

ARAMEX PJSC AND ITS SUBSIDIARIES

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2018

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARAMEX PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Aramex PJSC and its subsidiaries (“the Group”) as at 30 September 2018, comprising the interim consolidated statement of financial position as at 30 September 2018 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim consolidated statements of changes in equity and cash flows for the nine-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting “IAS 34”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:
Ashraf Abu-Sharkh
Partner
Registration No.: 690

31 October 2018

Dubai, United Arab Emirates

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018 (Unaudited)

	Notes	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	921,838	911,633
Goodwill		1,164,088	1,164,088
Other intangible assets		222,748	226,254
Investments in joint ventures and associates		140,129	144,121
Financial assets at fair value through other comprehensive income		49,978	41,766
Deferred tax assets		2,822	3,267
Other non-current assets	13	34,178	1,640
		<u>2,535,781</u>	<u>2,492,769</u>
Current assets			
Accounts receivable, net		1,077,222	934,166
Other current assets	13	305,592	249,542
Bank balances and cash	7	670,931	727,649
		<u>2,053,745</u>	<u>1,911,357</u>
TOTAL ASSETS		<u>4,589,526</u>	<u>4,404,126</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		1,464,100	1,464,100
Statutory reserve		268,633	269,181
Foreign currency translation reserve		(320,506)	(302,912)
Reserve arising from acquisition of non-controlling interests	3	(45,089)	(43,584)
Fair value reserve of financial assets at fair value through other comprehensive income		8,312	-
Retained earnings		1,210,073	1,113,313
Equity attributable to equity holders of the Parent		<u>2,585,523</u>	<u>2,500,098</u>
Non-controlling interests		23,602	18,964
Total equity		<u>2,609,125</u>	<u>2,519,062</u>
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	14	264,731	293,331
Employees' end of service benefits		137,198	140,553
Employees' benefit liability	6	39,164	29,875
Deferred tax liabilities		50,152	53,556
		<u>491,245</u>	<u>517,315</u>
Current liabilities			
Accounts payable		287,487	280,608
Bank overdrafts	7, 9	137,524	97,602
Interest-bearing loans and borrowings	14	289,751	220,240
Other current liabilities		774,394	769,299
		<u>1,489,156</u>	<u>1,367,749</u>
Total liabilities		<u>1,980,401</u>	<u>1,885,064</u>
TOTAL EQUITY AND LIABILITIES		<u>4,589,526</u>	<u>4,404,126</u>



Abdullah Al Mazrui
(Chairman)



Bashar Obeid
(Chief Executive Officer)



Nadia Abu Sara
(Chief Financial Officer)

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three and nine months ended 30 September 2018 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Continuing operations					
Rendering of services		1,239,108	1,143,400	3,660,653	3,396,567
Cost of services		(568,560)	(530,892)	(1,677,166)	(1,551,980)
Gross profit		670,548	612,508	1,983,487	1,844,587
Share of results of joint ventures and associates		2,664	(2,210)	(725)	(5,654)
Selling and marketing expenses		(50,494)	(51,626)	(156,043)	(156,548)
Administrative expenses		(254,275)	(246,713)	(734,744)	(734,656)
Operating expenses		(222,443)	(205,324)	(654,092)	(605,000)
Other income, net		1,838	1,074	5,714	4,485
Operating profit		147,838	107,709	443,597	347,214
Finance income		1,867	2,666	6,304	6,098
Finance expense		(7,341)	(7,013)	(20,676)	(18,724)
Profit before tax from continuing operations		142,364	103,362	429,225	334,588
Income tax expense		(25,942)	(19,369)	(71,798)	(55,139)
Profit for the period from continuing operations		116,422	83,993	357,427	279,449
Discontinued operations					
(Loss) profit after tax for the period from discontinued operations	10	-	(151)	811	(323)
Profit for the period		116,422	83,842	358,238	279,126
Attributable to:					
<i>Equity holders of the Parent</i>					
Profit for the period from continuing operations		112,883	81,722	338,142	270,572
(Loss) profit for the period from discontinued operations		-	(91)	487	(194)
		112,883	81,631	338,629	270,378
<i>Non-controlling interests</i>					
Profit for the period from continuing operations		3,539	2,271	19,285	8,877
(Loss) profit for the period from discontinued operations		-	(60)	324	(129)
		3,539	2,211	19,609	8,748
		116,422	83,842	358,238	279,126
Earnings per share attributable to equity holders of the Parent					
		AED	AED	AED	AED
Basic and diluted earnings per share	8	0.077	0.056	0.231	0.185

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2018 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 AED'000</i>	<i>2017 AED'000</i>	<i>2018 AED'000</i>	<i>2017 AED'000</i>
Profit for the period	116,422	83,842	358,238	279,126
Other comprehensive income, net of tax:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(6,302)	3,068	(18,505)	5,924
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods, net of tax	(6,302)	3,068	(18,505)	5,924
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Net gain on equity instruments at fair value through other comprehensive income	-	-	8,312	-
Net other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax	-	-	8,312	-
Other comprehensive (loss) income for the period, net of tax	(6,302)	3,068	(10,193)	5,924
Total comprehensive income for the period	110,120	86,910	348,045	285,050
Attributable to:				
Equity holders of the Parent	107,273	84,675	329,347	276,813
Non-controlling interests	2,847	2,235	18,698	8,237
	110,120	86,910	348,045	285,050

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018 (Unaudited)

	Attributable to equity holders of the Parent						Total AED'000	Non-controlling interests AED'000	Total AED'000
	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Reserve arising from acquisition of non-controlling interests AED'000	Fair value reserve of financial assets at fair value through other comprehensive income AED'000	Retained earnings AED'000			
<i>Nine month period ended</i>									
<i>30 September 2018</i>									
At 1 January 2018	1,464,100	269,181	(302,912)	(43,584)	-	1,113,313	18,964	2,519,062	
Profit for the period	-	-	-	-	-	338,629	19,609	358,238	
Other comprehensive income	-	-	(17,594)	-	8,312	-	(911)	(10,193)	
Total comprehensive income for the period	-	-	(17,594)	-	8,312	338,629	18,698	348,045	
Directors' fees paid	-	-	-	-	-	(3,769)	-	(3,769)	
Dividends of subsidiaries	-	-	-	-	-	-	(16,008)	(16,008)	
Non-controlling interests	-	-	-	-	-	-	1,460	1,460	
Acquisition of non-controlling interest (Note 3)	-	-	-	(1,505)	-	-	488	(1,017)	
Dividends paid to shareholders (Note 4)	-	-	-	-	-	(238,648)	-	(238,648)	
Transfer to statutory reserve	-	(548)	-	-	-	548	-	-	
At 30 September 2018	1,464,100	268,633	(320,506)	(45,089)	8,312	1,210,073	23,602	2,609,125	

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018 (Unaudited)

	Attributable to equity holders of the Parent						Total AED '000
	Share capital AED '000	Statutory reserve AED '000	Foreign currency translation reserve AED '000	Reserve arising from acquisition of non- controlling interests AED '000	Retained earnings AED '000	Non-controlling interests AED '000	
<i>Nine month period ended</i>							
<i>30 September 2017</i>							
At 1 January 2017	1,464,100	227,198	(350,627)	(33,037)	957,783	2,265,417	9,085
Profit for the period	-	-	-	-	270,378	270,378	8,748
Other comprehensive income	-	-	6,435	-	-	6,435	(511)
Total comprehensive income for the period	-	-	6,435	-	270,378	276,813	8,237
Directors' fees paid	-	-	-	-	(3,430)	(3,430)	-
Dividends of subsidiaries	-	-	-	-	-	-	(7,317)
Acquisition of non-controlling interest	-	-	-	(10,547)	-	(10,547)	(484)
Non-controlling interests	-	-	-	-	-	-	2,976
Dividends paid to shareholders (note 4)	-	-	-	-	(234,256)	(234,256)	-
At 30 September 2017	1,464,100	227,198	(344,192)	(43,584)	990,475	2,293,997	12,497
							2,306,494

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2018 (Unaudited)

	Notes	Nine months ended 30 September	
		2018 AED'000	2017 AED'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		429,225	334,588
Profit (loss) before tax from discontinued operations		811	(323)
Profit before tax		430,036	334,265
Adjustment for:			
Depreciation of property, plant and equipment		85,808	77,020
Amortization of other intangible assets		3,507	3,508
Gain on disposal of property, plant and equipment		(261)	(460)
Provision for employees' end of service benefits		18,790	19,102
Provision for doubtful accounts, net		27,252	7,272
Net finance expense		14,372	12,626
Employee benefit plan expense	6	9,289	28,568
Share of results of joint ventures and associates		725	5,654
Loss on disposal of the discontinued operations	10	109	-
		589,627	487,555
Working capital adjustments:			
Accounts receivable		(211,163)	(135,633)
Accounts payable		23,185	18,137
Other current assets		(35,797)	(65,571)
Other current liabilities		(1,651)	41,661
Cash from operations		364,201	346,149
Employees' end of service benefits paid		(20,197)	(14,427)
Employees' benefit plan paid	6	-	(41,193)
Income tax paid		(38,480)	(31,023)
Net cash flows from operating activities		305,524	259,506
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(109,799)	(110,165)
Proceeds from sale of property, plant and equipment		2,546	4,747
Financial assets at fair value through other comprehensive income		-	(13,759)
Interest received		6,304	6,098
Acquisition of non-controlling interest		-	(9,373)
Other non-current assets		(3,157)	173
Margin deposits		(636)	(1,437)
Investment in an associate and joint venture		(996)	(3,455)
Net cash disposed from sale of a subsidiary	10	(235)	-
Net cash flows used in investing activities		(105,973)	(127,171)
FINANCING ACTIVITIES			
Interest paid		(20,676)	(18,724)
Proceeds from loans and borrowings		104,057	23,625
Repayment of loans and borrowings		(63,146)	(63,858)
Dividends paid to non-controlling interests		(16,008)	(7,317)
Non-controlling interests		1,769	1,318
Other current assets		(19,631)	-
Other non-current assets		(29,381)	-
Directors' fees paid		(3,769)	(3,430)
Dividends paid to shareholders		(238,648)	(234,256)
Net cash flows used in financing activities		(285,433)	(302,642)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(85,882)	(170,307)
Net foreign exchange difference		(11,394)	(12,029)
Cash and cash equivalents at 1 January	7	624,437	639,474
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	527,161	457,138

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

1 ACTIVITIES

Aramex PJSC (the “Parent Company”) was established as a Public Joint Stock Company on 15 February 2005 and is registered in the Emirate of Dubai, United Arab Emirates under UAE Federal Law No 2 of 2015. The condensed consolidated financial statements of the Company as at 30 September 2018 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 interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 31 October 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2017. In addition, results for the nine months ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had implemented IFRS 9 in 1 January 2018. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated, and there was no impact of the adoption of IFRS 9 on the retained earnings. The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments measured at amortization cost.

For all debt instruments, the Group has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

These amendments do not have any impact on the Group’s condensed consolidated financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. The effect of adopting IFRS 15 was not material on the retained earnings and impacted its accounting policy for revenue recognition as detailed below:

Sale of goods

The Group has concluded that revenue from sale of shipment should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the shipment. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition

Rendering of services

The Group concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under IFRS 15 the Group would continue to recognise revenue for these service contracts/service components of bundled contracts over time rather than at a point of time.

Advances received from customers

Generally, the Group receives short-term advances from its customers. Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less. If the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer is more than one year, the Group shall adjust the promised amount of consideration for the effects of the time value of money.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Group's condensed consolidated financial statements.

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction.

These amendments do not have any impact on the Group's condensed consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's condensed consolidated financial statements.

3 ACQUISITION OF NON-CONTROLLING INTEREST

Acquisition of Additional Interest in Aramex Tanzania Ltd. –Tanzania

In March 2018, the Group acquired an additional 10% interest of the voting shares of Aramex Tanzania Ltd., increasing its ownership interest to 93%. No cash consideration was paid, instead, the amount due from the shareholder of AED 1,017 thousand was waived against the additional shares acquired. The carrying value of the net assets of Aramex Tanzania Ltd. at the acquisition date was at a negative balance of AED 4,882 thousand, and the carrying value of the additional interest acquired was at a negative balance of AED 488 thousand. The difference of AED 1,505 thousand between the consideration given and the carrying value of the additional interest acquired has been recognized within equity as a reserve arising from acquisition of non-controlling interests.

Following is a schedule of additional interest acquired in Aramex Tanzania Ltd. - Tanzania:

	<i>AED'000</i>
Waiver of debt to acquire additional non-controlling interests	1,017
Less: carrying value of the additional interest in Aramex Tanzania Ltd	(488)
	<hr/>
Difference recognized as a reserve from acquisition of non-controlling interests	1,505
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Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

4 DIVIDENDS

The General Assembly approved in its meeting held on 8 April 2018 a cash dividend for 2017 of 16.3% of the Company's share capital.

The General Assembly approved in its meeting held on 21 March 2017 a cash dividend for 2016 of 16% of the Company's share capital.

5 PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2018, the Group acquired property and equipment with a cost of AED 110 million (nine months ended 30 September 2017: AED 110 million).

6 EMPLOYEES' BENEFIT LIABILITY

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 PJSC's shares on the date of grant. The fair value at the 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 zero.

Movements on provision for employees' benefits liability were as follows:

	<i>30 September 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
At 1 January	29,875	74,988
Employees benefit plan expense	9,289	24,030
Reversal of employees' benefit plan expense	-	(27,950)
Paid during the period / year	-	(41,193)
	<u>39,164</u>	<u>29,875</u>

Employees' benefit liability was re-measured at fair value at an amount of AED 39.2 million as of 30 September 2018 (AED 29.9 million as of 31 December 2017).

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

7 CASH AND CASH EQUIVALENTS

	30 September 2018 AED'000	31 December 2017 AED'000
Cash and short term deposits	670,931	727,649
Less: cash margin	(6,246)	(5,610)
Less: bank overdrafts (note 9)	<u>(137,524)</u>	<u>(97,602)</u>
	<u>527,161</u>	<u>624,437</u>

Included within cash and short term deposits are amounts totaling AED 477,009 thousand (31 December 2017: AED 454,429 thousand) held at foreign banks abroad and amounts totaling approximately AED 129,255 thousand of cash on delivery collected by the Group on behalf of customers, the same balance was recorded as trade payable in the consolidated statement of financial position (31 December 2017: AED 89,588 thousand).

8 EARNINGS PER SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2018	2017	2018	2017
Profit attributable to shareholders of Parent (AED'000)	<u>112,883</u>	<u>81,631</u>	<u>338,629</u>	<u>270,378</u>
Weighted average number of shares during the period (shares)	<u>1,464.1million</u>	<u>1,464.1million</u>	<u>1,464.1million</u>	<u>1,464.1million</u>
Basic and diluted earnings per share (AED)	<u>0.077</u>	<u>0.056</u>	<u>0.231</u>	<u>0.185</u>

9 BANK OVERDRAFTS

The Group maintains overdrafts and lines of credit with various banks.

Aramex Tunisia has outstanding overdrafts from Citi Bank of AED 667 thousand as at 30 September 2018 (2017: AED 743 thousand) and from The Arab Bank of AED 591 thousand as at 30 September 2018 (2017: AED 514 thousand).

Aramex Algeria SARL has outstanding overdrafts from Citi Bank of AED 4,403 thousand as at 30 September 2018 (2017: AED 6,452 thousand).

Aramex International LLC has outstanding overdrafts from HSBC of AED 73,313 thousand as at 30 September 2018 (2017: AED 62,434 thousand).

Aramex Special Logistics has outstanding overdrafts from Citi Bank of AED 58,547 thousand as at 30 September 2018 (2017: AED 27,459 thousand).

Aramex Emirates L.L.C has outstanding overdraft from Arab Bank of AED 3 thousand as at 30 September 2018 (2017: Nil).

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

10 DISCONTINUED OPERATIONS

Disposal of Aramex Botswana Limited

During 2018, the Group disposed of 100% of its interest in Aramex Botswana Limited. The cash outflows generated from the sale of the discontinued operation during 2018 have been presented in the interim condensed consolidated statement of cash flows as part of the investing activities.

Aramex Botswana Limited segment is no longer presented in the segment note.

The results of Aramex Botswana Limited for the period are as follows:

	<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>
	<i>AED '000</i>	<i>AED '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Rendering of services	145	750
Cost of services	<u>(103)</u>	<u>(273)</u>
Gross profit	42	477
Less: Overheads	<u>(138)</u>	<u>(816)</u>
Operating profit	(96)	(339)
Add: Other income	992	71
Less: Expenses	<u>(85)</u>	<u>(55)</u>
Profit (loss) before tax	811	(323)
Income tax expense	-	-
Net profit (loss)	<u>811</u>	<u>(323)</u>

The major classes of assets and liabilities of Aramex Botswana Limited as at 1 February 2018 are as follows:

	<i>2018</i>
	<i>AED '000</i>
	<i>(Unaudited)</i>
Assets	
Property, plant and equipment	387
Trade receivables	194
Other current assets	210
Cash and cash equivalent	<u>235</u>
	<u>1,026</u>
Liabilities	
Trade payables	221
Other current liabilities	375
Other non-current liabilities	<u>321</u>
	<u>917</u>
Net assets directly associated with the disposal group	<u>109</u>
Cash flow on sale:	
Consideration received	-
Cash included as cash and cash equivalents at 1 February 2018 in the statement of cash flows	<u>(235)</u>
Net cash outflow	<u>(235)</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

10 DISCONTINUED OPERATION (continued)

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

	<i>For the nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>
	<i>AED '000</i>	<i>AED '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating	32	(219)
Investing	(1)	308
Net cash inflow	31	89
Loss on disposal of discontinued operation:	AED '000	
Consideration received	-	
Net assets directly associated with disposal group	(109)	
	(109)	

11 SEGMENT INFORMATION

For management purposes, the Group is organized into five operating segments:

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

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

11 SEGMENT INFORMATION (continued)

The following table presents revenue and profit information regarding the Group's operating segment for the nine months ended 30 September 2018 and 2017, respectively.

	<i>International express AED'000</i>	<i>Freight forwarding AED'000</i>	<i>Domestic express AED'000</i>	<i>Logistics AED'000</i>	<i>Others AED'000</i>	<i>Elimination AED'000</i>	<i>Total AED'000</i>
Nine months ended 30 September 2018							
Revenue							
Third party	1,570,859	870,853	781,410	217,472	220,059	-	3,660,653
Inter-segment	628,528	174,488	1,039	4,638	14,555	(823,248)	-
Total revenue	<u>2,199,387</u>	<u>1,045,341</u>	<u>782,449</u>	<u>222,110</u>	<u>234,614</u>	<u>(823,248)</u>	<u>3,660,653</u>
Timing of revenue recognition							
Goods transferred at a point in time	2,199,387	1,045,341	782,449	222,110	225,566	(823,248)	3,651,605
Services transferred over time	-	-	-	-	9,048	-	9,048
Total revenue from contracts with customers	<u>2,199,387</u>	<u>1,045,341</u>	<u>782,449</u>	<u>222,110</u>	<u>234,614</u>	<u>(823,248)</u>	<u>3,660,653</u>
Gross profit	<u>1,028,540</u>	<u>221,527</u>	<u>394,142</u>	<u>160,321</u>	<u>178,957</u>	<u>-</u>	<u>1,983,487</u>
Nine months ended 30 September 2017							
Revenue							
Third party	1,397,986	853,035	750,011	191,536	203,999	-	3,396,567
Inter-segment	573,789	166,453	1,897	5,460	14,599	(762,198)	-
Total revenue	<u>1,971,775</u>	<u>1,019,488</u>	<u>751,908</u>	<u>196,996</u>	<u>218,598</u>	<u>(762,198)</u>	<u>3,396,567</u>
Timing of revenue recognition							
Goods transferred at a point in time	1,971,775	1,019,488	751,908	196,996	211,847	(762,198)	3,389,816
Services transferred over time	-	-	-	-	6,751	-	6,751
Total revenue from contracts with customers	<u>1,971,775</u>	<u>1,019,488</u>	<u>751,908</u>	<u>196,996</u>	<u>218,598</u>	<u>(762,198)</u>	<u>3,396,567</u>
Gross profit	<u>932,793</u>	<u>228,202</u>	<u>371,397</u>	<u>143,735</u>	<u>168,460</u>	<u>-</u>	<u>1,844,587</u>

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 segment and accordingly such information is not presented.

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

11 SEGMENT INFORMATION (continued)

Geographical Information

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.

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

	<i>Nine months ended 30 September</i>	
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Revenues		
Middle East and Africa	2,266,913	2,069,361
Europe	433,786	418,642
North America	98,490	95,227
Asia and others	861,464	813,337
	<u>3,660,653</u>	<u>3,396,567</u>
	<i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>31 December</i> <i>2017</i> <i>AED'000</i>
Assets		
Middle East and Africa	3,188,177	2,973,296
Europe	408,175	409,227
North America	56,178	65,200
Asia and others	936,996	956,403
	<u>4,589,526</u>	<u>4,404,126</u>
Non- current assets*		
Middle East and Africa	900,433	873,743
Europe	61,990	68,610
North America	2,107	2,535
Asia and others	370,163	378,886
	<u>1,334,693</u>	<u>1,323,774</u>
Liabilities		
Middle East and Africa	1,372,398	1,237,517
Europe	93,437	98,702
North America	17,295	19,375
Asia and others	497,271	529,470
	<u>1,980,401</u>	<u>1,885,064</u>

* Non-current assets for this purpose consist of property, plant and equipment, other intangible assets, financial assets at fair value through other comprehensive income and investments in joint ventures and associates. Goodwill is allocated to business segments.

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

12 COMMITMENTS AND CONTINGENCIES

	<i>30 September 2018 AED'000</i>	<i>31 December 2017 AED'000</i>
Letters of guarantee	<u>118,797</u>	<u>110,797</u>

As at 30 September 2018, the Group has capital commitments of AED 21.7 million (2017: AED 47 million) towards purchase/construction of property, plant and equipment, including the installation of the new ERP system (SAP).

Claims against the Group

The Group is a defendant in a number of lawsuits amounting to AED 28,903 thousand (31 December 2017: AED 36,576 thousand) representing legal actions and claims related to its ordinary course of business. The management and their legal advisors believe that the provision recorded of AED 11,819 thousand as of 30 September 2018 (31 December 2017: AED 13,168 thousand) is sufficient to meet the obligation that may arise from the lawsuits.

13 RELATED PARTY TRANSACTIONS

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

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

	<i>Companies controlled by the directors</i>	
	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>
Rent expense	<u>1,042</u>	<u>2,622</u>

Key management compensation

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

	<i>30 September 2018 AED'000</i>	<i>30 September 2017 AED'000</i>
Salaries and other short term benefits	4,861	8,046
Board remuneration	2,985	2,723
End of service benefits	<u>54</u>	<u>145</u>
	<u>7,900</u>	<u>10,914</u>

The Group has granted to a related party a call option to acquire 100% interest in a subsidiary. Based on reviewing the relevant factors and circumstances, management has concluded that the option is considered to be non-substantive in accordance with IFRS 10.

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

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

13 RELATED PARTY TRANSACTIONS (continued)

The following table provides the total amount of transactions that have been entered into with related parties during the nine months ended 30 September 2018 and 2017, as well as balances with related parties as at 30 September 2018 and 31 December 2017:

		<i>Sales to related parties AED'000</i>	<i>Cost from related parties AED'000</i>	<i>Amounts owed by related parties* AED'000</i>	<i>Amounts owed to related parties** AED'000</i>
Associates					
	2018	743	365	483	-
	2017	336	737	529	-
Joint ventures in which the Parent is a venturer:					
	2018	3,560	29,825	1,374	20,013
	2017	1,560	18,035	2,824	11,966
Companies controlled by Directors and shareholders, and others***:					
	2018	107,232	-	82,967	12,701
	2017	61,345	-	15,576	9,271

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

** These amounts are classified as trade payables.

*** Included in amounts owed by related parties, an interest bearing amount of AED 49,012 thousand due from a non-controlling interest. The amount is repayable in eight consecutive quarterly instalments; the first instalment is due on 12 March 2019. The amount is presented in other current assets and other non-current assets in the consolidated statement of financial position.

14 LOANS AND BORROWINGS

During 2018, the Group entered into a term loan agreement with Al Ahli Bank for an amount of AED 49,012 thousand. The term loan is repayable in eight consecutive quarterly instalments; the first instalment is due on 12 March 2019.

15 SEASONALITY OF OPERATIONS

The Group's business is seasonal in nature. Historically, the Group experienced a decrease in demand for its services in the post-winter holiday and summer vacation seasons. The Group traditionally experiences its highest volumes towards the latter half of the year. The seasonality of the Group's revenue may cause a variation in its quarterly operating results. However, local Middle East and Islamic holidays vary from year to year and, as a result, the Group's seasonality may shift over time.