Aramex PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

EY
Building a better working world

Ernst & Young
P.O. Box 9267
28th Floor, Al Saqr Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates

Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com/mena

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 2015, 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 in compliance with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. 2 of 2015, 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 consolidated 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 auditor's 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 consolidated 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 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. 2 of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 2 of 2015, and the Articles of Association of the Company;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Company;

v) investments in shares during the year ended 31 December 2015 are disclosed in notes 3, 9 and 10 to the consolidated financial statements;

vi) note 30 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. 2 of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and

viii) note 27 reflects the social contributions made during the year.

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

1 March 2016
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	*2015* *AED'000*	*2014* *AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**703,151**	530,616
Goodwill	5	**1,038,079**	1,076,098
Other intangible assets	6	**49,367**	44,387
Investments in joint ventures and associates	9, 10	**46,857**	47,548
Deferred tax assets	11	**3,943**	3,365
Other non-current assets		**2,382**	6,801
		1,843,779	1,708,815
Current assets			
Accounts receivable, net	12	**731,232**	686,677
Other current assets	13	**163,187**	191,766
Bank balances and cash	14	**707,158**	619,991
		1,601,577	1,498,434
TOTAL ASSETS		**3,445,356**	3,207,249
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**1,464,100**	1,464,100
Statutory reserve	16	**195,663**	170,632
Foreign currency translation reserve	16	**(255,821)**	(151,421)
Reserve arising from acquisition of non-controlling interests	16	**(28,119)**	(28,268)
Cash-flow hedge reserve	17	**-**	2,056
Retained earnings	18	**785,708**	708,001
Equity attributable to equity holders of the Parent		**2,161,531**	2,165,100
Non-controlling interests		**38,264**	24,476
Total equity		**2,199,795**	2,189,576
Non-current liabilities			
Interest-bearing loans and borrowings	17, 19	**228,585**	97,286
Employees' end of service benefits	20	**129,544**	117,717
Employees' benefit liability	24	**63,825**	8,336
Deferred tax liabilities	11	**1,886**	2,093
		423,840	225,432
Current liabilities			
Accounts payable	21	**176,044**	178,587
Bank overdrafts	22	**33,941**	12,922
Interest-bearing loans and borrowings	19	**87,950**	53,939
Other current liabilities	23	**523,786**	546,793
		821,721	792,241
Total liabilities		**1,245,561**	1,017,673
TOTAL EQUITY AND LIABILITIES		**3,445,356**	3,207,249

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 1 March 2016.

Abdullah Al Mazrui
(Chairman)

Hussein Hachem
(Chief Executive Officer)

Bashar Obeid
(Chief Financial Officer)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	*2015 AED'000*	*2014 AED'000*
Continuing operations			
Rendering of services	25	**3,836,753**	3,643,166
Cost of services	26	**(1,673,865)**	(1,642,916)
Gross profit		**2,162,888**	2,000,250
Share of results of joint ventures and associates	9, 10	**(2,952)**	(3,656)
Selling and marketing expenses		**(189,883)**	(179,643)
Administrative expenses	27	**(815,568)**	(702,173)
Operating expenses	28	**(771,497)**	(735,136)
Other income	29	**4,902**	4,233
Operating profit		**387,890**	383,875
Finance income		**6,112**	7,675
Finance expense		**(7,824)**	(7,065)
Profit before tax from continuing operations		**386,178**	384,485
Income tax expense	11	**(40,247)**	(36,766)
Profit for the year from continuing operations		**345,931**	347,719
Discontinued operations			
Loss after tax for the year from discontinued operations	8	**(520)**	(763)
Profit for the year		**345,411**	346,956
Attributable to:			
Equity holders of the Parent			
Profit for the year from continuing operations		**311,683**	318,829
Loss for the year from discontinued operations		**(381)**	(431)
		311,302	318,398
Non–controlling interests			
Profit for the year from continuing operations		**34,248**	28,890
Loss for the year from discontinued operations		**(139)**	(332)
		34,109	28,558
		345,411	346,956
Earnings per share attributable to the equity holders of the Parent:			
Basic and diluted earnings per share	31	**AED 0.213**	AED 0.217

The attached notes from 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	***2015 AED'000***	*2014 AED'000*
Profit for the year		**345,411**	346,956
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(103,549)**	(61,330)
Foreign currency gain from disposal of a subsidiary		**-**	242
(Loss) gain on cash flow hedge	17	**(3,256)**	736
Cash flow hedge expense recycled to consolidated income statement	17	**1,200**	1,310
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(105,605)**	(59,042)
Other comprehensive loss for the year, net of tax		**(105,605)**	(59,042)
Total comprehensive income for the year, net of tax		**239,806**	287,914
Attributable to:			
Equity holders of the Parent		**204,846**	259,602
Non-controlling interests		**34,960**	28,312
		239,806	287,914

The attached notes from 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Parent								
For the year ended 31 December 2015	***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***
At 1 January 2015	**1,464,100**	**170,632**	**(151,421)**	**(28,268)**	**2,056**	**708,001**	**2,165,100**	**24,476**	**2,189,576**
Total comprehensive income for the year	-	-	**(104,400)**	-	**(2,056)**	**311,302**	**204,846**	**34,960**	**239,806**
Directors fees paid (note 18)	-	-	-	-	-	**(3,590)**	**(3,590)**	-	**(3,590)**
Dividends of subsidiaries	-	-	-	-	-	-	-	**(25,513)**	**(25,513)**
Non-controlling interests	-	-	-	-	-	-	-	**1,969**	**1,969**
Acquisition of subsidiaries (note 3)	-	-	-	-	-	-	-	**2,658**	**2,658**
Acquisition of non-controlling interests (note 3)	-	-	-	**149**	-	-	**149**	**(286)**	**(137)**
Dividends paid to shareholders (note 18)	-	-	-	-	-	**(204,974)**	**(204,974)**	-	**(204,974)**
Transfer to statutory reserve	-	**25,031**	-	-	-	**(25,031)**	-	-	-
At 31 December 2015	**1,464,100**	**195,663**	**(255,821)**	**(28,119)**	-	**785,708**	**2,161,531**	**38,264**	**2,199,795**
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

The attached notes from 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	*2015 AED'000*	*2014 AED'000*
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**386,178**	384,485
Loss before tax from discontinued operations	8	**(520)**	(769)
Profit before tax		**385,658**	383,716
Adjustment for:			
Depreciation of property, plant and equipment	4	**81,271**	77,926
Amortisation of other intangible assets	6	**5,664**	3,573
Provision for employees' end of service benefits	20	**24,911**	24,365
Provision for doubtful accounts, net	12	**12,281**	10,252
Net finance expense (income)		**1,712**	(610)
Share based payment expense	24	**55,489**	8,336
Gain on re-measurement of previously existing interest in an associate		**(873)**	-
Share of results of joint ventures and associates		**2,952**	3,656
(Gain) loss on disposal of property, plant and equipment		**(12)**	1,501
Loss on disposal of the discontinued operations	8	**520**	763
Write-off of property, plant and equipment	4	**-**	26,473
Working capital adjustments:			
Accounts receivable		**(44,416)**	(78,096)
Accounts payable		**(7,700)**	2,535
Other current assets		**34,234**	(63,676)
Other current liabilities		**(37,444)**	102,643
Cash from operations		**514,247**	503,357
Employees' end of service benefits paid	20	**(12,448)**	(9,641)
Income tax paid		**(35,018)**	(34,704)
Net cash flows from operating activities		**466,781**	459,012
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(275,896)**	(106,382)
Proceeds from sale of property, plant and equipment		**3,453**	3,253
Interest received		**6,112**	7,675
Proceeds from sale of a subsidiary, net of cash	8	**(133)**	225
Other non-current assets		**(566)**	-
Acquisition of non-controlling interests	3	**(137)**	(14,250)
Margin deposits		**1,002**	(445)
Investments in joint ventures and associates		**(1,031)**	(2,708)
Acquisition of subsidiaries, net of cash acquired	3	**(33,666)**	(137,802)
Net cash flows used in investing activities		**(300,862)**	(250,434)
FINANCING ACTIVITIES			
Interest paid		**(7,824)**	(7,065)
Proceeds from loans and borrowings		**286,859**	6,825
Repayment of loans and borrowings		**(123,064)**	(34,234)
Dividends paid to non-controlling interests		**(25,513)**	(40,063)
Non-controlling interests		**1,969**	1,102
Directors' fees paid		**(3,590)**	(3,600)
Dividends paid to shareholders		**(204,974)**	(168,372)
Net cash flows used in financing activities		**(76,137)**	(245,407)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**89,782**	(36,829)
Net foreign exchange difference		**(22,632)**	(13,519)
Cash and cash equivalents at 1 January	14	**595,096**	645,444
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**662,246**	595,096

The attached notes from 1 to 38 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. 2 of 2015. The consolidated financial statements of the Company as at 31 December 2015 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 1 March 2016.

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. 2 of 2015.

The Federal Law No. 2 of 2015 concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No. 8 of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of the grace period on 28 June 2016.

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 2015. 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 amendment standards effective as of 1 January 2015.

The nature and the impact of these amendments is described below:

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. This amendment is not 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
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. 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. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Group had not granted any awards during the second half of 2014 and 2015. Thus, these amendments did not impact the Group's financial statements or accounting policies.

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 IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify 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 The Group has not applied the aggregation criteria in IFRS 8.12.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

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 by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the Group's financial statements as the Group does not have revalued assets.

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. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. 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. This amendment is not relevant for the Group and its subsidiaries.

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 IAS 39. The Group does not apply the portfolio exception in IFRS 13.

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 a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

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* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for *financial instruments* project: 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. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)
The Group plans to adopt the new standard on the required effective date. During 2015, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement
The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment
IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its equity.

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 OCI. The standard requires disclosure of 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.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

IFRS 16 Leases
During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

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 on 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.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the* Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)
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.

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 the statement of profit or loss.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Other intangible assets (continued)
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life 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 in 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 derecognized.

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 associates and joint ventures 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 separately.

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 associates and joint ventures in the consolidated income statement.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Investments in associates and joint ventures (continued)
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.

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. A long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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.

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 respectively).

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
All financial liabilities are recognized initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through EIR amortisation process.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Loans and borrowings and other financial liabilities (continued)
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 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.

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 un-funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for the defined benefit plans are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, 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 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Taxes (continued)

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.

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 .

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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

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
- Trade receivables — Note 12

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.

An operating lease is a lease other than a finance lease. 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 distribution to equity holders of the parent if their carrying amounts will be recovered principally through a distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution.

Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

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 statement of profit or loss.

Additional disclosures are provided in Note 8. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

3 BUSINESS COMBINATION AND ACQUISITION OF NON–CONTROLLING INTERESTS

Business combination

2015 -

1. Acquisition of C.B.K Soft Yazilim Elektronik (Turkey)

In April 2015, the Group acquired 51% of the voting shares of C.B.K Soft Yazilim Donanim Elektronik, an unlisted company based in Turkey and specializing in information technology services, software sales and marketing, in addition to maintenance services. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of C.B.K Soft Yazilim Donanim Elektronik for the nine months period from the acquisition date.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities C.B.K Soft Yazilim Donanim Elektronik, as at the date of acquisition were:

	Fair value recognised on acquisition AED'000	*Carrying value AED'000*
Assets		
Property, plant and equipment	123	123
Trade and other receivables	4,602	4,602
Bank balances and cash	723	723
Intangible assets	10,699	-
	16,147	5,448
Liabilities		
Trade and other payables	(860)	(860)
Employees end of service benefits	(70)	(70)
	(930)	(930)
Total identifiable net assets at fair value	15,217	4,518
Goodwill arising on acquisition	18,188	
Non-controlling interests	(2,213)	
Purchase consideration transferred	31,192	

Analysis of cash flow on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	723
Cash paid (included in cash flows from investing activities)	(31,192)
Net cash outflow	(30,469)

The goodwill of AED 18 million recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of C.B.K Soft Yazilim Donanim Elektronik with those of the Group.

From the date of acquisition, the acquired Company has contributed AED 9 million of revenue and AED 2.1 million to the net profit before tax of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been AED 3,840 million and the profit before tax from continuing operation for the period would have been AED 387 million.

Transaction cost of AED 1,082 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 COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

Business Combinations (continued)

2015 – (continued)

2. Acquisition of Aramex Tunisia Limited (Tunisia)

In April 2015, the Group increased its investment in its associate (Aramex Tunisia Limited) , an unlisted Company based in Tunisia and specializing in the business of freight forwarding with an amount of AED 4.388 million increasing its ownership interest in Aramex Tunisia from 49% to 75% ,thereby obtaining control. The Group recognized a gain of AED 873 thousands as a result of measuring at fair value its 49% equity interest before the business combination, the gain is included in other income in the consolidated statement of income. The consolidated financial statements include the results of Aramex Tunisia Limited for the eight months period from the acquisition date. The acquisition has been accounted for using the acquisition method.

The Group elected to measure the non-controlling interest in the acquire at fair value.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities Aramex Tunisia Limited, as at the date of acquisition were:

	Fair value recognised on acquisition AED'000	*Carrying value AED'000*
Assets		
Property, plant and equipment	1,976	1,976
Trade and other receivables	16,134	16,134
Bank balances and cash	318	318
	18,428	18,428
Liabilities		
Trade and other payables	(16,649)	(16,649)
Total identifiable net assets at fair value	1,779	1,779
Goodwill arising on acquisition	3,054	
Non-controlling interests measured at fair value	(445)	
Purchase consideration transferred	4,388	

Analysis of cash flow on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	318
Cash paid (included in cash flows from investing activities)	(3,515)
Net cash outflow	(3,197)

The goodwill of AED 3 million recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Aramex Tunisia Limited with those of the Group.

From the date of acquisition, the acquired Company has contributed AED 11.6 million of revenue and AED 1 million of net loss before tax for the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been AED 3,841 million and the profit before tax from continuing operation for the period would have been AED 385 million.

3 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

Business combination (continued)

2014 -

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:

	Fair value recognised on acquisition AED'000	*Carrying value AED'000*
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	-
	25,293	15,986
Liabilities		
Trade and other payables	(7,697)	(7,697)
Employees end of service benefits	(614)	(614)
	(8,311)	(8,311)
Total identifiable net assets at fair value	16,982	7,675
Goodwill arising on acquisition*	96,663	
Purchase consideration paid	113,645	

Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	2,988
Cash paid	(82,651)
Net cash outflow on acquisition (included in cash flows used in investing activities in the statement of cash flows)	(79,663)

* 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 COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

Business combination (continued)

2014 – (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, contingent consideration has been paid during 2015.

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.

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:

	Fair value recognised on acquisition AED'000	*Carrying value AED'000*
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*	14,741	-
	25,719	10,978
Liabilities		
Trade and other payables	(5,480)	(5,480)
Interest bearing loan	(1,238)	(1,238)
	(6,718)	(6,718)
Total identifiable net assets at fair value	19,001	4,260
Goodwill arising on acquisition**	41,771	
Purchase consideration transferred	60,772	

3 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

	AED'000
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)	(58,139)

* The net assets recognised in the 31 December financial statements were based on provisional assessment of their fair value. The valuation had not been completed by the date the 2014 financial statements were approved for issue by the Board of Directors.

During 2015, the valuation was completed and the acquisition date fair value of the goodwill was AED 41,771 thousand and intangible assets was AED 14,741 thousand. The 2014 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the intangible assets of AED 11,548 thousand and reduction in goodwill by the same amount.

** The goodwill of AED 42 million comprises the value of the expected synergies arising from the acquisition goodwill is allocated entirely to the domestic segment.

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 Interest

2015 –

Aramex Malta Limited

On 1 July 2015, the Group acquired an additional 40% interest in the voting shares of Aramex Malta Limited, increasing its ownership interest to 100%. Cash consideration of AED 137 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex Malta Limited at the acquisition date was AED 715 thousand, and the carrying value of the additional interest acquired was AED 286 thousand.

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

	AED'000
Cash consideration paid to non-controlling shareholders	137
Less : Carrying value of the additional interest in Aramex Malta	286
Difference recognized as a reserve from acquisition of non-controlling interests	(149)

2014 –

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.

3 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

Acquisition of Non-Controlling Interest (continued)

2014 – (continued)

Aramex (Malaysia) SDN.BHD (continued)

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

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

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:

	AED'000
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
Difference recognized as a reserve from acquisition of non-controlling interests	3,966

4 PROPERTY, PLANT AND EQUIPMENT

2015 -	*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 2015	38,006	73,126	295,369	31,769	61,846	103,923	126,597	117,565	16,811	865,012
Acquisitions of subsidiaries	-	91	-	176	10	90	364	1,911	-	2,642
Additions	6,603	12,293	15,366	6,216	8,542	20,182	27,539	24,325	154,830	275,896
Transfers	-	74	(54)	84	(3)	979	(728)	(352)	-	-
Disposals	-	(2,032)	-	(1,585)	(599)	(971)	(4,530)	(15,910)	-	(25,627)
Exchange differences	(4,269)	(3,064)	(9,284)	(1,166)	(2,206)	(3,100)	(4,660)	(7,365)	-	(35,114)
At 31 December 2015	**40,340**	**80,488**	**301,397**	**35,494**	**67,590**	**121,103**	**144,582**	**120,174**	**171,641**	**1,082,809**
Depreciation:										
At 1 January 2015	-	41,571	45,956	17,100	20,038	57,247	83,634	68,850	-	334,396
Acquisitions of subsidiaries	-	3	-	41	1	16	214	268	-	543
Charge for the year	-	8,109	11,751	3,518	4,198	12,081	17,435	24,179	-	81,271
Transfers	-	14	(15)	39	(2)	481	(438)	(79)	-	-
Disposals	-	(1,534)	-	(1,124)	(118)	(674)	(4,212)	(14,524)	-	(22,186)
Exchange differences	-	(1,869)	(985)	(665)	(654)	(1,827)	(3,211)	(5,155)	-	(14,366)
At 31 December 2015	-	**46,294**	**56,707**	**18,909**	**23,463**	**67,324**	**93,422**	**73,539**	-	**379,658**
Net carrying amount:										
At 31 December 2015	**40,340**	**34,194**	**244,690**	**16,585**	**44,127**	**53,779**	**51,160**	**46,635**	**171,641**	**703,151**

Property, plant and equipment include vehicles with a net book value of AED 24.45 million (2014: AED 21.79 million) have been obtained under finance leases (note 19).

4 PROPERTY, PLANT AND EQUIPMENT (continued)

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

* During August 2014, a warehouse of the Group's subsidiary (Infofort 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.

5 GOODWILL

	2015 ***AED'000***	*2014* *AED'000*
At 1 January	**1,076,098**	973,629
Acquisition of subsidiaries (restated)*	**21,241**	138,434
Exchange differences	**(59,260)**	(35,965)
At 31 December	**1,038,079**	1,076,098

* The amount of goodwill is restated and does not correspond to the figures in 2014 financial statements since adjustments to the final valuation were made, as detailed in note 3.

The Group performed its annual impairment test on 31 December 2015 and 2014. 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 2015, 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:

	2015 ***AED'000***	*2014* *AED'000*
Express shipping	**275,554**	288,651
Freight forwarding	**171,473**	178,547
Domestic shipping	**379,747**	410,180
Logistics	**76,478**	80,145
Documents storage	**125,640**	109,388
Publication and distribution	**9,187**	9,187
	1,038,079	1,076,098

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 ranges between 8% to 10% (2014: ranges between 11% to 13%). 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 3.6% (2014: 3%) is based on actual operating results and future expected performance.

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

6 OTHER INTANGIBLE ASSETS

	2015 *AED'000*	*2014* *AED'000*
Cost:		
At 1 January	**61,248**	37,200
Acquisitions of subsidiaries (restated)*	**10,700**	24,048
Exchange differences	**(56)**	-
At 31 December	**71,892**	61,248
Amortisation:		
At 1 January	**(16,861)**	(13,288)
Amortisation during the year	**(5,664)**	(3,573)
At 31 December	**(22,525)**	(16,861)
Net carrying amount at 31 December	**49,367**	44,387

* The amount of intangible assets is restated and does not correspond to the figures in 2014 financial statements since adjustments to the final valuation were made, as detailed in note 3.

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:

	2015 %	*2014* %
	50%	50%

	2015 *AED'000*	*2014* *AED'000*
Accumulated balances of material non-controlling interest:	**28,919**	26,029
Profit allocated to material non-controlling interest:	**33,308**	29,146

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 2015 and 2014:

	2015	*2014*
	AED'000	*AED'000*
Revenue	**659,552**	592,293
Cost of sales	**(320,203)**	(292,382)
Administrative, selling and operating expenses	**(259,871)**	(231,557)
Other expenses	**(10,691)**	(7,878)
Profit before tax	**68,787**	60,476
Income tax	**(2,171)**	(2,185)
Profit for the year	**66,616**	58,291
Total comprehensive income	**66,616**	58,291
Attributable to non-controlling interests	**33,308**	29,146
Dividends paid to non-controlling interests	**23,243**	37,095

Summarised statements of financial position as at 31 December 2015 and 2014:

	2015	*2014*
	AED'000	*AED'000*
Cash and bank balances	**60,325**	53,661
Property, plant and equipment	**52,506**	47,003
Other current assets	**172,815**	151,225
Trade and other payable (current)	**(164,953)**	(142,666)
Interest-bearing loans and borrowing and deferred tax	**(23,685)**	(22,649)
Liabilities (non-current)	**(39,170)**	(34,516)
Total Equity	**57,838**	52,058
Attributable to:		
Equity holders of parent	**28,919**	26,029
Non-controlling interests	**28,919**	26,029

Summarised cash flow information for the year ended 31 December:

	2015	*2014*
	AED'000	*AED'000*
Operating	**78,835**	87,463
Investing	**(11,337)**	(9,611)
Financing	**(60,836)**	(70,992)
Net increase in cash and cash equivalents	**6,662**	6,860

8 DISCONTINUED OPERATION

2015

Disposal of Aramex Kazakhstan LLP
On 30 April 2015, the Group disposed of 41% of its interest in Aramex Kazakhstan LLP. The cash flows generated by the sale of the discontinued operation during 2015 have been considered in the statement of cash flows as part of the investing activities.

The Aramex Kazakhstan LLP segment is no longer presented in the segment note.

The results of Aramex Kazakhstan LLP for the year are as follows:

	2015 AED '000 Up to date of disposal	*2014 AED '000*
Revenue	**1,516**	6,336
Cost of services	**(792)**	(3,855)
Gross profit	**724**	2,481
Less: Overheads	**(998)**	(3,270)
Operating loss	**(274)**	(789)
Less: other (expense) income	**(9)**	105
Loss before tax	**(283)**	(684)
Income tax expense	**-**	6
Loss after tax for the period from the discontinued operations	**(283)**	(678)
Loss on disposal of the discontinued operations	**(237)**	-
Total loss	**(520)**	(678)

Cash flow on sale:	
Consideration received	**-**
Cash included as cash and cash equivalents at 30 April 2015 in the statement of cash flows	**(133)**
Net cash outflow	**(133)**

The net cash flows incurred by Aramex Kazakhstan LLP are as follows:

	2015 AED '000	*2014 AED '000*
Operating	**(157)**	(246)
Investing	**37**	106
Net cash outflows	**(120)**	(140)

8 DISCONTINUED OPERATION (continued)

2014

Disposal of Aramex Cyprus Limited
On 2 January 2014, the Group disposed of 100% of its interest in Aramex Cyprus Limited for AED 1,121 thousand (cash received during 2014 amounted to AED 538 thousand). 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:

	2014 AED'000 up to date of disposal
Revenue	-
Cost of services	-
Gross profit	-
Less: Overheads	-
Operating loss	-
Less: expenses	-
Loss after tax for the year from the discontinued operations	-
Loss on disposal of the discontinued operations	(85)
Total	(85)
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 inflows	225

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

	2014 AED'000
Operating	-
Investing	-
Net cash inflows	-

9 INVESTMENTS IN JOINT VENTURES

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

	Ownership percentage		*Country of incorporation*	*Nature of activity*	*Book value*	
	2015	*2014*			***2015***	*2014*
	%	*%*			***AED'000***	*AED'000*
Aramex Mashreq for Logistics Services S.A.E	**75%**	75%	Egypt	Logistics services	**41,522**	43,206
Aramex Sinotrans Co. LTD	**50%**	50%	China	Express, freight and logistics services	**3,228**	2,828
PT-Global Distribution Alliance	**50%**	50%	Indonesia	Express services	**1,632**	1,379
Aramex Logistics LLC	**50%**	50%	Oman	Logistics services	**-**	-
Easy Pack Plus	**50%**	-	Dubai	Other services	**-**	-
					46,382	47,413

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:

	2015					
	Aramex Mashreq for Logistics Services	***Aramex Sinotrans Co. LTD***	***PT- Global Distribution Alliance***	***Aramex Logistics LLC***	***Easy Pack Plus***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Non-current assets	**72,345**	**690**	**213**	**46,922**	**1,717**	**121,887**
Current assets*	**15,307**	**27,096**	**4,831**	**2,028**	**637**	**49,899**
Non-current liabilities	**(17,268)**	**-**	**(478)**	**(43,110)**	**-**	**(60,856)**
Current liabilities**	**(15,021)**	**(21,328)**	**(1,302)**	**(5,840)**	**(2,354)**	**(45,845)**
Equity	**55,363**	**6,458**	**3,264**	**-**	**-**	**65,085**
Proportion of the Group's ownership	**75%**	**50%**	**50%**	**50%**	**50%**	
Carrying amount of the investment	**41,522**	**3,228**	**1,632**	**-**	**-**	**46,382**

* The current assets of Aramex Mashreq include cash at banks amounted to AED 1.6 million, accounts receivable amounted to AED 9.9 million and other current assets amounted to AED 3.8 million.

** The current liabilities of Aramex Mashreq include deferred tax liabilities amounted to AED 1.6 million, accruals amounted to AED 1.4 million, loans and borrowing amounted to AED 3 million, finance lease obligation amounted to AED 5.2 million and other current liabilities amounted to AED 3.8 million.

9 INVESTMENTS IN JOINT VENTURES (continued)

	2014				
	Aramex Mashreq for Logistics Services	*Aramex Sinotrans Co. LTD*	*PT- Global Distribution Alliance*	*Aramex Logistics LLC*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
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	57,608	5,656	2,759	-	66,023
Proportion of the Group's ownership	75%	50%	50%	50%	
Carrying amount of the investment	43,206	2,828	1,379	-	47,413

* 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.

Summarized statement of profit or loss of the joint ventures:

	2015					
	Aramex Mashreq for Logistics Services	***Aramex Sinotrans Co. LTD***	***PT- Global Distribution Alliance***	***Aramex Logistics LLC***	***Easy Pack Plus***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Revenue	**51,104**	**78,751**	**6,402**	**2,611**	**-**	**138,868**
Cost of sale	**(19,589)**	**(62,503)**	**(3,221)**	**(1,260)**	**-**	**(86,573)**
Administrative expenses*	**(29,683)**	**(15,146)**	**(2,693)**	**(11,321)**	**(300)**	**(59,143)**
Profit (loss) before tax	**1,832**	**1,102**	**488**	**(9,970)**	**(300)**	**(6,848)**
Income tax expense	**765**	**-**	**7**	**-**	**-**	**772**
Profit (loss) for the year	**2,597**	**1,102**	**495**	**(9,970)**	**(300)**	**(6,076)**
Group's share of profit (loss) for the year	**1,949**	**551**	**248**	**(4,985)**	**(150)**	**(2,387)**

* The administrative expenses of Aramex Mashreq include depreciation expense amounted to AED 6.1 million.

The joint ventures have capital commitments of AED 140 thousand (2014: AED 581 thousand) towards construction of property, plant and equipment.

9 INVESTMENTS IN JOINT VENTURES (continued)

	2014				
	Aramex Mashreq for Logistics Services	*Aramex Sinotrans Co. LTD*	*PT- Global Distribution Alliance*	*Aramex Logistics LLC*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
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.

10 INVESTMENTS IN ASSOCIATES

The Group has a 49% interest in Aramex Thailand Co. Limited and a 10% interest Aramex Kazakhstan LLP.

Aramex Thailand Co. Limited is involved in logistics and all transportation solutions while Aramex Kazakhstan LLP is involved in the business of freight forwarding and international and local express.

Aramex Thailand Co. Limited and Aramex Kazakhstan LLP are private entities that are not listed in any public exchange.

The details of the investments in associates were as follows:

	Ownership percentage		***Country of incorporation***	***Nature of activity***	***Book value***	
	2015	*2014*			***2015***	*2014*
	%	*%*			***AED'000***	*AED'000*
Aramex Thailand	**49%**	49%	Thailand	Logistics and transportation	**475**	135
Aramex Kazakhstan	**10%**	-	Kazakhstan	Freight forwarding	**-**	-
Aramex Tunisia (note 3)	-	49%	Tunisia	International express services freight forwarding	-	-
					475	135

10 INVESTMENTS IN ASSOCIATES (continued)

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:

	2015		
	Aramex Thailand	*Aramex Kazakhstan LLP*	*Total*
	AED'000	*AED'000*	*AED'000*
Non-current assets	404	993	1,397
Current assets	844	5,262	6,106
Non-current liabilities	(32)	-	(32)
Current liabilities	(247)	(6,255)	(6,502)
Equity	969	-	969
Proportion of the Group's ownership	49%	10%	
Group's share	475	-	475
Carrying amount of the investment	475	-	475

		2014		
	Aramex Tunisia	*Aramex Thailand*	*Aramex Kazakhstan LLP*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
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%	0%	
Group's share	(878)	135	-	(743)
Add: Embedded goodwill	878	-	-	878
Carrying amount of the investment	-	135	-	135

The associates have no contingent liabilities or capital commitments as at 31 December 2015 and 2014.

	2015		
	Aramex Thailand	*Aramex Kazakhstan LLP*	*Total*
	AED'000	*AED'000*	*AED'000*
Revenue	1,863	3,485	5,348
Cost of sale	(929)	(2,320)	(3,249)
Administrative expenses	(1,969)	(2,197)	(4,166)
Loss before tax	(1,035)	(1,032)	(2,067)
Income tax expense	-	-	-
Loss for the year	(1,035)	(1,032)	(2,067)
Group's share of loss for the year	(507)	(58)	(565)

10 INVESTMENT IN ASSOCIATES (continued)

	2014		
	Aramex Tunisie	*Aramex Thailand*	*Total*
	AED'000	*AED'000*	*AED'000*
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)

11 INCOME TAX

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

Consolidated income statement

	2015 ***AED'000***	*2014* *AED'000*
Current income tax expense	**40,813**	35,931
Deferred tax	**(371)**	931
Foreign exchange	**(195)**	(96)
Income tax expense reported in the consolidated income statement	**40,247**	36,766

Deferred tax relates to the following:

	2015 ***AED'000***	*2014* *AED'000*
Provision for doubtful accounts	**1,628**	1,210
Depreciation	**(824)**	(996)
Employees' end of service benefits	**(733)**	(1,011)
Net operating losses carried forward	**10**	11
Capital allowance	**(547)**	(410)
Others	**2,523**	2,468
	2,057	1,272
Recognised as follows:		
As deferred tax assets	**3,943**	3,365
As deferred tax liabilities	**(1,886)**	(2,093)
	2,057	1,272

11 INCOME TAX (continued)

Reconciliation between accounting profit and taxable profit:

	2015 *AED'000*	*2014* *AED'000*
Accounting profit before income tax	**386,178**	384,485
Non-deductible expenses	**27,047**	7,714
Taxable profit	**413,225**	392,199
Income tax expense reported in the consolidated income statement	**40,247**	36,766
Effective income tax rate	**10.42%**	9.56%

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.

12 ACCOUNTS RECEIVABLE

	2015 *AED'000*	*2014* *AED'000*
Trade receivables	**788,412**	739,460
Less: allowance for doubtful accounts	**(57,180)**	(52,783)
	731,232	686,677

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

	2015 *%*	*2014* *%*
- Middle East and Africa	**76**	76
- Europe	**11**	13
- North America	**3**	2
- Asia and others	**10**	9

As at 31 December 2015, trade receivables at nominal value of AED 57,180 thousand (2014: AED 52,783 thousand) were impaired. Movements on allowance for impairment of receivables were as follows:

	2015 *AED'000*	*2014* *AED'000*
At 1 January	**52,783**	49,330
Charge for the year	**13,014**	10,786
Unused amounts reversed	**(733)**	(534)
Acquisition of subsidiaries	**95**	-
Amounts written-off	**(7,979)**	(6,799)
At 31 December	**57,180**	52,783

12 ACCOUNTS RECEIVABLE (continued)

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

		Past due but not impaired				
	Total AED'000	*0-60 days AED'000*	*61-90 days AED'000*	*91-180 days AED'000*	*181-365 days AED'000*	*More than 1 year AED'000*
2015	**731,232**	**600,248**	**83,273**	**30,035**	**17,676**	-
2014	686,677	570,074	67,436	34,121	15,046	-

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.

13 OTHER CURRENT ASSETS

	2015 AED'000	*2014 AED'000*
Prepaid expenses	**56,847**	48,494
Advances and other receivables *	**106,340**	143,272
	163,187	191,766

* Advances and other receivables include an amount of AED 2.9 million (2014: AED 4 million) due from a related party in connection with employees participating in an incentive plan as at 31 December 2015 and 2014.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2015 AED'000	*2014 AED'000*
Cash and short term deposits	**707,158**	619,991
Less: cash margin	**(10,971)**	(11,973)
Less: bank overdrafts (note 22)	**(33,941)**	(12,922)
	662,246	595,096

Included in cash and short term deposits are amounts totalling AED 345,310 thousand with an average interest rate of 1.4% (31 December 2014: AED 272,114 thousand with on average interest rate of 1.4%) held at foreign banks abroad.

15 SHARE CAPITAL

	2015 AED'000	*2014 AED'000*
Authorised, issued and paid up		
1,464,100,000 ordinary shares of AED 1 each (2014: 1,464,100,000 ordinary shares of AED 1 each)	**1,464,100**	1,464,100

16 RESERVES

Statutory reserve
In accordance with the Articles of Association of certain entities in the Group and the UAE Federal Law no 2 of 2015, 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 2015, the Group closed the Arab Bank interest rate swap deal and entered into a 5 year club facility agreement with HSBC, Citi Bank, Barclays, Commercial Bank of Dubai and National Bank of Abu Dhabi for a total amount of USD 150 million. The facility comprises of a term loan of USD 75 million and a revolving credit facility of USD 75 million. The term loan is repayable in 18 consecutive equal quarterly installments of USD 4.17 million each, commencing during the first quarter 2016 and the revolving credit facility will be utilized and repaid over the 5 year period as needed. The purpose of this facility is to refinance the existing debt, support capital expenditures and finance potential acquisitions. The Group had drawn down an amount of USD 75 million during 2015 to repay and settle the outstanding Arab Bank loan in full.

18 RETAINED EARNINGS

Dividends
The General Assembly approved in its meeting held on 19 April 2015 a cash dividend for 2014 of 14% of the Company's share capital.

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.

Directors' fees paid
Directors' fees of AED 3.59 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2014 were paid in 2015 (2014: 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).

19 LOANS AND BORROWINGS

	2015 *AED'000*	*2014* *AED'000*
Non-current		
Term loan	**216,737**	86,812
Notes payable	**-**	86
Finance lease obligations (a)	**11,848**	10,388
	228,585	97,286

19 LOANS AND BORROWINGS (continued)

	2015 AED'000	*2014 AED'000*
Current		
Term loan	**74,064**	41,412
Notes payable	**380**	266
Finance lease obligations (a)	**13,506**	12,261
	87,950	53,939

(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*
2015 -			
Within one year	**15,045**	**1,540**	**13,505**
After one year but not more than five years	**12,542**	**693**	**11,849**
Total	**27,587**	**2,233**	**25,354**
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	24,587	1,938	22,649

Finance lease obligations have maturities till 2020. Interest rate on finance lease obligations ranges between 2.2% - 8%. (2014: 8%).

20 EMPLOYEES' END OF SERVICE BENEFITS

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

	2015 AED'000	*2014 AED'000*
Provision as at 1 January	**117,717**	103,066
Provided during the year	**24,911**	24,365
Paid during the year	**(12,448)**	(9,641)
Acquisition of a subsidiary	**-**	614
Exchange differences	**(636)**	(687)
Provision as at 31 December	**129,544**	117,717
Actuarial gains and losses	**-**	-
Present value of the defined benefit obligations	**129,544**	117,717

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. South Africa (Berco Express Limited) has outstanding lines of credit from (ABSA – Member of the BARCLAYS Group) of AED 6,065 thousand as of 31 December 2015 (2014: AED 5,481).

Aramex Kenya Limited has outstanding bank overdraft from Citi Bank of AED 2,196 thousand as at 31 December 2015 (2014: AED 3,370).

Aramex Tunisia has outstanding overdrafts from Arab Bank of AED 4,253 thousand as at 31 December 2015 (2014: AED Nil).

Aramex Egypt has outstanding overdrafts from Bank Misr of AED 1,594 thousand as at 31 December 2015 (2014: AED Nil).

Aramex International LLC has outstanding overdrafts from HSBC of AED 19,833 thousand as at 31 December 2015 (2014: AED Nil).

Aramex Bahrain has outstanding overdrafts from Arab Bank of AED nil as at 31 December 2015 (2014: AED 4,071 thousand).

23 OTHER CURRENT LIABILITIES

	2015	*2014*
	AED'000	*AED'000*
Accrued expenses	**363,198**	371,574
Deferred revenue	**14,817**	13,706
Sales tax and other taxes	**28,798**	29,371
Income taxes payable	**36,756**	30,741
Customers' deposits	**-**	42
Social security taxes payable	**9,975**	8,661
Contingent consideration	**-**	31,000
Others	**70,242**	61,698
	523,786	546,793

24 SHARE-BASED PAYMENT

In February 2014, a total 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 Aramex 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 contracted life of each option granted is six years. The awards will be settled in cash.

In 2015, the plan was modified but the number of phantom shares subject to the plan remained the same. The new plan has non-market vesting conditions and variable exercise prices depending on the Group's performance. According to the modified plan , the value of exercise price will be based on achieved certain performance targets for the Group over the remaining three year period of the plan contractual life.

The Group expects that the earnings target will be achieved for the remaining life of the plan and hence each option will have an exercise price of AED zero.

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

24 SHARE-BASED PAYMENT (continued)

As a result of the modification of the plan, an additional expense of AED 46.3 million has been recognized, representing the difference of the cumulative charge between the original plan and the modified plan.

	2015 ***AED'000***	*2014* *AED'000*
Expense arising from cash-settled share-based payment transactions	**55,489**	8,336

The following tables list the inputs to the models used for the plan for the year ended 31 December 2015:

	2015
Dividend yield (%)	**0**
Expected volatility (%)	**19**
Risk–free interest rate (%)	**1.9**
Expected life (years)	**1**
Share price (AED)	**3**

25 REVENUE

	2015 ***AED'000***	*2014* *AED'000*
International express	**1,387,173**	1,227,502
Freight forwarding	**1,203,176**	1,244,454
Domestic express	**811,300**	754,557
Logistics	**205,758**	197,976
Publications and distribution	**10,073**	9,548
Others*	**219,273**	209,129
	3,836,753	3,643,166

* 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

	2015 ***AED'000***	*2014* *AED'000*
International express	**437,199**	413,864
Freight forwarding	**876,998**	910,554
Domestic express	**283,522**	244,498
Logistics	**43,278**	41,187
Publications and distribution	**6,239**	6,095
Others	**26,629**	26,718
	1,673,865	1,642,916

27 ADMINISTRATIVE EXPENSES

	2015 AED'000	2014 AED'000
Salaries and benefits	**423,305**	349,365
Rent	**56,197**	53,078
Depreciation	**50,899**	48,642
Communication expenses	**36,155**	31,008
Repairs and maintenance	**19,293**	16,561
Allowance for impairment of receivables (note 12)	**12,281**	10,252
Printing and stationary	**7,880**	7,970
Entertainment	**9,598**	7,735
Vehicle running expenses	**4,421**	4,304
Insurance and security	**21,801**	14,387
Government fees and taxes	**35,724**	35,598
Corporate social responsibility	**5,212**	6,253
Sponsorship	**166**	148
Utilities	**11,458**	11,605
Travel expenses	**17,034**	17,252
Professional fees	**29,504**	22,843
Others	**74,640**	65,172
	815,568	702,173

28 OPERATING EXPENSES

	2015 AED'000	2014 AED'000
Salaries and benefits	**515,831**	486,748
Vehicle running and maintenance	**82,963**	84,319
Supplies	**30,483**	28,592
Communication expenses	**6,704**	7,132
Depreciation	**30,372**	29,284
Rent	**61,435**	57,037
Others	**43,709**	42,024
	771,497	735,136

29 OTHER INCOME

	2015 AED'000	2014 AED'000
Exchange gain	**460**	1,334
Gain (loss) on sale of property, plant and equipment	**12**	(27,974)
Miscellaneous income	**4,430**	30,873
	4,902	4,233

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.

30 RELATED PARTY TRANSACTIONS (continued)

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

	Related party	*Total*	
	Companies controlled by the directors AED'000	***2015 AED'000***	*2014 AED'000*
Rent expense	**1,389**	**1,389**	1,389

Compensation of key management personnel of the Group

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

	2015 AED'000	*2014 AED'000*
Salaries and other short term benefits	**12,287**	11,105
End of service benefits	**551**	165
	12,838	11,270

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.
Aramex Mail Call Couriers PTY Limited (Australia)

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 2015 and 2014, are included in notes 12 and 21:

		Sales to related parties AED'000	*Cost from related parties AED'000*	*Amounts owed by related parties* AED'000*	*Amounts owed to related parties** AED'000*	*Long term loan granted to related parties*** AED'000*
Associates:	**2015**	**333**	**350**	**57**	**-**	**-**
	2014	562	36	318	1,555	-
Joint ventures in which the Parent is a venturer:	**2015**	**881**	**22,132**	**2,495**	**8,550**	**1,767**
	2014	269	11,568	4,050	6,745	6,751

30 RELATED PARTY TRANSACTIONS (continued)

* These amounts are classified as trade receivables.

** 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

	31 December 2015	*31 December 2014*
Profit attributable to shareholders of the Parent (AED'000)	**311,302**	318,398
Weighted average number of shares during the year (shares)	**1,464 million**	1,464 million
Basic and diluted earnings per share (AED)	**0.213**	0.217

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 117.66 million for the year ended 31 December 2015 (2014: AED 110.11 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:

	2015 AED'000	*2014 AED'000*
Within one year	**148,629**	122,768
After one year but not more than five years	**435,349**	356,448
More than five years	**20,929**	50,920
	604,907	530,136

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.

33 SEGMENTAL INFORMATION (continued)

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 2015 and 2014, respectively.

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 2015							
Revenue							
Third party	**1,387,173**	**1,203,176**	**811,300**	**205,758**	**229,346**	**-**	**3,836,753**
Inter-segment	**603,043**	**243,734**	**1,024**	**4,563**	**7,942**	**(860,306)**	**-**
Total revenues	**1,990,216**	**1,446,910**	**812,324**	**210,321**	**237,288**	**(860,306)**	**3,836,753**
Gross profit	**949,973**	**326,177**	**527,778**	**162,479**	**196,481**	**-**	**2,162,888**
Year ended 31 December 2014							
Revenue							
Third party	1,227,502	1,244,454	754,558	197,976	218,676	-	3,643,166
Inter-segment	542,502	243,913	393	4,601	8,027	(799,436)	-
Total revenues	1,770,004	1,488,367	754,951	202,577	226,703	(799,436)	3,643,166
Gross profit	813,638	333,899	510,059	156,789	185,865	-	2,000,250

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.

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, Asia and others. 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:

	2015 AED'000	*2014 AED'000*
Revenues		
Middle East and Africa	**2,764,837**	2,619,420
Europe	**544,803**	588,346
North America	**110,909**	66,999
Asia and others	**416,204**	368,401
	3,836,753	3,643,166
Assets		
Middle East and Africa	**2,724,636**	2,514,175
Europe	**407,435**	413,129
North America	**38,887**	30,615
Asia and others	**274,398**	249,330
	3,445,356	3,207,249
Non- current assets*		
Middle East and Africa	**697,115**	519,443
Europe	**68,386**	58,789
North America	**4,767**	5,323
Asia and others	**29,107**	27,448
	799,375	611,003
Liabilities		
Middle East and Africa	**1,061,664**	802,297
Europe	**102,025**	113,579
North America	**11,906**	14,758
Asia and others	**69,966**	87,039
	1,245,561	1,017,673

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

34 COMMITMENTS AND CONTINGENCIES

Guarantees

	2015 AED'000	*2014 AED'000*
Letters of guarantee	**110,018**	92,004

Capital commitments
As at 31 December 2015, the Group has capital commitments of AED 65.3 million (2014: AED130 million) 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 22,600 thousand representing legal actions and claims related to its ordinary course of business (2014: AED 20,260 thousand). The management and their legal advisors believe that the provision recorded of AED 6,104 thousand as of 31 December 2015 is sufficient to meet the obligations that may arise from the lawsuits (2014: AED 5,469 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.

	Increase/ (decrease) in basis points	*Effect on profit for the year AED'000*
2015		
Variable rate instruments	**+100**	**(2,960)**
Variable rate instruments	**-100**	**2,960**
2014		
Variable rate instruments	+100	2,256
Variable rate instruments	-100	(2,256)

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 2015 the Group had 5 customers (2014: 5 customers) that accounted for approximately 21% (2014: 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 2015

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1-2 year AED'000*	*2-5 years AED'000*	*> 5 years AED'000*	*Total AED'000*
Term loans	21,997	56,100	63,776	156,952	-	298,825
Notes payable	155	285	-	-	-	440
Finance lease obligations	4,117	10,928	9,383	3,159	-	27,587
Bank overdraft	35,057	-	-	-	-	35,057
Trade and other payables	634,300	-	-	-	-	634,300
	695,626	67,313	73,159	160,111	-	996,209

35 RISK MANAGEMENT (continued)

Liquidity risk (continued)

Year ended 31 December 2014

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1-2 year AED'000*	*2-5 years AED'000*	*> 5 years AED'000*	*Total AED'000*
Term loans	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
	711,468	40,795	49,180	52,529	668	854,640

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(EGP), Sterling (GBP), South African Rand(ZAR), Turkish Lira (TR) 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).

	Changes in currency rate to AED %	*Effect on profit before tax AED'000*
2015		
EUR	**+10**	**1,239**
INR	**+10**	**694**
GBP	**+10**	**60**
EGP	**+10**	**231**
TYL	**+10**	**137**
ZAR	**+10**	**37**
2014		
EUR	+10	2,792
INR	+10	(581)
GBP	+10	(2,775)
EGP	+10	(2,253)
TYL	+10	229
ZAR	+10	(121)

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

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 2015 and 31 December 2014. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interests and retained earnings, and is measured at AED 2,417,352 thousand as at 31 December 2015 (2014: AED 2,314,465 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 liabilities as at 31 December 2015:

			Fair value measurement using		
	Date of valuation	***Total AED'000***	***Quoted prices in active markets (Level 1) AED'000***	***Significant observable inputs (Level 2) AED'000***	***Significant unobservable inputs (Level 3) AED'000***
Liabilities for which fair value are disclosed:					
Derivative financial liabilities					
Interest rate swap	**31 December 2015**	-	-	-	-

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

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

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 788,412 thousand (2014: AED 739,460 thousand) and the provision for doubtful debts was AED 57,180 thousand (2014: AED 52,783 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 which ranges between 8% to 10% 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.

38 SUBSEQUENT EVENT

In February 2016 , The Group acquired 100% of the voting shares of Fastway LTD, an unlisted company based in New Zealand and specialized in domestic business, for a consideration of around AED 264 million, that was mostly financed through debt.