

ARAMEX PJSC AND ITS SUBSIDIARIES

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL INFORMATION**

**FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2019**

ARAMEX PJSC AND ITS SUBSIDIARIES

**Review report and condensed interim consolidated financial information
for the six-month period ended 30 June 2019**

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Review report on condensed interim consolidated financial information to the Directors of Aramex PJSC

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Aramex PJSC ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2019 and the related condensed interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and condensed interim consolidated statements of changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information 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 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 condensed interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 and condensed interim consolidated financial information for the three-month and the six-month periods ended 30 June 2018 were audited and reviewed, respectively, by another auditor, whose reports dated 27 February 2019 and 1 August 2018, expressed an unqualified audit opinion and review conclusion, respectively.

PricewaterhouseCoopers
31 July 2019

Rami Sarhan
Registered Auditor Number 1152
Dubai, United Arab Emirates

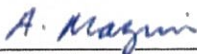


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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

ARAMEX PJSC AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

| | Note | 30 June 2019 AED "000" Unaudited | 31 December 2018 AED "000" Audited |
|--|-------|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 5 | 962,474 | 949,715 |
| Right of use assets | 6 | 827,686 | - |
| Goodwill | | 1,124,695 | 1,124,695 |
| Other intangible assets | | 209,043 | 211,193 |
| Investments in joint ventures and associates | | 26,220 | 22,856 |
| Financial assets at fair value through other comprehensive income | | 39,215 | 53,787 |
| Deferred tax assets | | 6,388 | 6,323 |
| Other non-current assets | | 5,685 | 5,877 |
| | | <u>3,201,406</u> | <u>2,374,446</u> |
| Current assets | | | |
| Accounts receivable, net | | 1,139,024 | 1,140,664 |
| Other current assets | | 316,871 | 352,512 |
| Cash and bank balances | 8 | 707,133 | 836,659 |
| | | <u>2,163,028</u> | <u>2,329,835</u> |
| Total assets | | <u>5,364,434</u> | <u>4,704,281</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | | 1,464,100 | 1,464,100 |
| Statutory reserve | | 314,515 | 314,515 |
| Foreign currency translation reserve | | (409,778) | (371,217) |
| Reserve arising from acquisition of non-controlling interests | | (324,745) | (324,745) |
| Fair value reserve for financial assets at fair value through other comprehensive income | | 6,834 | 10,252 |
| Retained earnings | | 1,307,636 | 1,316,764 |
| Equity attributable to equity holders of the Parent Company | | <u>2,358,562</u> | <u>2,409,669</u> |
| Non-controlling interests | | 13,501 | 22,137 |
| Total equity | | <u>2,372,063</u> | <u>2,431,806</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 11 | 162,400 | 200,822 |
| Employees' end of service benefits | | 142,601 | 140,167 |
| Lease liability | | 634,772 | 17,996 |
| Deferred tax liabilities | | 51,534 | 51,298 |
| | | <u>991,307</u> | <u>410,283</u> |
| Current liabilities | | | |
| Trade payables | | 253,967 | 290,638 |
| Bank overdrafts | 8, 10 | 166,887 | 120,463 |
| Lease liability | | 186,610 | 16,070 |
| Interest-bearing loans and borrowings | 11 | 584,574 | 302,197 |
| Employees' benefit liability | 7 | - | 45,678 |
| Other current liabilities | | 809,026 | 1,087,146 |
| | | <u>2,001,064</u> | <u>1,862,192</u> |
| Total liabilities | | <u>2,992,371</u> | <u>2,272,475</u> |
| Total equity and liabilities | | <u>5,364,434</u> | <u>4,704,281</u> |


Abdullah Al Mazrui
(Chairman)


Bashar Obeid
(Chief Executive Officer)


Nadia Abu Sara
(Chief Financial Officer)

ARAMEX PJSC AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD ENDED 30 JUNE 2019

| | Note | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|--|------|---|--------------------------------|---|--------------------------------|
| | | 2019 AED "000" Unaudited | 2018 AED "000" Unaudited | 2019 AED "000" Unaudited | 2018 AED "000" Unaudited |
| Continuing operations | | | | | |
| Rendering of services | | 1,278,603 | 1,231,913 | 2,512,340 | 2,421,545 |
| Cost of services | | (600,706) | (562,967) | (1,178,411) | (1,108,606) |
| Gross profit | | <u>677,897</u> | <u>668,946</u> | <u>1,333,929</u> | <u>1,312,939</u> |
| Selling and marketing expenses | | (50,250) | (52,544) | (103,526) | (105,549) |
| Administrative expenses | | (228,745) | (239,576) | (469,346) | (480,469) |
| Operating expenses | | (235,539) | (217,669) | (466,304) | (431,649) |
| Other (expenses)/income, net | | (2,950) | 2,608 | 4,562 | 3,876 |
| Operating profit | | <u>160,413</u> | <u>161,765</u> | <u>299,315</u> | <u>299,148</u> |
| Finance income | | 2,320 | 1,628 | 5,129 | 4,437 |
| Finance costs | | (19,986) | (7,218) | (38,563) | (13,335) |
| Share of results of joint ventures and associates | | 1,301 | (1,387) | 3,271 | (3,389) |
| Profit before income tax from continuing operations | | <u>144,048</u> | <u>154,788</u> | <u>269,152</u> | <u>286,861</u> |
| Income tax expense | | (19,893) | (24,974) | (35,878) | (45,856) |
| Profit for the period from continuing operations | | <u>124,155</u> | <u>129,814</u> | <u>233,274</u> | <u>241,005</u> |
| Discontinued operations | | | | | |
| Profit after tax for the period from discontinued operations | 12 | - | - | - | 811 |
| Profit for the period | | <u>124,155</u> | <u>129,814</u> | <u>233,274</u> | <u>241,816</u> |
| Attributable to: | | | | | |
| <i>Equity holders of the Parent Company</i> | | | | | |
| Profit for the period from continuing operations | | 123,238 | 122,308 | 231,183 | 225,259 |
| Profit for the period from discontinued operations | | - | - | - | 487 |
| | | <u>123,238</u> | <u>122,308</u> | <u>231,183</u> | <u>225,746</u> |
| <i>Non-controlling interests</i> | | | | | |
| Profit for the period from continuing operations | | 917 | 7,506 | 2,091 | 15,746 |
| Profit for the period from discontinued operations | | - | - | - | 324 |
| | | <u>917</u> | <u>7,506</u> | <u>2,091</u> | <u>16,070</u> |
| | | <u>124,155</u> | <u>129,814</u> | <u>233,274</u> | <u>241,816</u> |
| Earnings per share attributable to equity holders of the Parent Company | | | | | |
| Basic and diluted earnings per share in AED | 9 | <u>0.084</u> | <u>0.084</u> | <u>0.158</u> | <u>0.154</u> |

ARAMEX PJSC AND ITS SUBSIDIARIES
 CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 30 JUNE 2019

| | For the three-month period ended 30 | | For the six-month period ended 30 | |
|--|-------------------------------------|-----------------|-----------------------------------|-----------------|
| | June | | June | |
| | 2019 | 2018 | 2019 | 2018 |
| | AED "000" | AED "000" | AED "000" | AED "000" |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit for the period | 124,155 | 129,814 | 233,274 | 241,816 |
| Other comprehensive income | | | | |
| <i>Items that will be reclassified to profit or loss:</i> | | | | |
| Exchange differences on translation of foreign operations | 7,362 | (20,935) | (48,344) | (12,204) |
| Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax | 7,362 | (20,935) | (48,344) | (12,204) |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | |
| Net (loss)/gain on equity instruments at fair value through other comprehensive income | (336) | - | 608 | 8,312 |
| Net other comprehensive (loss)/ income not being reclassified to profit or loss in subsequent periods, net of tax | (336) | - | 608 | 8,312 |
| Other comprehensive income/(loss) for the period, net of tax | 7,026 | (20,935) | (47,736) | (3,892) |
| Total comprehensive income for the period | 131,181 | 108,879 | 185,538 | 237,924 |
| Attributable to: | | | | |
| Equity holders of the Parent Company | 130,134 | 102,057 | 193,230 | 222,075 |
| Non-controlling interests | 1,047 | 6,822 | (7,692) | 15,849 |
| | 131,181 | 108,879 | 185,538 | 237,924 |

The notes on pages 8 to 26 form an integral part of this condensed interim consolidated financial information.

ARAMEX PJSC AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

| | 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 for financial assets at fair value through other comprehensive income AED "000" | Retained earnings AED "000" | Equity attributable to equity holders of the Parent Company AED "000" | Non- controlling interests AED "000" | Total equity AED "000" |
|---|----------------------------|-----------------------------------|--|--|---|-----------------------------------|--|---|---------------------------|
| For the six-month period ended | | | | | | | | | |
| 30 June 2019 | | | | | | | | | |
| Balance at 1 January 2019 | 1,464,100 | 314,515 | (371,217) | (324,745) | 10,252 | 1,316,764 | 2,409,669 | 22,137 | 2,431,806 |
| Profit for the period | - | - | - | - | - | 231,183 | 231,183 | 2,091 | 233,274 |
| Other comprehensive (loss)/ income | - | - | (38,561) | - | 608 | - | (37,953) | (9,783) | (47,736) |
| Total comprehensive (loss)/ income for the period | - | - | (38,561) | - | 608 | 231,183 | 193,230 | (7,692) | 185,538 |
| Directors' fees for the period | - | - | - | - | - | (2,760) | (2,760) | - | (2,760) |
| Non-controlling interests | - | - | - | - | - | - | - | 332 | 332 |
| Dividends of subsidiaries | - | - | - | - | - | - | - | (1,276) | (1,276) |
| Gain on sale of financial assets at fair value through other comprehensive income | - | - | - | - | (4,026) | 4,026 | - | - | - |
| Dividends to shareholders (note 3) | - | - | - | - | - | (241,577) | (241,577) | - | (241,577) |
| Balance at 30 June 2019 | 1,464,100 | 314,515 | (409,778) | (324,745) | 6,834 | 1,307,636 | 2,358,562 | 13,501 | 2,372,063 |
| For the six-month period ended | | | | | | | | | |
| 30 June 2018 | | | | | | | | | |
| Balance at 1 January 2018 | 1,464,100 | 269,181 | (302,912) | (43,584) | - | 1,113,313 | 2,500,098 | 18,964 | 2,519,062 |
| Profit for the period | - | - | - | - | - | 225,746 | 225,746 | 16,070 | 241,816 |
| Other comprehensive (loss)/ income | - | - | (11,983) | - | 8,312 | - | (3,671) | (221) | (3,892) |
| Total comprehensive (loss)/ income for the period | - | - | (11,983) | - | 8,312 | 225,746 | 222,075 | 15,849 | 237,924 |
| Directors' fees for the period | - | - | - | - | - | (3,970) | (3,970) | - | (3,970) |
| Dividends of subsidiaries | - | - | - | - | - | - | - | (12,281) | (12,281) |
| Non-controlling interests | - | - | - | - | - | - | - | (309) | (309) |
| Acquisition of non-controlling interest | - | - | - | (1,505) | - | - | (1,505) | 488 | (1,017) |
| Dividends to shareholders (note 3) | - | - | - | - | - | (238,648) | (238,648) | - | (238,648) |
| Transfer from statutory reserve | - | (548) | - | - | - | 548 | - | - | - |
| Balance at 30 June 2018 | 1,464,100 | 268,633 | (314,895) | (45,089) | 8,312 | 1,096,989 | 2,478,050 | 22,711 | 2,500,761 |

The notes on pages 8 to 26 form an integral part of this condensed interim consolidated financial information.

ARAMEX PJSC AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

| | Note | For the six-month period ended | |
|--|------|--------------------------------|-----------------|
| | | 30 June | |
| | | 2019 | 2018 |
| | | AED "000" | AED "000" |
| | | (Unaudited) | (Unaudited) |
| <u>OPERATING ACTIVITIES</u> | | | |
| Profit before tax from continuing operations | | 269,152 | 286,861 |
| Profit before tax from discontinued operations | | - | 811 |
| Profit before tax | | 269,152 | 287,672 |
| Adjustments for | | | |
| Depreciation of property and equipment | | 52,696 | 56,739 |
| Depreciation of right of use assets | 6 | 105,762 | - |
| Amortisation of other intangible assets | | 2,150 | 2,340 |
| Loss/(gain) on sale of property and equipment | | 1,481 | (161) |
| Provision for employees' end of service benefits | | 13,463 | 12,487 |
| Provision for expected credit losses, net | | 15,384 | 8,488 |
| Finance income | | (5,129) | (4,437) |
| Finance costs | | 38,563 | 13,335 |
| Employees' benefit liability expense | 7 | 1,702 | 4,606 |
| Share of results of joint ventures and associates | | (3,271) | 3,389 |
| Loss on disposals of discontinued operations | 12 | - | 109 |
| | | 491,953 | 384,567 |
| Working capital adjustments: | | | |
| Accounts receivable | | (84,977) | (216,023) |
| Other current assets | | (13,467) | (31,614) |
| Trade payables | | (36,673) | 2,832 |
| Other current liabilities | | 44,383 | (12,467) |
| Net cash flows generated from operating activities before income tax, and employees' end of service benefit and employees' benefit liability paid | | 401,219 | 127,295 |
| Employees' end of service benefits paid | | (10,268) | (14,619) |
| Employees' benefit liability paid | 7 | (47,380) | - |
| Income tax paid | | (38,564) | (27,871) |
| Net cash flows generated from operating activities | | 305,007 | 84,805 |
| <u>INVESTING ACTIVITIES</u> | | | |
| Purchase of property and equipment | 5 | (58,186) | (69,362) |
| Proceeds from sale of property and equipment | | 5,440 | 2,280 |
| Proceeds from sale of financial assets at fair value through other comprehensive income | | 15,180 | - |
| Interest received | | 5,129 | 4,437 |
| Acquisition of non-controlling interests | 4 | (293,808) | - |
| Other non-current assets | | 192 | (1,434) |
| Margin deposits | | (1,476) | 257 |
| Investment in joint ventures and associates | | - | (996) |
| Net cash disposed from sale of a subsidiary | 12 | - | (235) |
| Net cash flows used in investing activities | | (327,529) | (65,053) |

The notes on pages 8 to 26 form an integral part of this condensed interim consolidated financial information.

ARAMEX PJSC AND ITS SUBSIDIARIES
 CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

| | Note | For the six-month period ended 30 June | |
|--|----------|---|----------------------------------|
| | | 2019 AED "000" (Unaudited) | 2018 AED "000" (Unaudited) |
| <u>FINANCING ACTIVITIES</u> | | | |
| Interest paid | | (31,112) | (13,335) |
| Proceeds from loans and borrowings | | 668,413 | 104,057 |
| Repayment of loans and borrowings | | (424,458) | (41,881) |
| Repayment of lease liability | | (113,054) | - |
| Dividends paid to non-controlling interests | | (1,276) | (12,281) |
| Non-controlling interest | | 332 | - |
| Other current assets | | 49,011 | (19,631) |
| Other non-current assets | | - | (29,381) |
| Directors' fees paid | | (2,760) | (3,970) |
| Dividends paid to shareholders | | (241,577) | (238,648) |
| Net cash flows used in financing activities | | (96,481) | (255,070) |
| Net decrease in cash and cash equivalents | | (119,003) | (235,318) |
| Net foreign exchange difference | | (58,423) | (8,578) |
| Cash and cash equivalents at 1 January | 8 | 709,955 | 624,437 |
| Cash and cash equivalents at 30 June | 8 | 532,529 | 380,541 |

Non-cash transaction:

Non-cash transactions related to right of use assets are disclosed in notes 2.5 and 6 respectively.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

1. General

Aramex PJSC (the “Parent Company or 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 interim consolidated financial information of the Company as at 30 June 2019 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 address is Building and Warehouse No. 3, Um Rammool, Dubai, United Arab Emirates.

The condensed interim consolidated financial information were authorised for issue by the Board of Directors on 31 July 2019.

2. Summary of significant accounting polices

2.1 Basis of preparation

This condensed interim consolidated financial information of the Group is prepared under the historical cost basis except for financial assets at fair value through other comprehensive income which is measured at fair value.

This condensed interim consolidated financial information does not include all the information and disclosures required in full consolidated financial statements and should be read in conjunction with the annual Group’s consolidated financial statements for the year ended 31 December 2018. In addition, results for the six-month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

This condensed interim consolidated financial information is prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standard Board (IASB).

The accounting policies used in the preparation of this condensed interim consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, other than the impact of the implementation of IFRS 16 which is disclosed in note 2.5.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

New and revised IFRS applied in the preparation of the condensed interim consolidated financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed interim consolidated financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

- (a) **IFRS 16, 'Leases'** - This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The impact of the IFRS 16 on this condensed interim consolidated financial information of the Group has been disclosed in note 2.5.

- (b) **Amendment to IFRS 9, 'Financial instrument'** - The amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. The amendment also confirms that modifications in financial liabilities will result in the immediate recognition of a gain or loss. The amendment did not have a material impact of the Group's condensed interim consolidated financial information.

- (c) **IFRIC 23 Uncertainty over Income Tax Treatments** - The interpretation address the determination of taxable profit (tax loss) tax bases, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers
- Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, and tax rates
 - The effect of changes in facts and circumstances

The interpretation did not have a material impact of the Group's condensed interim consolidated financial information.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

2. Summary of significant accounting policies (continued)

2.3 New and revised IFRS issued but not yet effective and not early adopted

(a) Amendments to IFRS 3 - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

This standard will be effective for annual periods beginning on or after 1 January 2022.

(b) Amendments to IAS 1 and IAS 8 - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

This standard will be effective for annual periods beginning on or after 1 January 2022.

The Group is currently assessing the impact of these standards, and amendments on the future consolidated financial statements of the Group and intends to adopt them, if applicable, when they become effective.

2.4 Basis of consolidation

This condensed interim consolidated financial information incorporates the financial information of Aramex PJSC and entities controlled by Aramex PJSC. Control is achieved where the Company has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed interim consolidated financial information comprises the financial information of Aramex PJSC and its subsidiaries. The financial information of the subsidiaries are prepared for the same reporting period as that of Aramex PJSC, using consistent accounting policies.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

2. Summary of significant accounting policies (continued)

2.5 Leases under IFRS 16 'Leases':

Leases are recognised as right of use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the condensed interim consolidated statement of income over the lease period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right of use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs, and
- Restoration costs.

Lease liabilities include, if applicable, the net present value of:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit to the lease or the incremental borrowing rate.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Group as a whole. Payments for leases of low-value assets are recognised on a straight-line basis in the condensed interim consolidated statement of income.

Variable lease payments

Some leases contain variable payments that are linked to the usage / performance of the leased asset. Such payments are recognised in condensed interim consolidated statement of income.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. If there is a significant event or significant change in circumstances within control, the Group reassesses whether it is reasonably certain to exercise the options.

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2 Summary of significant accounting policies (continued)

2.5 Leases under IFRS 16 'Leases': (continued)

IFRS 16 adopted by the Group in 2019

The Group has adopted IFRS 16 'Leases' ("IFRS 16") from its mandatory adoption date 1 January 2019. In accordance with the transition provisions in IFRS 16, the new rules have been adopted using simplified transition approach without any impact on retained earnings as on 1 January 2019. As a result, comparatives for the year 2018 financial information are not restated and the information presented for 2018 does not reflect the requirements of IFRS 16, therefore, it is not comparable to the information presented for 2018 under IAS 17 'lease' ("IAS17").

IFRS 16 replaces IAS 17, which covers accounting for finance and operating leases. As of 31 December 2018, the Group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 which were presented as part of the Group's debts.

On adoption of IFRS 16, the Group has recognised lease liabilities and associated right of use assets in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The associated right of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepayments and accrued lease liabilities relating to that lease recognised in the condensed interim consolidated statement of financial position as at 1 January 2019.

The following table shows reconciliation of operating lease commitments under IAS 17 to lease liability under IFRS 16 as on 1 January 2019:

| | 1 January 2019 AED "000" |
|--|-----------------------------|
| Operating lease commitments disclosed as at 31 December 2018 | 700,755 |
| Discounted using the Group's incremental borrowing rate | (86,013) |
| Add: finance lease liabilities recognised as at 31 December 2018 | 34,066 |
| (Less): short-term leases recognised on a straight-line basis as expense | (5,333) |
| Add: adjustments as a result of a different treatment of extension the termination options | 198,373 |
| Add: adjustments relating to changes in the index or rate affecting variable payments | 10,441 |
| Lease liability recognised as at 1 January 2019 | 852,289 |
| <i>Of which are:</i> | |
| Current lease liabilities | 187,808 |
| Non-current lease liabilities | 664,481 |

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2 Summary of significant accounting policies (continued)

IFRS 16 adopted by the Group in 2019 (continued)

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019*:

| | AED "000" |
|---|-----------|
| Property and equipment - decreased by | (33,182) |
| Right of use assets - increased by | 851,407 |
| Prepayments - decreased by | (17,662) |
| Other liabilities and accruals - decreased by | (16,527) |
| Lease liabilities - increased by | (817,090) |

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

* The aforementioned change in the accounting policy for IFRS 16 represents a non-cash transaction excluded from cash flow statements for period ended 30 June 2019.

3. Dividends

At the Annual General Meeting of the shareholders held on 10 April 2019, the shareholders approved a cash dividend of 16.5% for the year ended 31 December 2018 (31 December 2017: cash dividend of 16.3%) of the issued and paid up capital amounting to AED 1,464,100 thousands (31 December 2017: AED 1,464,100 thousands). The dividends per share amount to AED 0.165 (31 December 2017: AED 0.163).

4. Acquisition of non-controlling interests

During the year ended 31 December 2018, the Group acquired an additional interest of the voting shares of Tal Saudi Arabia located in KSA. The Company's operations were already controlled by the Group. A consideration of AED 244,795 thousand, and the amount due from the shareholder of AED 49,013 thousand was settled against the additional shares acquired. The carrying value of the additional interest acquired was at a balance of AED 14,152 thousand. The difference of AED 279,656 thousand between the consideration given and the carrying value of the additional interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interest.

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4. Acquisition of non-controlling interests (continued)

Following is a schedule of additional interest acquired in Tal Saudi Arabia for Commerce and Contracts Co. Ltd:

| | AED'000 |
|--|----------------|
| Consideration payable to non-controlling shareholders* | 244,795 |
| Settlement of debt to acquire additional non-controlling interests* | 49,013 |
| Less: carrying value of the additional interest in Tal Saudi Arabia for Commerce and Contracts Co. Ltd | (14,152) |
| Difference recognised as a reserve from acquisition of non-controlling interest | <u>279,656</u> |

* The Group settled the consideration payable during the first quarter of 2019.

5. Property and equipment

During the six-month period ended 30 June 2019, the Group purchased AED 58,186 thousands (six-month period ended 30 June 2018: AED 69,362 thousand) of various types of property and equipment.

6. Right of use assets

| | As at 30 June 2019 | | | | |
|---|---------------------------|----------------------|------------------------|------------------------------|------------------|
| | Land AED'000 | Buildings AED'000 | Equipment's AED'000 | Motor vehicles AED'000 | Total AED'000 |
| Cost: | | | | | |
| At the beginning of the period * | 187,169 | 550,899 | 21,308 | 114,477 | 873,853 |
| Additions | 20,740 | 19,959 | - | 52,543 | 93,242 |
| Reclassification | - | 17,890 | (17,890) | - | - |
| Disposals** | - | (5,163) | - | (13,732) | (18,895) |
| At the end of the period | <u>207,909</u> | <u>583,585</u> | <u>3,418</u> | <u>153,288</u> | <u>948,200</u> |
| Accumulated depreciation and impairment: | | | | | |
| At the beginning of the period* | - | - | - | 22,446 | 22,446 |
| Charge for the period | 7,604 | 66,948 | 929 | 30,281 | 105,762 |
| Disposals** | - | (1,019) | - | (6,769) | (7,788) |
| Exchange rate difference | (15) | 138 | (6) | (23) | 94 |
| At the end of the period | <u>7,589</u> | <u>66,067</u> | <u>923</u> | <u>45,935</u> | <u>120,514</u> |
| Net book amounts: | | | | | |
| At 30 June 2019 | <u>200,320</u> | <u>517,518</u> | <u>2,495</u> | <u>107,353</u> | <u>827,686</u> |
| At 1 January 2019 | <u>187,169</u> | <u>550,899</u> | <u>21,308</u> | <u>92,031</u> | <u>851,407</u> |

* Transition adjustment relating to IFRS 16 is detailed in note 2.5.

** Non-cash transaction in connection with right of use assets disposal with a net book value of AED11,107 thousand were excluded from cash flow statements for the period ended 30 June 2019.

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7. 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 grant date. 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 settled the employees' benefit liability during the first quarter of 2019.

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

| | 30 June 2019 | 31 December 2018 |
|--|--------------------------|------------------------|
| | AED "000" (Unaudited) | AED "000" (Audited) |
| At 1 January | 45,678 | 29,875 |
| Employee benefit liability expense for the period/year | 1,702 | 15,803 |
| Paid during the period/year | (47,380) | - |
| At the end of the period/year | <u>-</u> | <u>45,678</u> |

Employees' benefit liability was re-measured at fair value at an amount AED 45,678 thousands as of 31 December 2018.

8. Cash and bank balances

| | 30 June 2019 | 31 December 2018 |
|----------------------------------|--------------------------|------------------------|
| | AED "000" (Unaudited) | AED "000" (Audited) |
| Cash and short term deposits | 707,133 | 836,659 |
| Less: cash margin | (7,717) | (6,241) |
| Less: bank overdrafts (Note 10) | (166,887) | (120,463) |
| Cash and cash equivalents | <u>532,529</u> | <u>709,955</u> |

Included within cash and short term deposits are amounts totalling AED 470,029 thousand (31 December 2018: AED 452,971 thousand) held at foreign banks abroad and amounts totalling approximately AED 180,410 thousands of cash on delivery collected by the Group on behalf of customers, the same balance was recorded as other current liabilities in the condensed interim consolidated statement of financial position (31 December 2018: AED 186,306 thousands).

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9. Earnings per share

The table below shows the earnings per share from continued operations:

| | For the three-month period ended | | For the six-month period ended | |
|--|----------------------------------|-----------------|--------------------------------|-----------------|
| | 30 June | | 30 June | |
| | (Unaudited) | | (Unaudited) | |
| | 2019 | 2018 | 2019 | 2018 |
| Profit attributable to the shareholders of Parent (AED'000) | 123,238 | 122,308 | 231,183 | 225,746 |
| Weighted average number of shares during the period (Shares) | 1,464.1 million | 1,464.1 million | 1,464.1 million | 1,464.1 million |
| Basic and diluted earnings per share (AED) | 0.084 | 0.084 | 0.158 | 0.154 |

As of 30 June 2019, basic and diluted earnings per share from discontinued operations amounted to nil (30 June 2018: nil).

10. Bank overdrafts

The Group maintains overdrafts and lines of credit with various banks. Overdrafts and lines of credit include the following (Note 8):

Aramex Tunisia has outstanding overdrafts from Citi Bank of AED 456 thousands as at 30 June 2019 (2018: AED 515 thousands) and from the Arab Bank of AED 1,377 thousands as at 30 June 2019 (2018: AED 907 thousands).

Aramex Algeria SARL has outstanding overdraft from Citi Bank of AED 7,127 thousands as at 30 June 2019 (2018: AED 8,351 thousands).

Aramex International LLC has outstanding overdraft from HSBC of AED 51,416 thousands as at 30 June 2019 (2018: AED 62,434 thousands).

Aramex Special Logistics LLC has outstanding overdraft from Citi Bank of AED 104,366 thousands as at 30 June 2019 (2018: AED 44,452 thousands).

Aramex Emirates LLC has outstanding overdraft from Arab Bank of AED 1,580 thousands as at 30 June 2019 (2018: AED 3,804 thousands).

Aramex Kenya Limited has outstanding overdraft from Citibank of AED 565 thousands as at 30 June 2019 (2018: AED nil).

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11. Interest-bearing loans and borrowings

| | 30 June 2019 AED "000" (Unaudited) | 31 December 2018 AED "000" (Audited) |
|-----------------|---|---|
| Bank borrowings | <u>746,974</u> | <u>503,019</u> |

The Group has not defaulted on principal, interest or other breaches with respect to its bank borrowings during the period.

The maturity profile of the Group's total borrowings is as follows:

| | 30 June 2019 AED "000" (Unaudited) | 31 December 2018 AED "000" (Audited) |
|-------------|---|---|
| Current | 584,574 | 302,197 |
| Non-current | <u>162,400</u> | <u>200,822</u> |
| | <u>746,974</u> | <u>503,019</u> |

On 23 April 2019, the Group entered into a new 5 year revolving credit facility agreement with a syndicate of banks comprising of HSBC Bank Middle East Limited, CITIBANK, N.A, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC and DBS Bank LTD (DIFC Branch). The total limit of this facility is USD 200 million (equivalent to AED 735 million). The purpose of this facility is to fund capital expenditure and working capital requirements including permitted acquisitions.

The above facility is guaranteed by the Company and other Group entities, and it is subject to financial covenant as per facility agreement.

As at 30 June 2019, the Group has utilised an amount of USD 150 million (equivalent to AED 551 million).

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12. Discontinued operations

Disposal of Aramex Botswana (proprietary) Limited

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

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

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

| | 2018 AED "000" Audited |
|--------------------------|------------------------------|
| Rendering of services | 145 |
| Cost of services | (103) |
| Gross profit | <u>42</u> |
| Less: Overheads | (138) |
| Operating loss | (96) |
| Add: Other income | 992 |
| Less: Expenses | (85) |
| Profit before tax | <u>811</u> |
| Income tax expense | - |
| Net profit | <u><u>811</u></u> |

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

| | 2018 AED "000" Audited |
|--|------------------------------|
| Assets | |
| Property and equipment | 387 |
| Trade receivable | 194 |
| Other current assets | 210 |
| Cash and cash equivalents | 235 |
| | <u>1,026</u> |
| Liabilities | |
| Trade payables | 221 |
| Other current liabilities | 375 |
| Other non-current liabilities | 321 |
| | <u>917</u> |
| Net assets directly associated with the disposal group | <u><u>109</u></u> |

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12. Discontinued operations (continued)

| | 2018 AED "000" Audited |
|--|------------------------------|
| Cash flow on sale: | |
| Consideration received | - |
| Cash included as cash and cash equivalents at 1 February 2018 in the statement of cash flows | (235) |
| Net cash out flow | <u>(235)</u> |

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

| | 2018 AED "000" Audited |
|--|------------------------------|
| Operating | 32 |
| Investing | (1) |
| Net cash inflow | <u>31</u> |
| Loss on disposal of discontinued operation: | |
| Consideration received | - |
| Net assets directly associated with disposal group | (109) |
| | <u>(109)</u> |

13. Segment information

A business segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that are different from those of other business segments and which are measured according to reports used by the Group's chief executive officer and chief decision maker.

The Group is comprised of the following 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.

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13. Segment information (continued)

- 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.

IFRS16 impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities for June 2019 all increased as a result of the adoption of IFRS 16 and the related change in accounting policy.

The following segments were affected by the change in policy:

| | Impact on EBITDA | Segment assets | Segment liabilities |
|------------------------|--------------------------|--------------------------|--------------------------|
| | AED "000" (Unaudited) | AED "000" (Unaudited) | AED "000" (Unaudited) |
| Middle East and Africa | 71,676 | 619,639 | 601,240 |
| Europe | 6,425 | 26,499 | 28,545 |
| North America | 3,050 | 27,328 | 28,392 |
| Asia and others | 16,968 | 154,220 | 163,206 |
| | <u>98,119</u> | <u>827,686</u> | <u>821,383</u> |

Earnings per share decreased by AED 0.006 per share for the three-month period ended 30 June 2019 and by AED 0.01 per share for the six-month period ended 30 June 2019 as a result of the adoption of IFRS 16.

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13. Segment information (continued)

The following table presents revenue and profit information regarding the Group's operating segment:

| | For the six-month period ended 30 June 2019 (Unaudited) | | | | | | | Total AED "000" |
|--|--|------------------------------------|----------------------------------|------------------------|--------------------|---------------------------|------------------|--------------------|
| | International express AED "000" | Freight forwarding AED "000" | Domestic express AED "000" | Logistics AED "000" | Other AED "000" | Eliminations AED "000" | AED "000" | |
| Revenue | | | | | | | | |
| Third party | 1,119,355 | 563,565 | 513,817 | 169,695 | 145,908 | - | 2,512,340 | |
| Inter-segment | 501,693 | 126,727 | 437 | 3,136 | 5,182 | (637,175) | - | |
| Total revenue | <u>1,621,048</u> | <u>690,292</u> | <u>514,254</u> | <u>172,831</u> | <u>151,090</u> | <u>(637,175)</u> | <u>2,512,340</u> | |
| Timing of revenue recognition | | | | | | | | |
| Goods transferred at a point in time | 1,621,048 | 690,292 | 514,254 | 172,831 | 145,724 | (637,175) | 2,506,974 | |
| Services transferred overtime | - | - | - | - | 5,366 | - | 5,366 | |
| Total revenue from contracts with customers | <u>1,621,048</u> | <u>690,292</u> | <u>514,254</u> | <u>172,831</u> | <u>151,090</u> | <u>(637,175)</u> | <u>2,512,340</u> | |
| Gross profit | <u>690,296</u> | <u>133,556</u> | <u>271,696</u> | <u>119,961</u> | <u>118,420</u> | <u>-</u> | <u>1,333,929</u> | |

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13. Segment information (continued)

| | For the six-month period ended 30 June 2018 (Unaudited) | | | | | | | Total AED "000" |
|---|--|------------------------------------|----------------------------------|------------------------|--------------------|---------------------------|------------------|--------------------|
| | International express AED "000" | Freight forwarding AED "000" | Domestic express AED "000" | Logistics AED "000" | Other AED "000" | Eliminations AED "000" | | |
| Revenue | | | | | | | | |
| Third party | 1,028,228 | 579,263 | 527,147 | 141,587 | 145,320 | - | 2,421,545 | |
| Inter-segment | 411,334 | 114,421 | 770 | 3,088 | 11,681 | (541,294) | - | |
| Total revenue | <u>1,439,562</u> | <u>693,684</u> | <u>527,917</u> | <u>144,675</u> | <u>157,001</u> | <u>(541,294)</u> | <u>2,421,545</u> | |
| Timing of revenue recognition | | | | | | | | |
| Goods transferred at a point in time | 1,439,562 | 693,684 | 527,917 | 144,675 | 151,102 | (541,294) | 2,415,646 | |
| Services transferred overtime | - | - | - | - | 5,899 | - | 5,899 | |
| Total revenue from contracts with customers | <u>1,439,562</u> | <u>693,684</u> | <u>527,917</u> | <u>144,675</u> | <u>157,001</u> | <u>(541,294)</u> | <u>2,421,545</u> | |
| Gross profit | <u>675,017</u> | <u>152,473</u> | <u>263,810</u> | <u>104,237</u> | <u>117,402</u> | <u>-</u> | <u>1,312,939</u> | |

Transactions between stations are priced and agreed upon rates. All material intergroup transactions have been eliminated on consolidation. The Group doesn't segregate assets and liabilities by business segments, and accordingly, such information is not presented.

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13. 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:

| | For the six-month period ended 30 june | |
|----------------------------|---|--------------------------|
| | AED "000" (Unaudited) | AED "000" (Unaudited) |
| Revenue | | |
| Middle East and Africa | 1,537,770 | 1,509,013 |
| Europe | 274,916 | 297,268 |
| North America | 88,568 | 65,005 |
| Asia and others | 611,086 | 550,259 |
| | <u>2,512,340</u> | <u>2,421,545</u> |
| | 30 June 2019 | 31 December 2018 |
| | AED "000" (Unaudited) | AED "000" (Audited) |
| Assets | | |
| Middle East and Africa | 3,824,465 | 3,376,583 |
| Europe | 453,866 | 411,935 |
| North America | 104,908 | 64,185 |
| Asia and others | 981,195 | 851,578 |
| | <u>5,364,434</u> | <u>4,704,281</u> |
| Non-current assets* | | |
| Middle East and Africa | 1,538,194 | 924,424 |
| Europe | 82,405 | 59,120 |
| North America | 42,070 | 5,776 |
| Asia and others | 401,969 | 248,231 |
| | <u>2,064,638</u> | <u>1,237,551</u> |
| Liabilities | | |
| Middle East and Africa | 2,225,426 | 1,688,909 |
| Europe | 110,764 | 89,020 |
| North America | 58,380 | 16,428 |
| Asia and others | 597,801 | 478,118 |
| | <u>2,992,371</u> | <u>2,272,475</u> |

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

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14. Related party transactions and balances

Certain related parties (directors, officers of the Group and companies which they control or over which they exert significant influence) were service providers 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 condensed interim consolidated statement of income are as follows:

| | For the six-month period ended 30 June | |
|--|---|-----------|
| | 2019 | 2018 |
| | AED "000" | AED "000" |
| | Unaudited | Unaudited |
| Rent expense (Companies controlled by Directors) | - | 694 |

Key management compensation

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

| | For the six-month period ended 30 June | |
|--|---|--------------|
| | 2019 | 2018 |
| | AED "000" | AED "000" |
| | Unaudited | Unaudited |
| Salaries and other short term benefits | 7,029 | 3,249 |
| Board remuneration | 1,820 | 1,990 |
| End of service benefits | 552 | 36 |
| | <u>9,401</u> | <u>5,275</u> |

Certain subsidiaries of the Group are controlled through shareholder's agreements and accordingly consolidated in this condensed interim consolidated financial information.

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14. Related party transactions and balances (continued)

The following table provides the total amount of transactions that have been entered into with related parties during the six-month period ended 30 June 2019 and 2018, as well as balances with related parties as at 30 June 2019 and 31 December 2018:

| | | 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 |
|---|------|---|--|---|--|
| Associates | 2019 | 838 | 285 | 364 | - |
| | 2018 | 457 | 262 | 193 | - |
| Joint ventures in which the Parent is a venture | 2019 | 585 | 42,684 | 3,219 | 27,742 |
| | 2018 | 2,350 | 16,690 | 2,747 | 19,408 |
| Companies controlled by Directors and shareholders, and others | 2019 | 55,993 | - | 38,996 | 25,702 |
| | 2018 | 65,993 | - | 26,744 | 3,053 |

As at 30 June 2019, the total investment in Associates and Joint Ventures amounted to AED 11,486 thousand and AED 14,734 thousand, respectively (31 December 2018: AED 11,403 thousand and AED 11,453 thousand, respectively).

The share of profit from Associates and Joint Ventures for the six month period ended 30 June 2019, is AED 55 thousand and AED 3,216 thousand, respectively (30 June 2018: AED 692 thousand and a loss of AED 4,081 thousand, respectively).

* These amounts are classified as trade receivables.

** These amounts are classified as trade payables and other current liabilities.

15. Contingent liabilities and commitments

| | 30 June 2019 AED "000" (Unaudited) | 31 December 2018 AED "000" (Audited) |
|---------------------------|---|---|
| Bank contingencies | | |
| Letters of guarantee | <u>131,095</u> | <u>121,922</u> |

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15. Contingent liabilities and commitments (continued)

Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases for the investment properties' land are as follows:

| | 30 June 2019 AED "000" (Unaudited) | 31 December 2018 AED "000" (Audited) |
|--|---|---|
| More than five years | - | 257,528 |
| More than one year and no less than five years | - | 278,258 |
| Less than one year | - | 164,969 |
| | <u>-</u> | <u>700,755</u> |

The Group has implemented IFRS 16 as at 1 January 2019, and therefore, the above non-cancellable operating leases have become rights of use assets as per the requirements of the standard.

16. 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.

17. Legal claims

As of 30 June 2019, the Group is a defendant in a number of lawsuits amounting to AED 129,769 thousands which represents claims in connection with normal ordinary course of business. The Group management and its legal advisor believe that the Group adequately recorded a provision against any future liabilities that might arise from these legal cases.

18. Income tax

Aramex PJSC is registered in the United Arab Emirates of where there is no corporate income taxation. Income tax appearing in the condensed interim consolidated statement of income represents the income tax provision of the Group's subsidiaries that operates in taxable jurisdiction.

Taxes on income in the interim periods are accrued using the applicable tax rates that would be applicable to the expected total annual profit.

19. Reclassification of comparative figures

Comparative figures were reclassified in-line with IFRS 16 requirements to match the current presentation of the condensed interim consolidated financial information. Management believes that the current presentation provides more meaningful information to the readers of the condensed interim consolidated financial information. The net impact on the condensed interim consolidated statements of income, comprehensive income and cash flows is nil.