 | 302,302 |
| Logistics | 52,626 | 106,766 | 132,654 | 124,485 |
| Publications and distribution | 34,565 | 35,952 | 35,955 | 31,745 |
| Others | 48,693 | 73,004 | 92,738 | 116,877 |
| Total Revenues | 1,363,803 | 1,783,788 | 2,079,954 | 1,960,786 |
| Shipping costs | 743,966 | 948,133 | 1,041,971 | 852,745 |
| Gross profit | 619,838 | 835,654 | 1,037,983 | 1,108,041 |
| Share of profits from JV's | - | - | - | 130 |
| Operating expenses | 191,911 | 268,548 | 364,961 | 412,798 |
| Selling, general and administrative expenses | 318,605 | 424,095 | 497,797 | 489,334 |
| Operating income | 109,322 | 143,011 | 175,225 | 206,039 |
| Interest income | 8,564 | 8,070 | 5,375 | 14,204 |
| Interest expense | (3,309) | (4,131) | (3,442) | (1,830) |
| Gain (loss) on sale of fixed assets | (544) | (298) | (853) | (259) |
| Exchange gain (loss) | (967) | 3,442 | 1,771 | (1,090) |
| Other income (loss) | 375 | 422 | 1,869 | 1,100 |
| Income before income taxes | 113,441 | 150,516 | 179,945 | 218,163 |
| Provision for income taxes | (4,437) | (9,450) | (10,573) | (11,441) |
| Non-controlling interests | (13,780) | (19,515) | (22,051) | (22,435) |
| Net Income | 95,223 | 121,551 | 147,321 | 184,287 |

### Consolidated Balance Sheet Data
**(In Thousands of UAE Dirhams)**
**(Year ended December 31)**

| Balance sheet data: | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| Working capital | 272,102 | 344,452 | 447,668 | 570,611 |
| Total assets | 1,512,415 | 1,674,836 | 1,845,307 | 2,058,222 |
| Total liabitlies and non-controlling interests | 364,219 | 389,661 | 437,768 | 462,566 |
| Total shareholders equity | 1,148,196 | 1,285,175 | 1,407,539 | 1,595,656 |

## History and Development of Aramex

The company is a provider of international and domestic express package delivery, freight forwarding, logistics and other transportation services primarily to, from and within the Middle East and South Asia. The company has expanded its presence in Europe by acquiring TwoWay Vanguard, a logistics and freight service provider that has offices in the Netherlands, Ireland and the United Kingdom. Historically, the majority of the company's business has been derived from its international express package delivery operations. The company believes that these international express delivery operations, combined with its network of stations, have provided the company with a solid infrastructure for the development of additional products, such as the company's freight forwarding services, domestic express delivery services and shopping services.

Since its inception in 1982, Aramex has expanded its station/office network to include 310 offices in 200 major cities with more than 8,100 employees as of December 2009.

The company is a founding member and chair of the Global Distribution Alliance (GDA), comprising of over 40 leading logistics and transportation providers with over 12,000 offices worldwide, more than 66,000 employees, an excess of 33,000 vehicles and operations in more than 220 countries throughout the world. The Global Distribution Alliance is strategically positioned to provide swift and reliable global transportation solutions. Each individual member of the alliance provides extensive coverage and in-depth expertise in a different region of the world. Together, the members provide total world coverage with thorough local knowledge, ensuring an exceptional service in every corner of the globe. The alliance offers comprehensive tracking facilities utilizing state-of-the-art Aramex technology, allowing alliance members, agents and customers to track and trace their shipments anywhere in the world with the click of a button.

Aramex shares were traded on the NASDAQ Stock Market from January 1997 to April 2002 under the symbol "ARMX". The company was acquired by a private equity firm pursuant to a U.S. cash tender that closed at the night of February 7, 2002 with approximately 96% of the outstanding shares validly tendered prior to the expiration of the offer. The acquisition was executed on a leveraged basis and the company was subsequently de-listed from NASDAQ on April 9, 2002.

On June 22, 2005 the company was acquired by Arab International Logistics PJSC, a publicly traded company on Dubai Financial Market that was later renamed to Aramex PJSC.

## Business Overview

The following discussion provides a summary of the key services provided by the company:

## International Express Delivery Services

Express shipments consist of small packages, typically ranging in weight from 0.1 kilograms to 50 kilograms, with time-sensitive delivery requirements. The company offers its international express delivery services to both retail and wholesale express accounts and offers its customers the ability to track their shipments on (www.aramex.com).

Retail express delivery customers include trading companies, pharmaceutical companies, banks, service and information companies and manufacturing and regional distribution companies, and is not concentrated in any one industry.

Wholesale express delivery customers consist primarily of: (a) Other members of the Global Distribution Alliance, and (b) Express delivery companies with express packages that have an Aramex destination and require Aramex's network to deliver their shipments. The end-user remains a customer of Aramex's wholesale client.

## Freight Forwarding Services

The company offers a wide range of freight forwarding services including air, land and ocean transport. Forwarding of loose cargo or consolidated freight, warehousing, customs clearance, break-bulk services and inter-modal transportation such as air/land, sea/land, etc., are some of the additional services on offer by Aramex today. Freight shipments typically have gross weights in excess of 50 kilograms on average. These require more specialized handling and are normally less time-sensitive than express shipments. Aramex provides full “door-to-door” services from, to, and within the Middle East, South Asia and Western Europe (mainly in the United Kingdom, Ireland and the Netherlands). A significant portion of the company’s freight forwarding business involves consignee sales (or routed imports) and to a lesser extent exports by air, ocean and land modes. Aramex launched its freight forwarding business in 1987 out of selected stations, and from 1993, at every Aramex station in the network. Whereas express shipments in the Aramex network virtually always pass through one of its international hubs or gateways, freight forwarding shipments are routed directly from origin(s) to destination(s) on board the operating carriers that are active on these routes or on the wings of the commercial lift available on city-pair basis anywhere around the globe. Usually the freight route is selected to best suit the size, weight and time-sensitivity of the shipment on hand. In 2009 the company continued to expand the ground transportation portion of its freight forwarding business. Ground transportation shipments typically consist of a wide range of materials ranging from heavy-weight packages, high-value electronics, computer/electric equipment and other similar consumer items, to heavy machinery and household goods that do not have as time-sensitive delivery requirements as the small packages sent by the company’s express delivery system. The inland service delivers shipments at lower costs than express delivery shipments or than the air freight delivery system. The company usually delivers its ground transportation shipments by truck and inland hauling. Today the company wet-leases most of the trucks it uses for these services. Wet-leases are leases from local trucking companies of vehicles, drivers and other personnel needed to complete the service. Leases with owner-operator drivers is the system that worked best in previous years especially in 2009.

The company started providing such ground transportation and land freight services in 1998 through a network of trucking routes from Dubai, UAE, to each of Riyadh, Jeddah and Dammam in Saudi Arabia and to Amman in Jordan. At present the company has expanded its ground transportation network in the Gulf Council Countries (GCC) by adding additional routes linking Dubai to each of Muscat (Oman), Kuwait City (Kuwait), Manama (Bahrain), Doha (Qatar) and other major cities in Saudi Arabia. This expansion included such routes as Dubai/Amman, Amman/Beirut, Istanbul/Levant, Beirut/Gulf, Istanbul/Saudi and Amman/Ramallah runs. The company has also established extensions from many of these cities to surrounding areas. The company has focused on the expansion of its ground transportation network in the GCC due to its conviction that the region constitutes a rapidly emerging market with rising demand for “efficient” ground transportation delivery services between them. The company plans to further expand its ground transportation network in the Middle East at large and in the Gulf and Levant regions in particular, according to the increasing demands of its local and network clients.

## Logistics Services

The company offers third-party logistics services through a network of logistics facilities located at major areas in the GCC, Middle East, North Africa and West Europe regions. Three of these centers are located at free zones in Jebel Ali in the UAE, Bahrain and Queen Alia International Airport in Jordan. The company also has several local logistics centers in Saudi Arabia, Lebanon, Jordan, Egypt, Oman, and Malta. Aramex operates a logistics network in Europe in key locations such as Holland, United Kingdom and Ireland.

A wide range of services is offered through these centers including warehousing and its management, distribution, supply chain management, customs brokerage, order fulfillment, inventory management and value-added services. The company also offers multiple storage options that range from ambient temperature-controlled to rack and bulk storage.

The logistics centers are operated using world-class warehousing systems and are monitored 24 hours a day. All shipments coming in and out of the logistics centers can be monitored and tracked on (www.aramex.com).

## Domestic Express Delivery Services

The company has developed an extensive network for the express delivery of small parcels, and has the capability to pick-up and deliver shipments from city to city in every country in which it operates, thereby satisfying customers’ local distribution and information needs.

Customers of these domestic express delivery services include e-commerce-related businesses, local distributors, pharmaceutical companies and banks.

## Document Management Services

In early 2005 Aramex acquired InfoFort, a leading document records management company in the Middle East and North Africa. InfoFort offers a full range of comprehensive information storage, management and production services including record management, off-site data protection, digital archiving, secure shredding and film & sound archives. The company has further strengthened its market positioning by acquiring the UAE-based Docman Limited in November 2006 and more recently the UAE-based Metrofile Middle East LLC, which specializes in document and records storage, scanning and management services.

In April 2008 InfoFort inaugurated its 20,000 sqm facility at Jebel Ali Free Zone, in Dubai Emirate. The AED 55 million center is the regional hub for InfoFort's network of Records Management Centers in Saudi, Egypt, Jordan, Oman, Bahrain, Kuwait and Qatar.

## U.S. and U.K. Mail Forwarding

In 2000, the company started offering a specialized service called Shop&Ship. Shop&Ship provides customers with a mail forwarding service out of the U.S. and the U.K. for shipping personal and business packages such as Internet orders, gifts, magazine subscriptions, etc. The company forwards the clients contents to their local address in any of the 20 countries in which this service is available and charges shipping fees.

## Magazines and Newspaper Distribution

In November 2002, the company acquired Jordan Distribution Agency, which is the leading distributor of foreign and local publications, including mass circulation of the major newspapers in Jordan. The company has introduced the latest distribution mechanisms to the new acquisition and expanded its network in the country.

## Customers

The company has a diverse customer base, totaling over 50,000 accounts in the year 2009, which spans a broad geographic area, concentrated mainly in the Middle East, Europe, South Asia and North America, and includes companies in a wide range of industries. Its customers, both retail and wholesale, are also diverse in terms of their service needs. The company's customers are not concentrated in any one particular industry, but typical customers include trading companies, pharmaceutical companies, banks, service and information companies, manufacturing and regional distribution companies and express companies. The broad range of services, which the company offers, has developed in response to the growing diversity of its customers. The company's customers are making increased use of the high value-added services provided by the company, from express services to door-to-door airfreight forwarding to customized special services.

## Geographic Breakdown of Revenues

The company sells its services primarily to customers in the Middle East, Europe, South Asia and North America. Revenues are generally recognized at the source, i.e., by the station, which invoices the end customer. The table below shows the breakdown of revenues (in millions of Dirhams) by geographic region for 2009 and 2008.

### Geographical break down revenue

| Year 2009 Description | International Express 32% | | Freight Forwarding 39% | | Domestic & Others 29% | | Total Company 100% | |
|---|---|---|---|---|---|---|---|---|
| Middle East | 717.5 | 78.2% | 592.8 | 64.1% | 472.2 | 79.0% | 1,782.5 | 72.9% |
| Europe | 77.2 | 9.7% | 248.5 | 26.9% | 100.0 | 16.7% | 425.6 | 17.4% |
| North America | 51.1 | 2.1% | 26.5 | 2.9% | 2.6 | 0.4% | 80.2 | 3.3% |
| Asia & Indian Subcontinent | 76.2 | 10.0% | 57.2 | 6.2% | 23.1 | 3.9% | 156.6 | 6.4% |
| Elimination | (295.4) | 0.0% | (166.2) | 0.0% | (22.4) | 0.0% | (484.1) | 0.0% |
| Total | 626.6 | 100% | 758.8 | 100% | 575.4 | 100% | 1,960.8 | 100% |

| Year 2008 Description | International Express 29% | | Freight Forwarding 44% | | Domestic & Others 27% | | Total Company 100% | |
|---|---|---|---|---|---|---|---|---|
| Middle East | 713.8 | 79.2% | 638.9 | 59.6% | 463.3 | 80.9% | 1,816.0 | 71.2% |
| Europe | 61.8 | 7.7% | 325.5 | 30.4% | 80.1 | 14.0% | 467.4 | 18.3% |
| North America | 50.3 | 3.0% | 41.4 | 3.9% | 1.9 | 0.3% | 93.6 | 3.7% |
| Asia & Indian Subcontinent | 78.7 | 10.2% | 65.7 | 6.1% | 27.5 | 4.8% | 171.9 | 6.7% |
| Elimination | (294.4) | 0.0% | (158.8) | 0.0% | (15.8) | 0.0% | (468.9) | 0.0% |
| Total | 610.3 | 100% | 912.6 | 100% | 557.0 | 100% | 2,080.0 | 100% |

## Seasonality

The company's business is seasonal in nature. Historically, the company experiences a decrease in demand for its services during the first and third quarters, the post-winter holiday and summer vacation seasons. The company traditionally experiences its highest volume in the fourth quarter due to the holiday season. The seasonality of the company's sales may cause a variation in its quarterly operating results, and a significant decrease in second or fourth quarter revenues may have an adverse effect on the company's results of operations for that fiscal year. However, local Middle East and Islamic holidays vary from year-to-year, as a result, the company's seasonality may shift over time.

## Results of Operations

The following table sets forth - for the periods indicated- the percentages of total revenues represented by certain items reflected in the company's consolidated statements of income:

| Revenues | 2006 % | 2007 % | 2008 % | 2009 % |
|---|---|---|---|---|
| International express | 32.2 | 29.1 | 29.3 | 32.0 |
| Freight forwarding | 44.8 | 46.2 | 43.9 | 38.7 |
| Domestic express | 13.0 | 12.6 | 14.2 | 15.4 |
| Logistics | 3.9 | 6.0 | 6.4 | 6.3 |
| Publications and distribution | 2.5 | 2.0 | 1.7 | 1.6 |
| Others | 3.6 | 4.1 | 4.5 | 6.0 |
| Total Revenues | 100.0 | 100.0 | 100.0 | 100.0 |
| Shipping costs | 54.6 | 53.2 | 50.1 | 43.5 |
| Gross profit | 45.4 | 46.8 | 49.9 | 56.5 |
| Share of profits from JV's | | | | 0.0 |
| Operating expenses | 14.1 | 15.1 | 17.5 | 21.1 |
| Selling, general and administrative expenses | 23.4 | 23.8 | 23.9 | 25.0 |
| Operating income | 8.0 | 8.0 | 8.4 | 10.5 |
| Income before income taxes | 8.3 | 8.4 | 8.7 | 11.1 |
| Provision for income taxes | 0.3 | 0.5 | 0.5 | 0.6 |
| Non-controlling interests | 1.0 | 1.1 | 1.1 | 1.1 |
| Net Income | 7.0 | 6.8 | 7.1 | 9.4 |

## Impact of Inflation and Currency Fluctuations

The company does not believe that inflation or currency fluctuations have had a material adverse effect on revenues and results of operations. However, demand for the company's services is influenced by general economic conditions, including inflation and currency fluctuations. Periods of economic recession, high inflation or devaluation of currencies -in countries in which the company operates- could have a material adverse effect on the express and freight forwarding industry and the company's results of operations.

## Board of Directors

The following table sets forth the names of the Company's Directors:

| | |
|---|---|
| Mr. Abdullah Mazrui | Chairman |
| Mr. Fadi Ghandour | Founder, Chief Executive Officer & Director |
| Mr. Helal Al Marri | Director |
| Mr. Ahmed Al-Badi | Director |
| Mr. Arif Naqvi | Director |
| Sheikh Tareq Qassimi | Director |
| Mr. Ayed Aljeaid | Director |
| Mr. Mohammed Ali Al Hashimi | Director |

**ARAMEX PJSC AND ITS SUBSIDIARIES**
**CONSOLIDATED FINANCIAL STATEMENTS**
**DECEMBER 31, 2009**

## CONTENTS

Dear Shareholders,

We have concluded year 2009 with a strong financial performance. Despite a modest 6% drop in revenues to AED 1,961 million, our net profits surged by 25% to AED 184 million. This growth was driven by a substantial increase in net profit margins up from 7.1 % in 2008 to 9.4% in 2009.

Our performance is a result of the adaptability of our asset-light business model and the entrepreneurial spirit of our team, who quickly implemented cost-control programs and reinforced Aramex's position in the market.

We continue to deliver a very healthy balance sheet with an extremely low debt-to-equity ratio and a strong cash position, giving us substantial leverage to support the company's development and expansion plans for 20 I O.

Going forward, we will continue to broaden our investments and expansion in emerging markets, and will remain focused on strengthening our capabilities in third party logistics services, to meet the increasing demand as outsourcing trends continue in our core markets.

We are confident in our ability to continue achieving long term sustainable growth for the company.

Abdullah Al Mazrui
Chairman

Fadi Ghandour
Founder and CEO

## 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 2009 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 notes. The consolidated financial statements of the Group as at 31 December 2008 were audited by another auditor whose report dated 26 February 2009 expressed an unqualified opinion on those consolidated financial statements.

#### 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). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the Group as at 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### 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.

Signed by
Edward B. Quinlan
Partner
Registration No 93

Ernst & Young

For Ernst and Young

25 February 2010

Dubai, United Arab Emirates

## Aramex PJSC and its subsidiaries

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2009

| | Notes | 2009 AED'000 | 2008 AED'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 4 | 246,917 | 240,367 |
| Goodwill | 5 | 853,427 | 805,443 |
| Other intangible assets | 6 | 5,730 | 2,776 |
| Other non-current assets | 7 | 18 | 4,350 |
| Available-for-sale investments | 8 | 4,965 | 3,301 |
| Investments in joint ventures | 9 | 7,772 | - |
| Deferred tax assets | 10 | 1,476 | 964 |
| | | **1,120,305** | **1,057,201** |
| **Current Assets** | | | |
| Accounts receivable | 11 | 349,060 | 346,270 |
| Other current assets | 12 | 86,995 | 98,009 |
| Bank balances and cash | 13 | 501,862 | 343,827 |
| | | **937,917** | **788,106** |
| **TOTAL ASSETS** | | **2,058,222** | **1,845,307** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14 | 1,331,000 | 1,210,000 |
| Statutory reserve | 15 | 40,923 | 25,698 |
| Foreign currency translation reserve | 15 | (2,561) | (6,126) |
| Fair value reserve | 15 | 2,245 | 581 |
| Retained earnings | 16 | 224,048 | 177,386 |
| Equity attributable to equity holders of the Parent | | **1,595,655** | **1,407,539** |
| Non-controlling interests | | 28,143 | 28,956 |
| **Total equity** | | **1,623,798** | **1,436,495** |
| **Non-Current Liabilities** | | | |
| Interest-bearing loans and borrowings | 17 | 6,463 | 15,767 |
| Employees' end of service benefits | 18 | 59,618 | 52,010 |
| Deferred tax liabilities | 10 | 1,037 | 597 |
| | | **67,118** | **68,374** |
| **Current Liabilities** | | | |
| Accounts payable | 19 | 118,435 | 113,175 |
| Bank overdrafts | 20 | 8,951 | 14,300 |
| Interest-bearing loans and borrowings | 17 | 7,482 | 11,698 |
| Other current liabilities | 21 | 232,438 | 201,265 |
| | | **367,306** | **340,438** |
| **Total Liabilities** | | **434,424** | **408,812** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,058,222** | **1,845,307** |

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 25 February 2010.

A - Mazrui

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

The attached notes from 1 to 34 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

## CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

| | Notes | 2009 AED'000 | 2008 AED'000 |
|---|---|---|---|
| Rendering of services | 22 | 1,960,786 | 2,079,954 |
| Cost of services | 23 | (852,745) | (1,041,971) |
| **GROSS PROFIT** | | **1,108,041** | **1,037,983** |
| Share of results of joint ventures | 9 | 130 | |
| Selling and marketing expenses | | (98,814) | (99,230) |
| Administrative expenses | 24 | (390,520) | (387,004) |
| Operating expenses | 25 | (412,798) | (376,524) |
| Other (expenses) income | 26 | (250) | 2,787 |
| **OPERATING PROFIT** | | **205,789** | **178,012** |
| Finance income | | 14,204 | 5,375 |
| Finance expense | | (1,830) | (3,442) |
| **PROFIT BEFORE TAX** | | **218,163** | **179,945** |
| Income tax | 10 | (11,441) | (10,573) |
| **PROFIT FOR THE YEAR** | | **206,722** | **169,372** |
| **Attributable to:** | | | |
| Equity holders of the Parent | | 184,287 | 147,321 |
| Non–controlling interests | | 22,435 | 22,051 |
| | | **206,722** | **169,372** |
| Earnings per share attributable to the equity holders of the Parent: | | | |
| - basic and diluted earnings per share | 28 | AED 0.138 | AED 0.111 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| **Profit for the Year** | **206,722** | **169,372** |
| Other Comprehensive Income, Net of Tax: | | |
| Exchange differences on translation of foreign operations | 3,555 | (9,652) |
| Net gain (loss) on available-for-sale financial assets | 1,664 | (13,739) |
| **Other comprehensive income for the year, net of tax** | **5,219** | **(23,391)** |
| **Total comprehensive income for the year** | **211,941** | **145,981** |
| **Total Comprehensive Income Attributable to:** | | |
| Equity holders of the parent | 189,516 | 123,762 |
| Non-controlling interests | 22,425 | 22,219 |
| | **211,941** | **145,981** |

The attached notes from 1 to 34 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
**At 31 December 2009**

| | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Paid in capital AED'000 | Statutory reserve AED'000 | Foreign currency translation reserve AED'000 | Fair value reserve AED'000 | Retained earnings AED'000 | Total AED'000 | Non-controlling interests AED'000 | Total AED'000 |
| At 1 January 2008 | 1,100,000 | 13,699 | 3,694 | 14,320 | 153,464 | 1,285,177 | 25,444 | 1,310,621 |
| Total comprehensive income for the year | - | - | (9,820) | (13,739) | 147,321 | 123,762 | 22,219 | 145,981 |
| Issue of share capital | 110,000 | - | - | - | (110,000) | - | - | - |
| Transfer to Statutory Reserve | - | 11,999 | - | - | (11,999) | - | - | - |
| Directors' fees paid | - | - | - | - | (1,400) | (1,400) | - | (1,400) |
| Dividends of subsidiaries | - | - | - | - | - | - | (20,035) | (20,035 |
| Non-controlling interests | - | - | - | - | - | - | 1,328 | 1,328 |
| 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 31 December 2009** | **1,331,000** | **40,923** | **(2,561)** | **2,245** | **224,048** | **1,595,655** | **28,143** | **1,623,798** |

The attached notes from 1 to 34 form part of these consolidated financial statements

## Aramex PJSC and its subsidiaries

## CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

| | Notes | 2009 AED'000 | 2008 AED'000 |
|---|---|---|---|
| **Operating Activities** | | | |
| Profit before tax | | 218,163 | 179,945 |
| *Adjustment for:* | | | |
| Depreciation | 4 | 44,837 | 43,228 |
| Amortisation | 6 | 889 | 717 |
| Provision for employees' end of service benefits | 18 | 12,471 | 15,747 |
| Provision for doubtful accounts, net | | 8,792 | 9,981 |
| Net finance income | | (12,374) | (1,933) |
| Share of results of joint ventures | | (130) | - |
| Loss on disposal of property, plant and equipment | | 259 | 853 |
| Gain on sale of available-for-sale financial assets | | - | (512) |
| | | 272,907 | 248,026 |
| *Working capital changes:* | | | |
| Accounts receivable | | (5,472) | (37,098) |
| Accounts payable | | 1,569 | (18,918) |
| Other current assets | | 13,938 | (2,024) |
| Other current liabilities | | (1,257) | 53,643 |
| Cash from operations | | **281,685** | **243,629** |
| Employees' end of service benefits paid | 18 | (5,511) | (2,970) |
| Income tax paid | | (11,701) | (5,631) |
| Net cash from operating activities | | **264,473** | **235,028** |
| **Investing Activities** | | | |
| Purchase of property, plant and equipment | 4 | (52,294) | (96,614) |
| Proceeds from sale of property, plant and equipment | | 2,901 | 1,666 |
| Interest received | | 14,204 | 5,375 |
| Acquisition of a subsidiary, net of cash acquired | 3 | (25,982) | (2,044) |
| Other non–current assets | | 4,332 | (2,855) |
| Margin deposits | | (1,022) | (735) |
| Proceeds from sale of available-for-sale financial assets | | - | 512 |
| Intangible assets | 6 | (234) | - |
| Investments in joint ventures | | (7,642) | - |
| Net cash used in investing activities | | **(65,737)** | **(94,695)** |
| **Financing Activities** | | | |
| Interest paid | | (1,830) | (3,442) |
| Repayment of loans and borrowings | | (13,520) | (299) |
| Dividends paid to non-controlling interests | | (23,794) | (20,035) |
| Non-controlling interests | | 556 | 1,495 |
| Directors' fees paid | | (1,400) | (1,400) |
| Net cash used in financing activities | | **(39,988)** | **(23,681)** |
| **Net Increase In Cash And Cash Equivalents** | | **158,748** | **116,652** |
| Net foreign exchange difference | | 3,614 | (6,526) |
| Cash and cash equivalents at 1 January | | 322,728 | 212,602 |
| **Cash And Cash Equivalents At 31 December** | 13 | **485,090** | **322,728** |

The attached notes from 1 to 34 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

## 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 consolidated financial statements as at 31 December 2009 comprise the Parent Company and its subsidiaries (collectively referred to as "the Group" and individually as "Group entities").

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 25 February 2010.

## 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. All financial information are presented in AED and has been rounded to the nearest thousand, except where stated otherwise.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions, are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests are 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 is recognized in goodwill.

### 2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments
- IAS 1 Revised Presentation of Financial Statements effective 1 January 2009
- Borrowing Costs (revised)
- Improvements to IFRSs (May 2008)

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**At 31 December 2009**

## 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.2 Changes in accounting policies (continued)

The adoptions of these amendments resulted in changes to the accounting policies and additional disclosures but did not have any impact on the financial position or performance of the Group. The principal effects of these changes are as follows:

### IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 32.

### IFRS 8 Operating Segments
IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 30.

### IAS 1 Revised Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transaction with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present two statements.

### IAS 23 Borrowing Costs (revised)
The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The amendment did not have any impact on the financial position or performance of the Group.

### Improvements to IFRSs (May 2008)
In May 2008 and 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 resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

**IAS 7 Statement of cash flows:** Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will not result in any change in the financial position of the Group.

**IAS 16 Property, Plant and Equipment:** Replaces the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

### IAS 18 Revenue
The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has to assess its revenue arrangements against these criteria and conclude if it is acting as principal in above mentioned arrangements. The revenue recognition accounting policy has to be updated accordingly.

## 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Changes in accounting policies (continued)

IAS 36 Impairment of Assets
When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

Other amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Company.

### 2.3 IASB standards and interpretations issued but not yet effective

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. 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. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 the Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with non-controlling interests.

IFRS 9 Financial Instruments
Phase 1 of IFRS 9, the standard which will replace IAS 39 upon completion, was issued in November 2009. This phase includes guidance on classification and measurement of financial instruments, and is expected to result in changes in both classification and measurement of the Group's financial instruments when adopted. The standard is mandatory for periods beginning on or after 1 January 2013 but early adoption is permissible. Management have not yet concluded on when the Group will adopt the standard.

### 2.4 Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions and in particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

Useful lives of property, plant 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.

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 3% 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 12% has been used in discounting the cash flows projected. Also 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.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**At 31 December 2009**

## 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Use of estimates and judgments (continued)

#### 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 are stated at cost less accumulated depreciation and any impairment in value. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows (land is not depreciated):

| | |
|---|---|
| - Leasehold improvements | over 4-7 years |
| - Buildings | over 14-15 years |
| - Furniture and fixtures | over 5-10 years |
| - Warehousing racks | over 15 years (2008: over 7 years) |
| - Office equipment | over 3-7 years |
| - Computers | over 3-5 years |
| - Vehicles | over 4-5 years |

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 statement of comprehensive income as the expense is incurred.

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 statement of comprehensive income 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 purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisitions, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**At 31 December 2009**

## 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Summary of significant accounting policies (continued)

#### Business combinations and goodwill (continued)

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 synergies of 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 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. The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for intangible assets with a finite useful life is reviewed at least at each financial year end.

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 operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in finance costs and removed from the fair value reserve.

Impairment losses on equity instruments are not reversed through the 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 income statement over the period equivalent to the number of years of agency fees paid in advance.

#### Cash and cash equivalents

For the purpose of the 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.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**At 31 December 2009**

## 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 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 liabilites

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.

#### Employees' end of service benefits

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

#### 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 Company 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:

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**At 31 December 2009**

## 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 Summary of significant accounting policies (continued)

### Express revenue
Express revenue is recognized upon receipt of shipment from 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.

### Finance income and expenses
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method. Finance expense comprises interest expense on borrowings. All borrowing costs are recognised in the consolidated income statement using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of property, plant and equipment are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

## Taxation

### Current income tax
The Group provides for income taxes in accordance with IAS 12. As the 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.

Aramex PJSC and its subsidiaries

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## 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 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.

#### Impairment and uncollectibility of financial assets
The Group assesses at each balance sheet 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 company 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

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

### 2009
#### Acquisition of Metrofile Middle East L.L.C
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.

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

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 |
|---|---|---|
| Property and equipment | 2,348 | 5,176 |
| Trade and other receivables | 9,034 | 9,479 |
| Intangible assets | 3,609 | - |
| | 14,991 | 14,655 |
| Trade and other payables | (6,307) | (6,307) |
| Employees' end of service benefits | (686) | (686) |
| Bank overdrafts | (524) | (524) |
| | (7,517) | (7,517) |
| Net assets | 7,474 | 7,138 |
| Goodwill arising on acquisition | 47,984 | |
| Consideration | 55,458 | |

| | 2009 AED'000 |
|---|---|
| Cash flow on acquisition: | |
| Net cash acquired with the subsidiary | (524) |
| Cash paid | (25,458) |
| Net cash outflow | (25,982) |

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.

The initial accounting for this business combination was provisional during 2009, as the fair values to be assigned to the acquiree's identifiable assets and liabilities could not be determined with certainty by the end of the period in which the combination was effected. An adjustment has been made in this period to the provisional fair values of trade and other receivables, reducing them from AED 9,479 thousand to AED 9,034 thousand and the property and equipment reducing them from AED 5,176 thousand to AED 2,348 thousand and adjusting goodwill accordingly.

Subsequent to the year-end, 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 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.

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## 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 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 (i) | - | (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 January2009 | - | 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** |

Aramex PJSC and its subsidiaries

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**At 31 December 2009**

## 4 – PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land AED'000 | Leasehold improvements AED'000 | Buildings AED'000 | Furniture and fixtures 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 2008 | 9,016 | 42,064 | 28,272 | 26,371 | 65,663 | 79,562 | 48,390 | 33,371 | 332,709 |
| Additions | - | 5,153 | 1,207 | 10,977 | 4,403 | 14,323 | 15,275 | 45,277 | 96,615 |
| Transfers | - | - | 43,351 | 3,522 | 1,453 | 216 | 489 | (49,031) | - |
| Disposals | (83) | (2,769) | - | (2,167) | (2,555) | (8,850) | (6,291) | - | (22,715) |
| Exchange difference | (12) | (1,535) | - | (1,000) | (3,058) | (2,766) | (1,347) | - | (9,718) |
| **At 31 December 2008** | **8,921** | **42,913** | **72,830** | **37,703** | **65,906** | **82,485** | **56,516** | **29,617** | **396,891** |
| **Depreciation:** | | | | | | | | | |
| At 1 January 2008 | - | 17,625 | 4,690 | 14,008 | 28,129 | 48,740 | 26,531 | - | 139,723 |
| Charge for the year | - | 4,876 | 3,111 | 5,131 | 5,130 | 12,679 | 12,301 | - | 43,228 |
| Disposals | - | (2,248) | (1) | (2,020) | (1,567) | (8,702) | (5,657) | - | (20,195) |
| Exchange difference | - | (725) | (29) | (596) | (2,006) | (1,810) | (1,066) | - | (6,232) |
| **At 31 December 2008** | - | 19,528 | 7,771 | 16,523 | 29,686 | 50,907 | 32,109 | - | 156,524 |
| **Net carrying amount:** | | | | | | | | | |
| **At 31 December 2008** | **8,921** | **23,385** | **65,059** | **21,180** | **36,220** | **31,578** | **24,407** | **29,617** | **240,367** |

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

Property, plant and equipment includes:

- Vehicles with a net book value of AED 12.05 million (2008: AED 8.81 million) that have been obtained under finance leases.
- Vehicles amounting to AED 0.1 million have been pledged against bank facilities as of 31 December 2009.
- Land and buildings amounting to AED 28.93 million have been pledged against bank facilities as of 31 December 2008.

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## 4 – PROPERTY, PLANT AND EQUIPMENT (continued)

### i) Warehousing racks were classified separately with effect from 1 January 2009.

During the year, management reviewed the estimated useful lives of the warehousing racks, in view of its utilization. Based on this review, they believe it is appropriate to increase the useful lives of the warehousing racks from 7 years to 15 years with effect from 1 January 2009. Had the Group charged depreciation at the old rates, the profit would have been lower by AED 1.8 million. This change will decrease the depreciation charge in the future years until the related assets are fully depreciated.

## 5 – GOODWILL

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| At 1 January | 805,443 | 803,399 |
| Goodwill resulting from acquisition of Metrofile Middle East Limited | 47,984 | - |
| Goodwill resulting on additional acquisition in Two-Way Holland | - | 2,044 |
| At 31 December | 853,427 | 805,443 |

Annual impairment testing for goodwill has been carried out by the management at 31 December 2009. 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 3% 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 12% has been used in discounting the cash flows projected.

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

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Express shipping | 285,394 | 285,394 |
| Freight forwarding | 190,035 | 190,035 |
| Domestic shipping | 182,442 | 182,442 |
| Logistics | 76,980 | 76,980 |
| Documents storage | 109,388 | 61,404 |
| Publication and distribution | 9,188 | 9,188 |
| | 853,427 | 805,443 |

### 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.

Growth rate estimates - Rates are based on industry research.

### 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.

Aramex PJSC and its subsidiaries

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## 6 – OTHER INTANGIBLE ASSETS

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| **Cost:** | | |
| At 1 January | 5,433 | 5,433 |
| Intangible assets resulting from acquisition of Metrofile | 3,609 | - |
| Purchase of customer list | 234 | - |
| At 31 December | 9,275 | 5,433 |
| **Amortisation:** | | |
| At 1 January | (2,657) | (1,940) |
| Amortisation during the year | (889) | (717) |
| At 31 December | (3,545) | (2,657) |
| Net carrying amount at 31 December | 5,730 | 2,776 |

## 7 – OTHER NON-CURRENT ASSETS

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Payment in advance for purchase of land | - | 3,030 |
| Payments in advance for joint ventures | - | 820 |
| Others | 18 | 500 |
| | 18 | 4,350 |

## 8 – 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.

## 9 – INVESTMENTS IN JOINT VENTURES

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

Aramex Mashreq Logistics and Delmege 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:

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## 9 – INVESTMENTS IN JOINT VENTURES (continued)

Aramex Mashreq for Logistics Services

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| **Share of the joint venture's statement of financial position:** | | |
| Current assets | 3,106 | - |
| Non-current assets | 6,589 | - |
| Current liabilities | (1,967) | - |
| Non-current liabilities | - | - |
| Equity | 7,728 | - |
| **Share of the joint venture's revenue and profit:** | | |
| Revenue | 1,309 | - |
| Profit (loss) | 182 | - |
| **Carrying amount of the investment** | 7,728 | - |

Aramex Delmege Logistics (PVT) LTD

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| **Share of the joint venture's statement of financial position:** | | |
| Current assets | 115 | - |
| Non-current assets | 14 | - |
| Current liabilities | (130) | - |
| Non-current liabilities | (0) | - |
| Equity | (1) | - |
| **Share of the joint venture's revenue and profit:** | | |
| Revenue | 88 | - |
| Profit (loss) | (52) | - |
| **Carrying amount of the investment** | 44 | - |

## 10 – INCOME TAX

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

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Current tax expense | 11,543 | 9,256 |
| Deferred income tax | (72) | 1,522 |
| Exchange differences | (30) | (205) |
| Income tax expense for the year | 11,441 | 10,573 |

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## 10 – INCOME TAX (continued)

Deferred tax relates to the following:

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Provision for doubtful accounts | 22 | 52 |
| Depreciation | (805) | (475) |
| Termination indemnities | 341 | 244 |
| Net operating losses carried forward | 1,212 | 642 |
| Capital allowance | (461) | (46) |
| Others | 130 | (50) |
| | 439 | 367 |
| Recognised as follows: | | |
| As deferred tax assets | 1,476 | 964 |
| As deferred tax liabilities | (1,037) | (597) |
| | 439 | 367 |

The Group's consolidated effective tax rate for 2009 is 5.24 % (2008: 5.88%).

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.

## 11 – ACCOUNTS RECEIVABLE

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Trade receivables | 383,023 | 371,862 |
| Less: allowance for doubtful accounts | (33,963) | (25,592) |
| | 349,060 | 346,270 |

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

| | 2009 % | 2008 % |
|---|---|---|
| - Middle East and North Africa | 75 | 77 |
| - Europe | 19 | 16 |
| - North America | 2 | 1 |
| - Asia | 4 | 6 |

As at 31 December 2009, trade receivables at nominal value of AED 33,963 thousand (2008: AED 25,592 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

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## 11 - ACCOUNTS RECEIVABLE (continued)

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| At 1 January | 25,592 | 19,958 |
| Charge for the year | 9,049 | 10,202 |
| Relating to acquisition of a subsidiary | 2,298 | - |
| Unused amounts reversed | (257) | (221) |
| Amounts written-off | (2,719) | (4,347) |
| **At 31 December** | 33,963 | 25,592 |

As at 31 December, the ageing of unimpaired trade receivables 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 |
| 2009 | 349,060 | 271,385 | 43,427 | 24,424 | 9,824 | - |
| 2008 | 346,270 | 262,128 | 48,867 | 28,447 | 6,828 | - |

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

## 12 – OTHER CURRENT ASSETS

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Prepaid expenses | 24,453 | 23,345 |
| Advances and other receivables * | 62,542 | 74,664 |
| | 86,995 | 98,009 |

* Advances and other receivables include an amount of AED 15 million (2008: AED 30 million) due from a related party in connection with employees participating in an incentive plan. During the year, the receivable was reduced by AED 15 million as a contribution from the Company for the well being of the employees, and recognised within employee benefits for the year.

## 13 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Cash and short term deposits | 501,862 | 343,827 |
| Less: cash margin | (7,821) | (6,799) |
| Less: bank overdrafts (note 20) | (8,951) | (14,300) |
| | 485,090 | 322,728 |

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## 13 – CASH AND CASH EQUIVALENTS (continued)

Included in cash and short term deposits are amounts totaling AED 165,279 thousand (31 December 2008: AED 138,009 thousand) held at foreign banks abroad.

## 14 – SHARE CAPITAL

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Authorised, issued and paid up | | |
| 1,331,000,000 ordinary shares of AED 1 each (2008: 1,210,000,000 ordinary shares of AED 1 each) | 1,331,000 | 1,210,000 |

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.

## 15 – 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.

## 16 – RETAINED EARNINGS

### Dividends

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.

During the year ended 31 December 2008, the Company's share capital was increased by the issue of bonus shares of AED 110 million, being 10% of the share capital of the Company as at 31 December 2007 as approved by the shareholders in the Company's annual General Meeting held on 12 April 2008.

### Proposed directors' fees

Directors' fees of AED 1.6 million (2008: AED 1.4 million) representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2009 have been proposed. Out of the amount proposed in 2009, an amount of AED 1.4 million (2008: AED 1.4 million) was paid during the year ended 31 December 2009.

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## 17 – LOANS AND BORROWINGS

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| **Non-current** | | |
| Term loan | 26 | 10,303 |
| Notes payable | 126 | 72 |
| Finance lease obligations (a) | 6,311 | 5,392 |
| | 6,463 | 15,767 |
| **Current** | | |
| Term loan | 778 | 5,416 |
| Notes payable | 182 | 88 |
| Finance lease obligations (a) | 6,522 | 6,194 |
| | 7,482 | 11,698 |

### (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 | 7,400 | 878 | 6,522 |
| Between one and five years | 6,847 | 536 | 6,311 |
| **31 December 2009** | **14,247** | **1,414** | **12,833** |
| Less than one year | 6,958 | 764 | 6,194 |
| Between one and five years | 5,873 | 481 | 5,392 |
| **31 December 2008** | **12,831** | **1,245** | **11,586** |

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

## 18 – EMPLOYEES' END OF SERVICE BENEFITS

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Provision as at 1 January | 52,010 | 39,428 |
| Provided during the year | 12,471 | 15,747 |
| Paid during the year | (5,511) | (2,970) |
| Employees' end of service benefits arising from acquisition of Metrofile | 686 | - |
| Exchange differences | (38) | (195) |
| Provision as at 31 December | 59,618 | 52,010 |

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## 19 – 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.

## 20 – 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, none of which was utilised by Aramex Lebanon as at 31 December 2009 and 2008.

Two Way Group has outstanding bank overdrafts and line of credits of AED 8.92 million as at 31 December 2009 (2008: AED 14.08 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.

## 21 – OTHER CURRENT LIABILITIES

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Accrued expenses | 186,814 | 161,721 |
| Deferred revenue | 10,696 | 7,991 |
| Sales and other taxes | 8,978 | 5,361 |
| Income taxes payable | 12,393 | 12,580 |
| Customers' deposits | 199 | 1,314 |
| Social security taxes payable | 4,387 | 3,532 |
| Others | 8,971 | 8,766 |
| | 232,438 | 201,265 |

## 22 – REVENUE

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| International express | 626,588 | 610,343 |
| Freight forwarding | 758,790 | 912,599 |
| Domestic express | 302,302 | 295,665 |
| Logistics | 124,485 | 132,654 |
| Publications and distribution | 31,745 | 35,955 |
| Others* | 116,876 | 92,738 |
| | 1,960,786 | 2,079,954 |

* 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.

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## 23 – COST OF SERVICES

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| International express | 200,871 | 251,747 |
| Freight forwarding | 518,626 | 652,518 |
| Domestic express | 65,914 | 67,527 |
| Logistics | 28,884 | 27,300 |
| Publications and distribution | 23,065 | 27,991 |
| Others | 15,385 | 14,888 |
| | 852,745 | 1,041,971 |

## 24 – ADMINISTRATIVE EXPENSES

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Salaries and benefits | 187,964 | 176,793 |
| Rent | 41,378 | 34,074 |
| Depreciation | 31,334 | 39,211 |
| Communication expenses | 19,499 | 21,054 |
| Repairs and maintenance | 11,777 | 12,017 |
| Travel expenses | 8,246 | 8,691 |
| Allowance for impairment losses | 8,792 | 9,981 |
| Utilities | 6,990 | 7,925 |
| Printing and stationary | 5,398 | 5,706 |
| Entertainment | 3,617 | 3,922 |
| Vehicle running expenses | 3,250 | 4,450 |
| Insurance | 3,112 | 3,249 |
| Conference and meeting expenses | 595 | 2,444 |
| Sponsorship fees | 1,175 | 1,252 |
| Government fees and taxes | 2,286 | 2,049 |
| Contributions and donations | 2,141 | 4,949 |
| Others | 52,966 | 49,237 |
| | 390,520 | 387,004 |

## 25 – OPERATING EXPENSES

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Salaries and benefits | 274,773 | 252,643 |
| Vehicle running and maintenance | 52,144 | 51,491 |
| Supplies | 19,006 | 19,634 |
| Communication expenses | 4,865 | 4,776 |
| Depreciation | 13,503 | 4,017 |
| Others | 48,507 | 43,963 |
| | 412,798 | 376,524 |

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## 26 – OTHER (EXPENSES) INCOME

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Exchange (loss) gain | (1,090) | 1,771 |
| Loss on sale of property, plant and equipment | (259) | (852) |
| Gain on sale of available- for- sale investments | - | 512 |
| Miscellaneous income | 1,099 | 1,356 |
| | (250) | 2,787 |

## 27 – 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.

| | Related party | | | Total | |
|---|---|---|---|---|---|
| | Officers AED'000 | Companies controlled by the directors AED'000 | Directors AED'000 | 2009 AED'000 | 2008 AED'000 |
| Income statement items: | | | | | |
| Rent expense | 250 | 1,580 | 5,966 | 7,796 | 6,921 |

**Compensation of key management personnel of the Group**

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

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Salaries and other short term benefits | 21,266 | 17,292 |
| End of service benefits | 152 | 152 |

**Significant subsidiaries of the Group include:**

Aramex International Limited, Bermuda
Aramex Amman, Jordan
Arab American International Express Company, Lebanon
Jordan Distribution Agency, Amman
Aramex India Private Limited, India
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex, Kuwait
Aramex Emirates LLC, Dubai
Aramex, Abu Dhabi
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.

Aramex PJSC and its subsidiaries

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## 28 – EARNINGS PER SHARE

| | 31 December 2009 | 31 December 2008 |
|---|---|---|
| Profit attributable to shareholders of the parent (AED'000) | 184,287 | 147,321 |
| Weighted average number of shares during the period (shares) | 1,331 million | 1,331 million |
| Basic and diluted earnings per share (AED) | 0.138 | 0.111 |

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

## 29 – OPERATING LEASES

### As lessee

The Group leases land, office space, warehouses and transportation equipment under various operating leases, some of which are renewable annually. Rent expense related to these leases amounted to AED 72.17 million for the year ended 31 December 2009 (2008: AED 64.40 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:

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Less than one year | 66,571 | 61,624 |
| Between one and five years | 223,707 | 194,863 |
| More than five years | 103,042 | 83,994 |

## 30 – 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 2009 and 2008, respectively.

## 30 – 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 2009** | | | | | | | |
| 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 |
| **Year ended 31 December 2008** | | | | | | | |
| Third party | 610,343 | 912,599 | 295,665 | 132,654 | 128,693 | - | 2,079,954 |
| Inter-segment | 294,361 | 158,828 | 105 | 8,874 | 6,775 | (468,943) | - |
| Total revenues | 904,704 | 1,071,427 | 295,770 | 141,528 | 135,468 | (468,943) | 2,079,954 |
| Gross profit | 358,596 | 260,081 | 228,138 | 105,354 | 85,814 | - | 1,037,983 |

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 North Africa, Europe, North America and Asia. In presenting information on the geographical segments, segment revenue is based on the geographical location of customers. Segments assets are based on the location of the assets.

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## 30 – SEGMENTAL INFORMATION (continued)

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| **Revenues** | | |
| Middle East and North Africa | 1,454,411 | 1,476,205 |
| Europe | 356,742 | 427,174 |
| North America | 29,124 | 41,251 |
| Asia | 120,509 | 135,324 |
| | 1,960,786 | 2,079,954 |
| **Assets** | | |
| Middle East and North Africa | 1,902,897 | 1,700,558 |
| Europe | 101,123 | 87,594 |
| North America | 10,745 | 11,822 |
| Asia | 43,457 | 45,333 |
| | 2,058,222 | 1,845,307 |
| **Property, Plant and Equipment** | | |
| Middle East and North Africa | 225,603 | 217,267 |
| Europe | 16,173 | 15,842 |
| North America | 1,242 | 1,462 |
| Asia | 3,899 | 5,796 |
| | 246,917 | 240,367 |
| **Liabilities** | | |
| Middle East and North Africa | 320,528 | 296,069 |
| Europe | 83,948 | 82,115 |
| North America | 9,984 | 10,093 |
| Asia | 19,964 | 20,535 |
| | 434,424 | 408,812 |

## 31 – COMMITMENTS AND CONTINGENCIES

Contingent liabilities

| | 2009 AED'000 | 2008 AED'000 |
|---|---|---|
| Letters of guarantee | 45,653 | 39,353 |

**Capital commitments**
As at 31 December 2009, the Group has capital commitments of AED 43.95 million (2008: AED 97.03 million) towards purchase/construction of property, plant and equipment.

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## 32 – 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 direct impact on the Group's equity.

| | Changes in interest rate % | Effect on profit for the year AED'000 |
|---|---|---|
| **2009** | | |
| Variable rate instruments | 1 | 105 |
| Variable rate instruments | (1) | (105) |
| **2008** | | |
| Variable rate instruments | 1 | 362 |
| Variable rate instruments | (1) | (362) |

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

## 32 – RISK MANAGEMENT (continued)

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.

### 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 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 payables | 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 |

| At 31 December 2008 | 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 | 1,842 | 4,429 | 4,539 | 6,871 | - | 17,681 |
| Notes payables | 56 | 122 | 38 | 4 | - | 220 |
| Finance lease obligations | 2,147 | 4,811 | 4,196 | 1,677 | - | 12,831 |
| Bank overdrafts | 14,300 | - | - | - | - | 14,300 |
| Trade and other payables | 293,869 | - | - | - | - | 293,869 |
| | 312,214 | 9,362 | 8,773 | 8,552 | - | 338,901 |

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## 32 – RISK MANAGEMENT (continued)

### 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.

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 USD 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 USD % | Effect on profit before tax AED'000 |
|---|---|---|
| **2009** | | |
| - EUR | 10 | 663 |
| - INR | 10 | 220 |
| - GBP | 10 | 586 |
| - EGP | 10 | (788) |
| **2008** | | |
| - EUR | 10 | 553 |
| - INR | 10 | 440 |
| - GBP | 10 | (186) |
| - EGP | 10 | 292 |

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

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## 32 – RISK MANAGEMENT (continued)

### 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 |
|---|---|---|
| **2009** | | |
| Dubai financial market | 5 | 248 |
| Dubai financial market | (5) | (248) |
| **2008** | | |
| Dubai financial market | 5 | 165 |
| Dubai financial market | (5) | (165) |

### 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 2009 and 31 December 2008. Capital comprises share capital, statutory reserve and retained earnings, and is measured at AED 1,595,971 thousand as at 31 December 2009 (2008: AED 1,413,084 thousand).

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.

Aramex PJSC and its subsidiaries

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## 33 – 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 term loans, 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.

## 34 – 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 balance sheet date, gross trade accounts receivable were AED 383,023 thousand (2008: AED 371,862 thousand) and the provision for doubtful debts was AED 33,963 thousand (2008: AED 25,592 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.