

Aramex PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

DIRECTOR'S REPORT

Dear Shareholders,

Our performance this past year was quite strong in many regards. We posted solid growth, significantly increased bottom line profits and, like the previous year, we finished the year stronger than we started it - reflecting our robust business model, financial strength and our commitment to growing shareowner value.

In 2014 our revenues reached AED 3,650 million of revenues, up by 10% compared to AED 3,321 million in the previous year. Our net profits grew by 15% to AED 318.4 million, driven by robust growth primarily in international express and supply chain services across our key geographies in the Middle East, Africa and Asia.

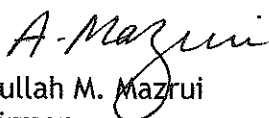
This year's profits were driven by organic growth. While we are pursuing an aggressive acquisition strategy in emerging markets, our growth in 2014 was underpinned by the rapid development of our ecommerce business and the strength of our network across core markets.


Aramex remains bullish on its outlook for its markets across Asia, the Middle East and Africa in particular, and remains committed to further extending its industry supply chain solutions and services in these regions, building its franchise and operations and strengthening its footprint through new acquisitions.

2014 was another important year for us, and we are confident that we will continue to deliver at the level you expect of us - holding ourselves, our business practices and our culture to the highest standards.

During the year ahead, we look forward to sharing with you our new milestones and accomplishments as we lead the company through its next stage of growth. On behalf of the Board of Directors and the entire management team, we would like to thank our customers, suppliers, distributors, employees and shareholders for their continued support.

Sincerely,


Abdullah M. Mazrui
Chairman


Hussein Hachem
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAMEX PJSC

Report on the Consolidated 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 2014, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



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working world

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

Report on other legal and regulatory requirements

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

Signed by
Ashraf Abu- Sharkh
Partner
Registration No. 690
For Ernst and Young

3 March 2015
Dubai, United Arab Emirates

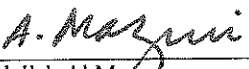
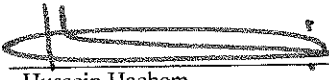

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 AED'000	2013 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	530,616	541,577
Goodwill	5	1,087,646	973,629
Other intangible assets	6	32,839	23,912
Investments in joint ventures and associates	9, 10	47,548	49,718
Deferred tax assets	11	3,365	2,382
Other non-current assets		6,801	6,801
		1,708,815	1,598,019
Current assets			
Accounts receivable, net	12	686,677	603,901
Other current assets	13	191,766	126,930
Bank balances and cash	14	619,991	656,972
		1,498,434	1,387,803
TOTAL ASSETS		3,207,249	2,985,822
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,464,100	1,464,100
Statutory reserve	16	170,632	145,254
Foreign currency translation reserve	16	(151,421)	(90,579)
Reserve arising from acquisition of non-controlling interests	16	(28,268)	(15,763)
Cash-flow hedge reserve	17	2,056	10
Retained earnings	18	708,001	586,953
Equity attributable to equity holders of the Parent		2,165,100	2,089,975
Non-controlling interests		24,476	36,870
Total equity		2,189,576	2,126,845
Non-current liabilities			
Interest-bearing loans and borrowings	19	97,286	128,095
Employees' end of service benefits	20	117,717	103,066
Employees' benefit liability	24	8,336	-
Deferred tax liabilities	11	2,093	1,425
		225,432	232,586
Current liabilities			
Accounts payable	21	178,587	163,159
Bank overdrafts	22	12,922	-
Interest-bearing loans and borrowings	19	53,939	49,302
Other current liabilities	23	546,793	413,930
		792,241	626,391
Total liabilities		1,017,673	858,977
TOTAL EQUITY AND LIABILITIES		3,207,249	2,985,822

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 3 March 2015.

		
Abdullah Al Mazrui (Chairman)	Hussein Hachem (Chief Executive Officer)	Bashar Obeid (Chief Financial Officer)

The attached notes from 1 to 37 form part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

		2014	2013
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>
Continuing operations			
Rendering of services	25	3,649,502	3,320,742
Cost of services	26	(1,646,771)	(1,521,764)
Gross profit		2,002,731	1,798,978
Share of results of joint ventures and associates	9, 10	(3,656)	(4,974)
Selling and marketing expenses		(180,125)	(152,497)
Administrative expenses	27	(704,147)	(633,803)
Operating expenses	28	(735,950)	(663,353)
Other income	29	4,338	5,868
Operating profit		383,191	350,219
Finance income		7,675	6,281
Finance expense		(7,065)	(8,469)
Profit before tax from continuing operations		383,801	348,031
Income tax expense	11	(36,760)	(32,098)
Profit for the year from continuing operations		347,041	315,933
Discontinued operations			
Loss after tax for the year from discontinued operations	8	(85)	(805)
Profit for the year		346,956	315,128
Attributable to:			
<i>Equity holders of the Parent</i>			
Profit for the year from continuing operations		318,483	278,826
Loss for the year from discontinued operations		(85)	(868)
		318,398	277,958
<i>Non-controlling interests</i>			
Profit for the year from continuing operations		28,558	37,107
Profit for the year from discontinued operations		-	63
		28,558	37,170
		346,956	315,128
Earnings per share attributable to the equity holders of the Parent:			
Basic and diluted earnings per share	31	AED 0.217	AED 0.190

The attached notes from 1 to 37 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Note</i>	2014 AED'000	2013 AED'000
Profit for the year		346,956	315,128
Other comprehensive income to net of tax			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(61,330)	(56,371)
Foreign currency gain from disposal of a subsidiary		242	-
Gain on cash flow hedge	17	736	1,460
Cash flow hedge expense recycled to consolidated income statement	17	<u>1,310</u>	<u>1,510</u>
Net other comprehensive income to be reclassified to Profit or loss in subsequent periods		(59,042)	(53,401)
Other comprehensive loss for the year, net of tax		(59,042)	(53,401)
Total comprehensive income for the year		287,914	261,727
Attributable to:			
Equity holders of the Parent		259,602	224,992
Non-controlling interests		<u>28,312</u>	<u>36,735</u>
		287,914	261,727

The attached notes from 1 to 37 form part of these consolidated financial statements

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Attributable to equity holders of the Parent

	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Reserve arising from acquisition of non-controlling interests AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total AED'000
For the year ended 31 December 2014									
At 1 January 2014	1,464,100	145,254	(90,579)	(15,763)	10	586,953	2,089,975	36,870	2,126,845
Total comprehensive income for the year	-	-	(60,842)	-	2,046	318,398	259,602	28,312	287,914
Directors fees paid (note 18)	-	-	-	-	-	(3,600)	(3,600)	-	(3,600)
Dividends of subsidiaries	-	-	-	-	-	-	-	(40,063)	(40,063)
Non-controlling interests	-	-	-	-	-	-	-	1,102	1,102
Acquisition of non-controlling interests (note 3)	-	-	-	(12,505)	-	-	(12,505)	(1,745)	(14,250)
Dividends paid to shareholders (note 18)	-	-	-	-	-	(168,372)	(168,372)	-	(168,372)
Transfer to statutory reserve	-	25,378	-	-	-	(25,378)	-	-	-
At 31 December 2014	1,464,100	170,632	(151,421)	(28,268)	2,056	708,001	2,165,100	24,476	2,189,576
For the year ended 31 December 2013									
At 1 January 2013	1,464,100	121,886	(34,643)	(16,011)	(2,960)	481,271	2,013,643	32,428	2,046,071
Total comprehensive income for the year	-	-	(55,936)	-	2,970	277,958	224,992	36,735	261,727
Directors fees paid (note 18)	-	-	-	-	-	(2,250)	(2,250)	-	(2,250)
Dividends of subsidiaries	-	-	-	-	-	-	-	(33,167)	(33,167)
Non-controlling interests	-	-	-	-	-	-	-	874	874
Dividends paid to shareholders (note 18)	-	-	-	-	-	(146,410)	(146,410)	-	(146,410)
Transfer to statutory reserve	-	23,368	-	-	-	(23,368)	-	-	-
Disposal of a subsidiary	-	-	-	248	-	(248)	-	-	-
At 31 December 2013	1,464,100	145,254	(90,579)	(15,763)	10	586,953	2,089,975	36,870	2,126,845

The attached notes from 1 to 37 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	<i>Notes</i>	<i>2014 AED'000</i>	<i>2013 AED'000</i>
OPERATING ACTIVITIES			
Profit before tax from continuing operations		383,801	348,031
Loss before tax from discontinued operations	8	(85)	(771)
Profit before tax		383,716	347,260
Adjustment for:			
Depreciation of property, plant and equipment	4	77,926	77,248
Amortisation of other intangible assets	6	3,573	3,339
Provision for employees' end of service benefits	20	24,365	22,685
Provision for doubtful accounts, net	12	10,252	7,559
Net finance (income) expense		(610)	2,188
Share based payment expense	24	8,336	-
Share of results of joint ventures and associates		3,656	4,974
Loss (gain) on disposal of property, plant and equipment		1,501	(277)
Loss on disposal of the discontinued operations	8	85	-
Write off of property, plant and equipment	4	26,473	-
Working capital adjustments:			
Accounts receivable		(77,412)	(31,047)
Accounts payable		2,535	8,866
Other current assets		(63,676)	7,123
Other current liabilities		102,643	30,401
Cash from operations		503,363	480,319
Employees' end of service benefits paid	20	(9,641)	(10,012)
Income tax paid		(34,710)	(25,633)
Net cash flows from operating activities		459,012	444,674
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(106,382)	(67,001)
Proceeds from sale of property, plant and equipment		3,253	3,068
Interest received		7,675	6,281
Proceeds from sale of a subsidiary, net of cash	8	225	460
Other non-current assets		-	28
Acquisition of non-controlling interests	3	(14,250)	-
Margin deposits		(445)	1,309
Investments in joint ventures and associates		(2,708)	(4,042)
Acquisition of subsidiaries, net of cash acquired	3	(137,802)	-
Net cash flows used in investing activities		(250,434)	(59,897)
FINANCING ACTIVITIES			
Interest paid		(7,065)	(8,469)
Proceeds from loans and borrowings		6,825	149,326
Repayment of loans and borrowings		(34,234)	-
Dividends paid to non-controlling interests		(40,063)	(33,167)
Non-controlling interests		1,102	874
Directors' fees paid		(3,600)	(2,250)
Dividends paid to shareholders		(168,372)	(146,410)
Net cash flows used in financing activities		(245,407)	(40,096)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
		(36,829)	344,681
Net foreign exchange difference		(13,519)	(8,744)
Cash and cash equivalents at 1 January	14	645,444	309,507
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	595,096	645,444

The attached notes from 1 to 37 form part of these consolidated financial statements

1 CORPORATE INFORMATION

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 of the Company as at 31 December 2014 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 3 March 2015.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and applicable requirements of UAE Federal Law No. 8 of 1984 (as amended).

The consolidated financial statements are presented in UAE Dirhams (AED), being the functional currency of the Parent Company. Financial information is presented in AED and all values are rounded to the nearest thousand (AED "000"), except when otherwise indicated.

The consolidated financial statements have been prepared under a historical cost basis, except for derivative financial instruments and employees' benefit plan that have been measured at fair value.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Basis of consolidation (continued)**

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective as of 1 January 2014:

The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are similar
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Standards issued but not yet effective (continued)****Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Significant accounting judgments, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- | | |
|--|---------|
| – Capital management | Note 35 |
| – Financial risk management and policies | Note 35 |
| – Sensitivity analyses and disclosures | Note 35 |

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in note 37. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.6 Summary of significant accounting policies**Property, plant and equipment**

Construction in progress, property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

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

Leasehold improvements	over 4-7 years
Buildings	over 8-50 years
Furniture and fixtures	over 5-10 years
Warehousing racks	over 15 years
Office equipment	over 3-7 years
Computers	over 3-5 years
Vehicles	over 4-5 years

Land is not depreciated

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.6 Summary of significant accounting policies (continued)****Business combinations and goodwill**

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

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value related disclosures for financial instruments and that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 36
- Quantitative disclosures of fair value measurement hierarchy Note 36

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

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

Intangible assets with finite lives are amortised over their economic lives which are between 3 to 15 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is de-recognized.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Prepaid agency fees

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.6 Summary of significant accounting policies (continued)****Impairment of non-financial assets**

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 37
- Goodwill Note 5

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances, and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management, and cash margin.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Accounts receivable

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

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the Parent Company's functional currency. For each entity, the Group determines the 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's entities at their respective functional currency spot rates at the date of the transaction first qualify for recognition.

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into AED's, at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation 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 profit or loss.

Any goodwill arising on the acquisition of a foreign operation 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 spot rate of exchange at the reporting date.

Loans and borrowings and other financial liabilities

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss 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 amortisation is included in finance costs in the consolidated income statement.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated income statement.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance 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 IAS19 for Group's entities where their respective labour laws require providing indemnity payments upon termination of relationship with their employees.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 24. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense (note 24).

Pensions and other post-employment benefits

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

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

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

Social security

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Revenue recognition

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty or discounts. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Express revenue

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

Freight forwarding revenue

Freight forwarding revenue is recognised 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 recognised upon the receipt of the merchandise by the customers.

Revenue from magazines and newspapers distribution

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

Revenue from logistics and document storage services

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

Interest income

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

Borrowing costs

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

Taxes

Current income tax

The Group provides for income taxes in accordance with IAS 12. As the Parent Company is incorporated in the UAE, profits from operations of the Parent Company are not subject to taxation. However, certain subsidiaries of the Parent Company are based in taxable jurisdictions and are therefore liable to tax. Income tax on the profit or loss for the year comprises of current and deferred tax on the profits of these subsidiaries. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in countries where the Group operates and generates taxable income.

Management periodically evaluates position taken in the tax returns with respect to situation in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Taxes (continued)

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred 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 reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments (interest rate swaps) to hedge its interest rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when hedge item affects profit or loss.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, the Group's interest rate swaps are classified as cash flow hedges, as the Group is hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of income.

The Group uses interest rate swap contracts as hedges of its exposure to interest rate risk. The ineffective portion relating to interest rate swap contracts is recognized in finance cost.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial expense is recognized.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the interest rate firm commitment is met.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Cash flow hedges (continued)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Impairment and uncollectability of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 2

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 observable data indicating 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

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 recognised in finance costs in the statement of profit or loss.

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

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Cash dividend

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS**Business combination****Acquisition of Mail Call Couriers PTY Limited (Australia)**

On 1 June 2014, the Group acquired 100% of the voting shares of Mail Call Couriers Pty Limited, an unlisted Company based in Australia and specializing in domestic business. The acquisition has been accounted for using the acquisition method.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Mail Call Couriers Pty Limited, as at the date of acquisition were:

	<i>Fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Assets		
Property, plant and equipment	1,949	1,949
Trade and other receivables	11,049	11,049
Bank balances and cash	2,988	2,988
Intangible assets	9,307	-
	<u>25,293</u>	<u>15,986</u>
Liabilities		
Trade and other payables	(7,697)	(7,697)
Employees end of service benefits	(614)	(614)
	<u>(8,311)</u>	<u>(8,311)</u>
Total identifiable net assets at fair value	<u>16,982</u>	<u>7,675</u>
Goodwill arising on acquisition*	<u>96,663</u>	
Purchase consideration	<u><u>113,645</u></u>	
Purchase consideration		<i>AED'000</i>
Cash paid		82,651
Contingent consideration liability		30,994
Total consideration		<u><u>113,645</u></u>
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiary		2,988
Cash paid		<u>(82,651)</u>
Net cash outflow on acquisition (included in cash flows used in investing activities in the statement of cash flows)		<u><u>(79,663)</u></u>

* The goodwill of AED 97 million comprises the value of the expected synergies arising from the acquisition goodwill and is allocated entirely to the domestic segment.

3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

Contingent Consideration

As part of the purchase agreement with the previous owner of Mail Call Couriers Pty, a contingent consideration has been agreed where there will be additional cash payment to the previous owner. At the acquisition date, the fair value of the contingent consideration was estimated to be AED 31 million, which has been reduced to AED 27 million as at 31 December 2014.

From the date of acquisition, the acquired company has contributed AED 58.2 million of revenue and AED 8.7 million to the net profit before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the year, group's revenue from continuing operations would have been AED 3,689 million and the profit from continuing operation before non-controlling interest for the year would have been AED 350.3 million.

Transaction costs of AED 5,642 thousand have been expensed and included in administrative expenses in the statement of income and part of operating cash flows in the statement of cash flows.

3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)***Business combination (continued)*****Acquisition of Post Net PTY Limited (South Africa)**

On 11 December 2014, the Group acquired 100% of the voting shares of Post Net PTY Limited, an unlisted Company based in South Africa and specializing in domestic business among other services. The acquisition has been accounted for using the acquisition method.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Post Net Pty Limited, as at the date of acquisition were:

	<i>Provisional fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Assets		
Property, plant and equipment	3,114	3,114
Trade and other receivables	5,231	5,231
Bank balances and cash	2,633	2,633
Intangible assets (provisional)*	3,193	-
	<u>14,171</u>	<u>10,978</u>
Liabilities		
Trade and other payables	(5,480)	(5,480)
Interest bearing loan	(1,238)	(1,238)
	<u>(6,718)</u>	<u>(6,718)</u>
Total identifiable net assets at fair value	<u>7,453</u>	<u>4,260</u>
Goodwill arising on acquisition (provisional)**	53,319	
Purchase consideration transferred	<u><u>60,772</u></u>	
		<i>AED'000</i>
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiaries		2,633
Cash paid		(60,772)
Net cash outflow on acquisition (included in cash flows used in investing activities in the statement of cash flows)		<u><u>(58,139)</u></u>

* Additional information is required to determine fair value of intangible assets at the acquisition date. The intangible assets may be subsequently adjusted with a corresponding adjustment to goodwill prior to 11 December 2015 (one year after the transaction)

** The goodwill of AED 53 million comprises the value of the expected synergies arising from the acquisition goodwill is allocated entirely to the domestic segment.

3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

From the date of acquisition, the acquired company has contributed AED 0.8 million of revenue and AED 0.2 million to the net profit before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been AED 3,663 million and the profit from continuing operation before non-controlling interest for the year would have been AED 350.2 million.

Transaction costs of AED 260 thousand have been expensed and included in administrative expenses in the statement of income and part of operating cash flows in the statement of cash flows.

*Acquisition of non-controlling interests**Aramex (Malaysia) SDN.BHD*

On 1 January 2014, the Group acquired an additional 29% interest in the voting shares of Aramex (Malaysia) SDN. BHD, increasing its ownership interest to 80%. Cash consideration of AED 10.6 million was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex (Malaysia) SDN. BHD at the acquisition date was AED 7 million, and the carrying value of the additional interest acquired was AED 2 million.

Following is a schedule of additional interest acquired in Aramex Malaysia:

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	10,577
Carrying value of the additional interest in Aramex (Malaysia) SDN.BHD	(2,038)
	<hr/>
Difference recognized as a reserve from acquisition of non-controlling interests	8,539
	<hr/> <hr/>

Ramallah Modern International Express Transport Co. Limited

On 1 September 2014, the Group acquired an additional 10% interest in the voting shares of Ramallah Modern International Express Transport Co. Limited, increasing its ownership interest to 70%. Cash consideration of AED 3.7 million was paid to the non-controlling shareholders. The carrying value of the net assets of Ramallah Modern International Express Transport Co. Limited at the acquisition date was AED 2.9 million, and the carrying value of the additional interest acquired was a liability of AED 0.3 million.

Following is a schedule of additional interest acquired in Aramex Ramallah:

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	3,673
Carrying value of the additional interest in Aramex Ramallah Modern International Express Transport Co. Limited	293
	<hr/>
Difference recognized as a reserve from acquisition of non-controlling interests	3,966
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Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

4 PROPERTY, PLANT AND EQUIPMENT

2014 -	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 2014	41,426	65,045	328,443	29,765	65,865	96,020	110,604	103,231	-	840,399
Acquisitions of subsidiaries	-	175	2,251	208	-	2,706	3,897	717	-	9,954
Additions	-	12,242	1,358	4,585	7,833	13,663	19,877	30,013	16,811	106,382
Transfers	-	195	(59)	(198)	17	(1,034)	1,026	53	-	-
Disposals	-	(1,892)	-	(1,689)	(71)	(4,075)	(6,463)	(12,792)	-	(26,982)
Assets written off*	-	(65)	(30,604)	(128)	(10,687)	(1,460)	(61)	-	-	(43,005)
Exchange differences	(3,420)	(2,574)	(6,020)	(774)	(1,111)	(1,897)	(2,283)	(3,657)	-	(21,736)
At 31 December 2014	38,006	73,126	295,369	31,769	61,846	103,923	126,597	117,565	16,811	865,012
Depreciation:										
At 1 January 2014	-	35,776	44,315	15,553	20,927	49,577	72,368	60,306	-	298,822
Acquisitions of subsidiaries	-	58	86	113	-	1,916	2,351	367	-	4,891
Charge for the year	-	8,601	12,756	3,272	4,225	11,169	15,844	22,059	-	77,926
Transfers	-	66	(4)	(172)	6	(653)	710	47	-	-
Disposals	-	(1,408)	-	(1,111)	(64)	(2,465)	(5,802)	(11,378)	-	(22,228)
Assets written off*	-	(14)	(10,672)	(88)	(4,587)	(1,123)	(48)	-	-	(16,532)
Exchange differences	-	(1,508)	(525)	(467)	(469)	(1,174)	(1,789)	(2,551)	-	(8,483)
At 31 December 2014	-	41,571	45,956	17,100	20,038	57,247	83,634	68,850	-	334,396
Net carrying amount:										
At 31 December 2014	38,006	31,555	249,413	14,669	41,808	46,676	42,963	48,715	16,811	530,616

Property, plant and equipment include vehicles with a net book value of AED 21.79 million (2013: AED 15.63 million) have been obtained under finance leases (note 19).

* During August 2014, a warehouse of the Group's subsidiary (Infotort Dubai) was destroyed by fire. The total net book value of impaired assets resulting from the fire incident amounted to approximately AED 26.4 million, the impaired assets were written off, while the Group was reimbursed AED 41.5 million by the insurance Company, of which an amount of AED 12.2 million was booked as a provision for expected future claims and maintenance. The remaining amount of AED 29.3 million was booked as other income.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

4 PROPERTY, PLANT AND EQUIPMENT (continued)

2013 -	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	Total AED'000
Cost:									
At 1 January 2013	43,330	59,327	333,940	28,599	64,030	94,525	108,778	102,903	835,432
Additions	-	8,526	2,974	3,983	3,816	8,862	14,586	24,254	67,001
Transfers	-	(51)	-	79	(11)	(196)	270	(91)	-
Disposals	-	(1,739)	(2,237)	(1,872)	(582)	(4,321)	(9,697)	(18,158)	(38,606)
Exchange differences	(1,904)	(1,018)	(6,234)	(1,024)	(1,388)	(2,850)	(3,333)	(5,677)	(23,428)
At 31 December 2013	41,426	65,045	328,443	29,765	65,865	96,020	110,604	103,231	840,399
Depreciation:									
At 1 January 2013	-	29,881	33,350	14,522	17,306	43,280	68,754	58,463	265,556
Charge for the year	-	7,978	13,262	3,447	4,197	11,524	14,789	22,051	77,248
Transfers	-	(30)	-	36	(10)	(166)	216	(46)	-
Disposals	-	(1,617)	(2,237)	(1,691)	(377)	(3,974)	(9,251)	(16,668)	(35,815)
Exchange differences	-	(436)	(60)	(761)	(189)	(1,087)	(2,140)	(3,494)	(8,167)
At 31 December 2013	-	35,776	44,315	15,553	20,927	49,577	72,368	60,306	298,822
Net carrying amount:									
At 31 December 2013	41,426	29,269	284,128	14,212	44,938	46,443	38,236	42,925	541,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

5 GOODWILL

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
At 1 January	973,629	999,152
Acquisition of subsidiaries (Note 3)	149,982	-
Exchange differences	(35,965)	(25,523)
At 31 December	1,087,646	973,629

The Group performed its annual impairment test on 31 December 2014 and 2013. The Group considers the relationship between its market capitalization and its book value among other factors, when reviewing for indicators of impairment. As at 31 December 2014, the market capitalization of the Group was above its equity. The recoverable amounts of the cash generating units have been determined using cash flow projections from financial budgets approved by senior management covering a five year period.

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

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Express shipping	288,651	297,253
Freight forwarding	178,547	183,868
Domestic shipping	421,728	291,398
Logistics	80,145	82,535
Documents storage	109,388	109,388
Publication and distribution	9,187	9,187
	1,087,646	973,629

Key assumptions used in value-in-use calculations and sensitivity to changes in assumptions

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 represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) for the industry which is 12% (2013: 12%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates -- Growth rate used of 3% (2013: 3%) is based on actual operating results and future expected performance.

Sensitivity to changes in assumptions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

6 OTHER INTANGIBLE ASSETS

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Cost:		
At 1 January	37,200	36,855
Acquisition of subsidiaries (Note 3)	12,500	-
Adjustments	-	345
At 31 December	<u>49,700</u>	<u>37,200</u>
Amortisation:		
At 1 January	(13,288)	(9,949)
Amortisation during the year	(3,573)	(3,339)
At 31 December	<u>(16,861)</u>	<u>(13,288)</u>
Net carrying amount at 31 December	<u>32,839</u>	<u>23,912</u>

7 MATERIAL PARTLY – OWNED SUBSIDIARIES

The Group has one subsidiary in the Middle East with material non-controlling interests.

Financial information of the subsidiary that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

	<i>2014</i> <i>%</i>	<i>2013</i> <i>%</i>
	50%	50%
	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Accumulated balances of material non-controlling interest:	26,029	32,379
Profit allocated to material non-controlling interest:	29,146	33,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

7 MATERIAL PARTLY – OWNED SUBSIDIARIES (continued)

The summarised financial information of this subsidiary are provided below. This information is based on amounts before intra-group eliminations.

Summarised income statements for 2014 and 2013:

	<u>2014</u>	<u>2013</u>
	<u>AED'000</u>	<u>AED'000</u>
Revenue	592,293	535,253
Cost of sales	(292,382)	(266,952)
Administrative, selling and operating expenses	(231,557)	(190,816)
Other expenses	(7,878)	(6,942)
Profit before tax	60,476	70,543
Income tax	(2,185)	(2,749)
Profit for the year	58,291	67,794
Total comprehensive income	58,291	67,794
Attributable to non-controlling interests	29,146	33,897
Dividends paid to non-controlling interests	37,095	29,517

Summarised statements of financial position as at 31 December 2014 and 2013:

	<u>2014</u>	<u>2013</u>
	<u>AED'000</u>	<u>AED'000</u>
Cash and bank balances	53,661	46,802
Property, plant and equipment	47,003	38,328
Other current assets	151,225	136,594
Trade and other payable (current)	(142,666)	(109,725)
Interest-bearing loans and borrowing and deferred tax	(22,649)	(16,185)
Liabilities (non-current)	(34,516)	(31,056)
Total Equity	52,058	64,758
Attributable to:		
Equity holders of parent	26,029	32,379
Non-controlling interests	26,029	32,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

7 MATERIAL PARTLY – OWNED SUBSIDIARIES (continued)

Summarised cash flow information for the year ended 31 December:

	<u>2014</u>	<u>2013</u>
	<u>AED'000</u>	<u>AED'000</u>
Operating	87,463	84,919
Investing	(9,611)	(7,569)
Financing	(70,992)	(65,154)
Net increase in cash and cash equivalents	<u>6,860</u>	<u>12,196</u>

8 DISCONTINUED OPERATION**2014****Disposal of Aramex Cyprus Limited**

On 2 January 2014, the Group disposed of 100% of its interest in Aramex Cyprus Limited for AED 538 thousand in cash and an amount of AED 583 thousand as a receivable. The cash flows generated by the sale of the discontinued operation during 2014 have been considered in the statement of cash flows as part of the investing activities.

The Aramex Cyprus Limited segment is no longer presented in the segment note.

The results of Aramex Cyprus Limited for the year are as follows:

	<u>2014</u>	<u>2013</u>
	<u>AED'000</u>	<u>AED'000</u>
	<u>up to date</u>	
	<u>of disposal</u>	
Revenue	-	4,096
Cost of services	-	(1,774)
Gross profit	-	2,322
Less: Overheads	-	(3,067)
Operating loss	-	(745)
Less: expenses	-	(246)
Loss after tax for the year from the discontinued operations	-	(991)
Loss on disposal of the discontinued operations	(85)	-
Total	<u>(85)</u>	<u>(991)</u>
Cash outflow on sale:		
Consideration received	538	
Cash included as cash and cash equivalents at 2 January 2014 in the statement of cash flows	(313)	
Net cash outflow	<u>225</u>	

The net cash flows incurred by Aramex Cyprus Limited are as follows:

	<u>2014</u>	<u>2013</u>
	<u>AED'000</u>	<u>AED'000</u>
Operating	-	128
Investing	-	(74)
Net cash inflows	<u>-</u>	<u>54</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

8 DISCONTINUED OPERATION (continued)**2013****Disposal of Aramex International GMBH (Germany)**

On 30 April 2013, the Group disposed of 100% of its interest in Aramex International GMBH (Germany) for AED 931 thousand in cash and an amount of AED 80 thousand as a receivable. The cash flows generated by the sale of the discontinued operation during 2013 have been considered in the statement of cash flows as part of the investing activities.

The Aramex International GMBH segment is no longer presented in the segment note.

The results of Aramex International GMBH (Germany) for the period are as follows:

	<i>2013 AED'000 up to date of disposal</i>
Revenue	6,634
Cost of services	(5,204)
	<hr/>
Gross profit	1,430
Less: Overheads	(1,442)
	<hr/>
Operating loss	(12)
Other income	41
	<hr/>
Profit for the period from the discontinued operation	29
	<hr/>
Cash inflow on sale:	
Consideration received	931
Cash included as cash and cash equivalents at 30 April 2013 in the statement of cash flows	(351)
	<hr/>
Net cash inflow	580
	<hr/>

The net cash flows incurred by Aramex International GMBH (Germany) are as follows:

	<i>2013 AED'000</i>
Operating	299
Investing	-
	<hr/>
Net cash inflow	299
	<hr/>

8 DISCONTINUED OPERATION (continued)**Disposal of Fallouh Trade and Express Services (Syria)**

On 31 July 2013, the Group disposed of 100% of its interest in Fallouh Trade and Express Services (Syria).

The Aramex International Damascus segment is no longer presented in the segment rate.

The results of Fallouh Trade and Express Services (Syria) for the period are as follows:

	<i>2013 AED'000 up to date of disposal</i>
Revenue	2,415
Cost of services	(1,023)
	<hr/>
Gross profit	1,392
Less: Overheads	(1,664)
	<hr/>
Operating loss	(272)
Other income	463
	<hr/>
Profit before tax from the discontinued operation	191
Income tax expense	(34)
	<hr/>
Profit after tax for the period from the discontinued operation	157
	<hr/>
Cash outflow on sale:	
Consideration received	-
Cash included as cash and cash equivalents at 31 July 2013 in the statement of cash flows	(120)
	<hr/>
Net cash outflow	(120)
	<hr/>

The net cash flows incurred by Aramex International Damascus (Syria) are as follows:

	<i>2013 AED'000</i>
Operating	(1,428)
Investing	-
	<hr/>
Net cash outflow	(1,428)
	<hr/>

9 INVESTMENTS IN JOINT VENTURES

The details of the investments in joint ventures were as follows:

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>Nature of activity</i>	<i>Book value</i>	
	<i>2014</i>	<i>2013</i>			<i>2014</i>	<i>2013</i>
	<i>%</i>	<i>%</i>			<i>AED'000</i>	<i>AED'000</i>
Aramex Mashreq for Logistics Services S.A.E	75%	75%	Egypt	Logistics services	43,206	42,828
Aramex Sinotrans Co. LTD	50%	50%	China	Express, freight and logistics services	2,828	2,481
PT-Global Distribution Alliance	50%	50%	Indonesia	Express Services	1,379	1,291
Aramex Logistics LLC	50%	50%	Oman	Logistics Services	-	3,032
					<u>47,413</u>	<u>49,632</u>

The joint ventures are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the joint ventures, based on its IFRS financial statements, are set out below:

	<i>2014</i>				
	<i>Aramex Mashreq for Logistics Services</i>	<i>Aramex Sinotrans Co. LTD</i>	<i>PT- Global Distribution Alliance</i>	<i>Aramex Logistics LLC</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Non-current assets	74,320	561	169	40,234	115,284
Current assets*	17,714	18,453	4,459	2,824	43,450
Non-current liabilities	(17,848)	-	(421)	(40,856)	(59,125)
Current liabilities**	(16,578)	(13,358)	(1,448)	(2,202)	(33,586)
Equity	<u>57,608</u>	<u>5,656</u>	<u>2,759</u>	<u>-</u>	<u>66,023</u>
Proportion of the Group's ownership	<u>75%</u>	<u>50%</u>	<u>50%</u>	<u>50%</u>	
Carrying amount of the investment	<u>43,206</u>	<u>2,828</u>	<u>1,379</u>	<u>-</u>	<u>47,413</u>

* The current assets of Aramex Mashreq include cash at banks amounted to AED 2.8 million, accounts receivable amounted to AED 8.3 million and other current assets amounted to AED 6.6 million.

** The current liabilities of Aramex Mashreq include deferred tax liabilities amounted to AED 1.4 million, accruals amounted to AED 1.3 million, loans and borrowing amounted to AED 5.2 million, finance lease obligation amounted to AED 4.9 million and other current liabilities amounted to AED 3.8 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

9 INVESTMENTS IN JOINT VENTURES (continued)

	2013				
	<i>Aramex Mashreq for Logistics Services</i>	<i>Aramex Sinotrans Co. LTD</i>	<i>PT- Global Distributio n Alliance</i>	<i>Aramex Logistics LLC</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Non-current assets	64,382	659	3,311	31	68,383
Current assets*	24,325	11,322	1,092	27,136	63,875
Non-current liabilities	(23,616)	-	(256)	(13,514)	(37,386)
Current liabilities**	(7,987)	(7,018)	(1,565)	(7,591)	(24,161)
Equity	57,104	4,963	2,582	6,062	70,711
Proportion of the Group's ownership	75%	50%	50%	50%	
Carrying amount of the investment	42,828	2,481	1,291	3,032	49,632

* The current assets of Aramex Mashreq include cash at banks amounted to AED 5.4 million, accounts receivable amounted to AED 6.9 million and other current assets amounted to AED 12 million.

** The current liabilities of Aramex Mashreq include deferred tax liabilities amounted to AED 0.9 million, accruals amounted to AED 0.8 million, finance lease obligation amounted to AED 1.2 million and other current liabilities amounted to AED 4.5 million.

Summarized statement of profit or loss of the joint ventures:

	2014				
	<i>Aramex Mashreq for Logistics Services</i>	<i>Aramex Sinotrans Co. LTD</i>	<i>PT- Global Distributio n Alliance</i>	<i>Aramex Logistics LLC</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	44,774	54,455	5,978	312	105,519
Cost of sale	(16,301)	(45,818)	(3,216)	(340)	(65,675)
Administrative expenses*	(24,663)	(12,340)	(2,634)	(6,036)	(45,673)
Profit (loss) before tax	3,810	(3,703)	128	(6,064)	(5,829)
Income tax expense	(1,687)	-	45	-	(1,642)
Profit (loss) for the year	2,123	(3,703)	173	(6,064)	(7,471)
Group's share of profit (loss) for the year	1,592	(1,851)	87	(3,032)	(3,204)

* The administrative expenses of Aramex Mashreq include depreciation expense amounted to AED 4.5 million.

The joint ventures have capital commitments of AED 0.6 million (2013: AED 7 million) towards construction of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

9 INVESTMENTS IN JOINT VENTURES (continued)

	2013				
	<i>Aramex Mashreq for Logistics Services AED'000</i>	<i>Aramex Sinotrans Co. LTD AED'000</i>	<i>PT- Global Distribution Alliance AED'000</i>	<i>Aramex Logistics LLC AED'000</i>	<i>Total AED'000</i>
Revenue	35,162	30,008	4,533	-	69,703
Cost of sale	(15,087)	(25,599)	(2,311)	-	(42,997)
Administrative expenses*	(19,322)	(10,970)	(2,945)	(1,602)	(34,839)
Profit (loss) before tax	753	(6,561)	(723)	(1,602)	(8,133)
Income tax expense	(355)	-	42	-	(313)
Profit (loss) for the year	398	(6,561)	(681)	(1,602)	(8,446)
Group's share of profit (loss) for the year	299	(3,281)	(341)	(801)	(4,124)

* The administrative expenses of Aramex Mashreq include depreciation expense amounted to AED 3.9 million.

10 INVESTMENTS IN ASSOCIATES

The Group has a 49% interest in Aramex Tunisia Limited and a 49% interest Aramex Thailand Co. Limited.

Aramex Tunisia Limited is involved in the business of freight forwarding while Aramex Thailand Co. Limited is involved in logistics and all transportation solutions.

Aramex Tunisia Limited and Aramex Thailand are private entities that are not listed in any public exchange.

The associates are accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investments in associates:

	2014		
	<i>Aramex Tunisia</i>	<i>Aramex Thailand</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Non-current assets	1,558	449	2,007
Current assets	6,426	276	6,702
Non-current liabilities	(835)	(224)	(1,059)
Current liabilities	(8,940)	(225)	(9,165)
Equity	(1,791)	276	(1,515)
Proportion of the Group's ownership	49%	49%	
Group's share	(878)	135	(743)
Add: Embedded goodwill	878	-	878
Carrying amount of the investment	-	135	135

	2013		
	<i>Aramex Tunisie</i>	<i>Aramex Thailand</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Non-current assets	208	-	208
Current assets	2,081	-	2,081
Non-current liabilities	-	-	-
Current liabilities	(3,905)	-	(3,905)
Equity	(1,616)	-	(1,616)
Proportion of the Group's ownership	49%	-	
Group's share	(792)	-	(792)
Add: Embedded goodwill	878	-	878
Carrying amount of the investment	86	-	86

The associates have no contingent liabilities or capital commitments as at 31 December 2014 and 2013.

10 INVESTMENT IN ASSOCIATES (continued)

	2014		
	<i>Aramex Tunisie</i>	<i>Aramex Thailand</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	17,342	234	17,576
Cost of sale	(14,007)	(111)	(14,118)
Administrative expenses	(5,401)	(866)	(6,267)
Loss before tax	(2,066)	(743)	(2,809)
Income tax expense	(33)	-	(33)
Loss for the year	(2,099)	(743)	(2,842)
Group's share of loss for the year	(88)	(364)	(452)

	2013		
	<i>Aramex Tunisie</i>	<i>Aramex Thailand</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	4,003	-	4,003
Cost of sale	(2,234)	-	(2,234)
Administrative expenses	(3,500)	-	(3,500)
Loss before tax	(1,731)	-	(1,731)
Income tax expense	(4)	-	(4)
Loss for the year	(1,735)	-	(1,735)
Group's share of loss for the year	(850)	-	(850)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

11 INCOME TAX

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

Consolidated income statement

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Current income tax expense	35,925	31,682
Deferred tax	931	553
Foreign exchange	(96)	(137)
Income tax expense reported in the consolidated income statement	36,760	32,098

Deferred tax relates to the following:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Provision for doubtful accounts	1,210	492
Depreciation	(996)	(134)
Employees' end of service benefits	(1,011)	(230)
Net operating losses carried forward	11	432
Capital allowance	(410)	(302)
Others	2,468	699
	1,272	957
<i>Recognised as follows:</i>		
As deferred tax assets	3,365	2,382
As deferred tax liabilities	(2,093)	(1,425)
	1,272	957

Reconciliation between accounting profit and taxable profit:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Accounting profit before income tax	383,801	348,031
Non-deductible expenses	7,714	49,082
Taxable profit	391,515	397,113
Income tax expense reported in the consolidated income statement	36,760	32,098
Income tax attributable to a discontinued operation	-	34
Effective income tax rate	9.58%	9.22%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

12 ACCOUNTS RECEIVABLE

	2014 AED'000	2013 AED'000
Trade receivables	739,460	653,231
Less: allowance for doubtful accounts	(52,783)	(49,330)
	<u>686,677</u>	<u>603,901</u>

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

	2014 %	2013 %
- Middle East and Africa	76	79
- Europe	13	13
- North America	2	1
- Asia and others	9	7

As at 31 December 2014, trade receivables at nominal value of AED 52,783 thousand (2013: AED 49,330 thousand) were impaired. Movements on allowance for impairment of receivables were as follows:

	2014 AED'000	2013 AED'000
At 1 January	49,330	47,398
Charge for the year	10,786	8,288
Unused amounts reversed	(534)	(729)
Amounts written-off	(6,799)	(5,627)
At 31 December	<u>52,783</u>	<u>49,330</u>

As at 31 December, the ageing analysis of trade receivables was as follows:

		<i>Past due but not impaired</i>				
	<i>Total</i>	<i>0-60</i>	<i>61-90</i>	<i>91-180</i>	<i>181-365</i>	<i>More than</i>
	<i>AED'000</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>1 year</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
2014	686,677	570,074	67,436	34,121	15,046	-
2013	603,901	489,298	64,720	36,314	13,569	-

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

See Note 35 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

13 OTHER CURRENT ASSETS

	2014 AED'000	2013 AED'000
Prepaid expenses	48,494	42,054
Advances and other receivables *	143,272	84,876
	<u>191,766</u>	<u>126,930</u>

* Advances and other receivables include an amount of AED 4 million (2013: AED 6 million) due from a related party in connection with employees participating in an incentive plan as at 31 December 2014 and 2013.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2014 AED'000	2013 AED'000
Cash and short term deposits	619,991	656,972
Less: cash margin	(11,973)	(11,528)
Less: bank overdrafts (note 22)	(12,922)	-
	<u>595,096</u>	<u>645,444</u>

Included in cash and short term deposits are amounts totalling AED 272,114 thousand with an average interest rate of 1.4% (31 December 2013: AED 199,703 thousand with on average interest rate of 1.3%) held at foreign banks abroad.

15 SHARE CAPITAL

	2014 AED'000	2013 AED'000
<i>Authorised, issued and paid up</i>		
1,464,100,000 ordinary shares of AED 1 each (2013: 1,464,100,000 ordinary shares of AED 1 each)	<u>1,464,100</u>	<u>1,464,100</u>

16 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.

Foreign currency translation reserve

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

Reserve arising from acquisition of non-controlling interests

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

17 HEDGING ACTIVITIES AND DERIVATIVES

During January 2012, the Group entered into a loan agreement with Arab Bank for an amount of USD 50 million. The loan bears interest at USD three month LIBOR plus 225 basis points per annum. The Group had drawn down the loan during January 2013. The purpose of the loan is to finance expected acquisition costs. The loan is repayable in 20 consecutive equal quarterly instalments of USD 2.5 million each, commencing after withdrawal of the full loan amount.

Derivative financial instruments - interest rate swaps

The Group's loan with Arab Bank is in the form of variable interest rate loan. To mitigate its exposure to fluctuations in market interest rates, the Group entered into interest rate swap contracts that effectively fix the interest rate on 100% of its available facilities with Arab Bank. Under the terms of these contracts, the Group pays a pre-determined fixed rate (1.19%) of interest on a notional principal balance equal to amounts expected to be drawn down and receives from the counter-party a floating rate of interest on the same notional principal balance equals to USD three month LIBOR.

For the purpose of hedge accounting, the Group's interest rate swap contracts are classified as cash flow hedges, as the Group is hedging exposure to variability in cash flows that is attributable to the interest rate risk associated with a highly probable forecast transaction.

As of 31 December 2014, the cash flow hedges were assessed to be highly effective and an unrealized gain of AED 736 thousand (2013: AED 1,460 thousand) was included in other comprehensive income, while an expense of AED 1,310 thousand (2013: AED 1,510 thousand) was reclassified from other comprehensive income to the consolidated income statement and the corresponding negative fair value of the interest rate swap deal amounted to AED 764 thousand (2013: AED 1,500 thousand) was recorded as a liability in the consolidated statement of financial position.

18 RETAINED EARNINGS

Dividends

The General Assembly approved in its meeting held on 16 April 2014 a cash dividend for 2013 of 11.5% of the Company's share capital.

The General Assembly approved in its meeting held on 16 April 2013 a cash dividend for 2012 of 10% of the Company's share capital.

Directors' fees paid

Directors' fees of AED 3.6 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2013 were paid in 2014 (2013: AED 2.25 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2012 were paid in 2013).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

19 LOANS AND BORROWINGS

	2014 AED'000	2013 AED'000
Non-current		
Term loan*	86,812	120,679
Notes payable	86	83
Finance lease obligations (a)	10,388	7,333
	<u>97,286</u>	<u>128,095</u>
Current		
Term loan*	41,412	38,464
Notes payable	266	1,987
Finance lease obligations (a)	12,261	8,851
	<u>53,939</u>	<u>49,302</u>

* During January 2012, the Group entered into a loan agreement with Arab Bank for an amount of USD 50 million (AED 184 million). The loan bears interest at USD three month LIBOR plus 225 basis points per annum. The Group had drawn down the loan during January 2013. The purpose of the loan is to finance expected acquisitions. The loan is repayable in 20 consecutive equal quarterly instalments of USD 2.5 million (AED 9 million) each, the first instalment was due in April 2013 and the last instalment is due in January 2018.

(a) Finance lease obligation

Future minimum annual payments under all non-cancellable finance leases together with the present value of the net minimum lease payments are as follows:

	Future minimum lease payments AED'000	Interest AED'000	Present value of minimum lease payments AED'000
2014 -			
Within one year	13,603	1,342	12,261
After one year but not more than five years	10,984	596	10,388
Total	<u>24,587</u>	<u>1,938</u>	<u>22,649</u>
2013 -			
Within one year	9,907	1,056	8,851
After one year but not more than five years	7,694	361	7,333
Total	<u>17,601</u>	<u>1,417</u>	<u>16,184</u>

Finance lease obligations have maturities till 2017. Interest rate on finance lease obligations is 8%. (2013: 8%).

20 EMPLOYEES' END OF SERVICE BENEFITS

Movements on provision for employees' end of service benefits were as follows:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Provision as at 1 January	103,066	91,166
Provided during the year	24,365	22,685
Paid during the year	(9,641)	(10,012)
Acquisition of subsidiaries	614	-
Disposal of a subsidiary	-	(307)
Exchange differences	(687)	(466)
Provision as at 31 December	<u>117,717</u>	<u>103,066</u>
Actuarial gains and losses	-	-
Present value of the defined benefit obligations	<u><u>117,717</u></u>	<u><u>103,066</u></u>

21 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.

22 BANK OVERDRAFTS

The Group maintains overdrafts and lines of credit with various banks. Aramex International Limited (AIL) has provided a corporate guarantee of AED 1.8 million to Audi Bank in Lebanon to secure the bank facilities given for the Aramex subsidiary in Lebanon. The outstanding balance of the overdrafts and lines of credit amounted to AED Nil as of 31 December 2014 (2013: AED Nil).

South Africa (Berco Express Limited) has outstanding lines of credit from (ABSA – Member of the BARCLAYS Group) of AED 5,481 thousand as of 31 December 2014 (2013: AED Nil).

Aramex Kenya Limited has outstanding bank overdraft from Citi Bank of AED 3,370 thousand as at 31 December 2014 (2013: AED Nil).

Aramex Bahrain has outstanding overdrafts from Arab Bank of AED 4,071 thousand as at 31 December 2014 (2013: AED Nil).

23 OTHER CURRENT LIABILITIES

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Accrued expenses	371,574	325,593
Deferred revenue	13,706	16,263
Sales tax and other taxes	29,371	17,074
Income taxes payable	30,741	28,375
Customers' deposits	42	6,274
Social security taxes payable	8,661	6,791
Contingent consideration	31,000	-
Others	61,698	13,560
	<u><u>546,793</u></u>	<u><u>413,930</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

24 SHARE-BASED PAYMENT

In February 2014, 37,000,000 phantom shares were granted to senior executives under a long term incentive plan. The exercise price of the options of AED 3 was equal to the market price of the shares on the date of grant. The fair value at grant date was estimated using the binomial pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is six years. The options will be settled in cash.

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The expense recognised for employee services received during the year is shown in the following table:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Expense arising from cash-settled share-based payment transactions	<u>8,336</u>	<u>-</u>

There were no cancellations or modifications to the awards in 2014.

The following tables list the inputs to the models used for the plan for the year ended 31 December 2014:

	<i>2014</i> <i>AED</i>
Dividend yield (%) *	0
Expected volatility (%)	25
Risk-free interest rate (%)	2.9
Expected life (years)	6
Share price	3

The expected life of the share options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The weighted average fair value of the options granted during the year was AED 0.93. The Group has recognized AED 8,336 thousand of share-based payment expense in the consolidated statement of income, and the corresponding amount was recorded as a non-current liability.

* The participants in the plan shall have no right to receive any dividend during the vesting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

25 REVENUE

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
International express	1,230,531	1,054,126
Freight forwarding	1,247,260	1,233,524
Domestic express	755,058	644,929
Logistics	197,976	169,648
Publications and distribution	9,547	20,272
Others*	209,130	198,243
	<u>3,649,502</u>	<u>3,320,742</u>

* 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.

26 COST OF SERVICES

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
International express	415,479	346,863
Freight forwarding	912,673	904,312
Domestic express	244,620	197,885
Logistics	41,187	34,550
Publications and distribution	6,095	13,554
Others	26,717	24,600
	<u>1,646,771</u>	<u>1,521,764</u>

27 ADMINISTRATIVE EXPENSES

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Salaries and benefits	350,497	309,801
Rent	53,500	49,069
Depreciation	48,642	49,459
Communication expenses	31,094	29,757
Repairs and maintenance	16,602	15,448
Allowance for impairment of receivables (note 12)	10,252	7,344
Printing and stationary	7,980	8,241
Entertainment	7,735	7,138
Vehicle running expenses	4,304	4,395
Insurance and security	14,386	12,320
Government fees and taxes	35,598	30,390
Corporate social responsibility	6,253	6,971
Sponsorship	148	154
Utilities	11,605	11,048
Travel expenses	17,252	15,586
Professional fees	22,843	18,861
Others	65,456	57,821
	<u>704,147</u>	<u>633,803</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

28 OPERATING EXPENSES

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Salaries and benefits	487,359	436,664
Vehicle running and maintenance	84,403	80,822
Supplies	28,698	24,837
Communication expenses	7,133	6,815
Depreciation	29,284	27,728
Rent	57,037	49,003
Others	42,036	37,484
	<u>735,950</u>	<u>663,353</u>

29 OTHER INCOME

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Exchange gain	1,334	2,630
(Loss) gain on sale of property, plant and equipment	(27,974)	277
Miscellaneous income	30,978	2,961
	<u>4,338</u>	<u>5,868</u>

30 RELATED PARTY TRANSACTIONS

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

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

	<i>Related party</i>	<i>Total</i>	
	<i>Companies controlled by the directors AED'000</i>	<i>2014 AED'000</i>	<i>2013 AED'000</i>
Rent expense	<u>1,389</u>	<u>1,389</u>	<u>1,718</u>

Compensation of key management personnel of the Group

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

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Salaries and other short term benefits	11,105	9,280
End of service benefits	165	346
	<u>11,270</u>	<u>9,626</u>

30 RELATED PARTY TRANSACTIONS (continued)

Directors fees paid were disclosed in note (18)

Employees' share based payment

Senior executive of the Group were granted phantom shares as detailed in Note (24).

Significant subsidiaries of the Group include:

Aramex Jordan Ltd.

Aramex India Private Limited, India

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

Aramex Bahrain S.P.C

Aramex Emirates LLC, UAE

Aramex Ireland Limited

Aramex Nederland B.V.

Aramex South Africa PTY Ltd.

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.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. The outstanding balances as at 31 December 2014 and 2013, are included Notes 12 and 21:

		<i>Sales to related parties AED'000</i>	<i>Cost from related parties AED'000</i>	<i>Amounts owed by related parties* AED'000</i>	<i>Amounts owed to related parties** AED'000</i>	<i>Long term loan granted to related parties*** AED'000</i>
Associates:						
	2014	562	36	318	1,555	-
	2013	71	-	-	722	-
Joint ventures in which the Parent is a venturer:						
	2014	269	11,568	4,050	6,745	6,751
	2013	244	4,572	2,054	1,407	6,751

* These amounts are classified as trade receivables and other current assets.

** These amounts are classified as trade payables.

*** This amount represents a long term loan granted to Aramex Logistics LLC (Oman) to build a warehouse. The loan is unsecured and interest free.

31 EARNINGS PER SHARE

	<i>31 December 2014</i>	<i>31 December 2013</i>
Profit attributable to shareholders of the Parent (AED'000)	318,398	277,958
Weighted average number of shares during the year (shares)	1,464 million	1,464 million
Basic and diluted earnings per share (AED)	0.217	0.190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

32 OPERATING LEASES**Group as lessee**

The Group leases land, office space, warehouses and transportation equipments under various operating leases, some of which are renewable annually. Rent expense related to these leases amounted to AED 110.54 million for the year ended 31 December 2014 (2013: AED 98.3 million). The Group believes that most operating leases will be renewed at comparable rates to the expiring leases.

Future minimum rental payables under non-cancellable operating lease as at 31 December are as follows:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Within one year	122,768	117,984
After one year but not more than five years	356,448	371,470
More than five years	50,920	34,956
	<u>530,136</u>	<u>524,410</u>

33 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 2014 and 2013, respectively.

Aramex PJSC and its subsidiaries

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At 31 December 2014

33 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 2014							
Revenue	1,230,531	1,247,260	755,058	197,976	218,677	-	3,649,502
Third party	542,502	243,913	393	4,601	8,027	(799,436)	-
Inter-segment							
Total revenues	1,773,033	1,491,173	755,451	202,577	226,704	(799,436)	3,649,502
Gross profit	815,052	334,587	510,438	156,789	185,865	-	2,002,731
Year ended 31 December 2013							
Revenue	1,054,126	1,233,524	644,929	169,648	218,515	-	3,320,742
Third party	467,271	265,380	690	4,134	5,970	(743,445)	-
Inter-segment							
Total revenues	1,521,397	1,498,904	645,619	173,782	224,485	(743,445)	3,320,742
Gross profit	707,262	329,212	447,044	135,098	180,362	-	1,798,978

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33 SEGMENTAL INFORMATION (continued)

Geographical segments

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

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

	2014 AED'000	2013 AED'000
Revenues		
Middle East and Africa	2,625,756	2,476,561
Europe	588,346	526,394
North America	66,999	51,146
Asia and others	368,401	266,641
	<u>3,649,502</u>	<u>3,320,742</u>
Assets		
Middle East and Africa	2,514,175	2,504,112
Europe	413,129	353,071
North America	30,615	24,335
Asia and others	249,330	104,304
	<u>3,207,249</u>	<u>2,985,822</u>
Non- current assets*		
Middle East and Africa	519,443	523,084
Europe	58,789	70,257
North America	5,323	6,839
Asia and others	27,448	15,027
	<u>611,003</u>	<u>615,207</u>
Liabilities		
Middle East and Africa	802,297	697,880
Europe	113,579	107,297
North America	14,758	9,841
Asia and others	87,039	43,959
	<u>1,017,673</u>	<u>858,977</u>

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

34 COMMITMENTS AND CONTINGENCIES

Guarantees

	2014 AED'000	2013 AED'000
Letters of guarantee	<u>92,004</u>	<u>74,856</u>

Capital commitments

As at 31 December 2014, the Group has capital commitments of AED 16.8 million (2013: AED Nil) towards purchase/construction of property, plant and equipment.

34 COMMITMENTS AND CONTINGENCIES (continued)**Legal claims contingency**

The Group is a defendant in a number of lawsuits amounting to AED 20,260 thousand representing legal actions and claims related to its ordinary course of business (2013: AED 17,179 thousand). The management and their legal advisors believe that the provision recorded of 5,469 thousand as of 31 December 2014 is sufficient to meet the obligations that may arise from the lawsuits (2013: AED 7,546 thousand).

35 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 overdrafts, notes payable and term loans).

To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

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 after the impact of hedge accounting, with all other variables held constant.

	<i>Increase/ (decrease) in basis points</i>	<i>Effect on profit for the year AED '000</i>
2014		
Variable rate instruments	+100	2,256
Variable rate instruments	-100	(2,256)
2013		
Variable rate instruments	+100	3,705
Variable rate instruments	-100	(3,705)

Credit risk

This is the risk that a counter party will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks and financial institutions. 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 76 percent of the Group's trade receivables are based in Middle East and Africa.

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

35 RISK MANAGEMENT (continued)**Credit risk (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.

At 31 December 2014 the Group had 5 customers (2013: 5 customers) that accounted for approximately 16% (2013: 16%) of all the receivables outstanding.

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.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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

Year ended 31 December 2014

	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1-2 year AED'000</i>	<i>2-5 years AED'000</i>	<i>> 5 years AED'000</i>	<i>Total AED'000</i>
Term loans	13,670	30,722	40,841	49,795	668	135,696
Notes payable	92	192	88	-	-	372
Finance lease obligations	3,721	9,881	8,251	2,734	-	24,587
Bank overdraft	13,142	-	-	-	-	13,142
Trade and other payables	680,843	-	-	-	-	680,843
	<u>711,468</u>	<u>40,795</u>	<u>49,180</u>	<u>52,529</u>	<u>668</u>	<u>854,640</u>

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At 31 December 2014

35 RISK MANAGEMENT (continued)

Liquidity risk (continued)

Year ended 31 December 2013

	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1-2 year AED'000</i>	<i>2-5 years AED'000</i>	<i>> 5 years AED'000</i>	<i>Total AED'000</i>
Term loans	11,087	31,269	40,345	87,713	-	170,414
Notes payable	705	1,422	139	41	-	2,307
Finance lease obligations	2,703	7,204	6,547	1,147	-	17,601
Trade and other payables	534,046	-	-	-	-	534,046
	<u>548,541</u>	<u>39,895</u>	<u>47,031</u>	<u>88,901</u>	<u>-</u>	<u>724,368</u>

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), South African Rand, Turkish Lira and the Indian Rupee (INR). The currencies in which these transactions are primarily denominated are Euro, USD, ZAR, TYL 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.

Significant portion of the Group's trade payables and all of its foreign currency receivables, denominated in a currency other than the functional currency of the respective Group entities, are subject to risks associated with currency exchange fluctuation. The Group reduces some of this currency exposure by maintaining some of its bank balances in foreign currencies in which some of its trade payables are denominated. This provides an economic hedge.

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

	<i>Changes in currency rate to AED %</i>	<i>Effect on profit before tax AED'000</i>
2014		
EUR	+10	2,792
INR	+10	(581)
GBP	+10	(2,775)
EGP	+10	(2,253)
TYL	+10	229
ZAR	+10	(121)
2013		
EUR	+10	(217)
INR	+10	(57)
GBP	+10	1,661
EGP	+10	282
TYL	+10	(519)
ZAR	+10	(38)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35 RISK MANAGEMENT (continued)**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 2014 and 31 December 2013. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interests and retained earnings, and is measured at AED 2,314,465 thousand as at 31 December 2014 (2013: AED 2,180,544 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 non-controlling 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.

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables and other current assets. Financial liabilities consist of loans and borrowings, bank overdrafts, derivative financial liabilities, trade payables and other current liabilities.

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

The fair values of all instruments measured at fair value are determined using level 2 in the fair value hierarchy as per the following table:

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2014:

		<i>Fair value measurement using</i>			
	<i>Date of valuation</i>	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>Liabilities measured at fair value:</i>		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Derivative financial liabilities					
Interest rate swap	31 December 2014	764	-	764	-

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2013:

		<i>Fair value measurement using</i>			
	<i>Date of valuation</i>	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>Liabilities for which fair value are disclosed:</i>		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Derivative financial liabilities					
Interest rate swap	31 December 2013	1,500	-	1,500	-

37 KEY SOURCES OF ESTIMATION UNCERTAINTY**Impairment of accounts receivable**

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

At the statement of financial position date, gross trade accounts receivable were AED 739,460 thousand (2013: AED 653,231 thousand) and the provision for doubtful debts was AED 52,783 thousand (2013: AED 49,330 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated 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.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Goodwill impairment

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

Provision for tax

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

End of service benefits

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

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

Useful lives of intangible assets with finite lives

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

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.