

ARAMEX PJSC AND ITS SUBSIDIARIES

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL INFORMATION**

**FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2019**

ARAMEX PJSC AND ITS SUBSIDIARIES

Review report and condensed interim consolidated financial information for the nine-month period ended 30 September 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 September 2019, the related condensed interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related condensed interim consolidated statements of changes in equity and cash flows for the nine-month period then ended 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 nine-month period ended 30 September 2018 were audited and reviewed, by another auditor, whose reports dated 27 February 2019 and 31 October 2018, expressed an unqualified audit opinion and review conclusion, respectively.

PricewaterhouseCoopers
30 October 2019

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Rami Sarhan
Registered Auditor Number 1152
Dubai, United Arab Emirates




PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

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 SEPTEMBER 2019

	Note	30 September 2019 AED "000" Unaudited	31 December 2018 AED "000" Audited
Assets			
Non-current assets			
Property and equipment		964,429	949,715
Right of use assets	6	833,489	-
Goodwill		1,124,695	1,124,695
Other intangible assets		207,971	211,193
Investments in joint ventures and associates		25,426	22,856
Financial assets at fair value through other comprehensive income		31,456	53,787
Deferred tax assets		6,281	6,323
Other non-current assets		5,376	5,877
		<u>3,199,123</u>	<u>2,374,446</u>
Current assets			
Accounts receivable, net		1,145,368	1,140,664
Other current assets		309,823	352,512
Cash and bank balances	8	720,721	836,659
		<u>2,175,912</u>	<u>2,329,835</u>
Total assets		<u>5,375,035</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		(406,379)	(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		(826)	10,252
Retained earnings		1,420,510	1,316,764
Equity attributable to equity holders of the Parent Company		<u>2,467,175</u>	<u>2,409,669</u>
Non-controlling interests		14,328	22,137
Total equity		<u>2,481,503</u>	<u>2,431,806</u>
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	11	153,145	200,822
Employees' end of service benefits		145,622	140,167
Lease liability		653,609	17,996
Deferred tax liabilities		48,839	51,298
		<u>1,001,215</u>	<u>410,283</u>
Current liabilities			
Accounts payable		238,385	290,638
Bank overdrafts	8, 10	154,928	120,463
Lease liability		185,268	16,070
Interest-bearing loans and borrowings	11	587,139	302,197
Employees' benefit liability	7	-	45,678
Other current liabilities		726,597	1,087,146
		<u>1,892,317</u>	<u>1,862,192</u>
Total liabilities		<u>2,893,532</u>	<u>2,272,475</u>
Total equity and liabilities		<u>5,375,035</u>	<u>4,704,281</u>


Abdullah Al Mazrui
(Chairman)


Bashar Obeid
(Chief Executive Officer)


Nadia Abu Sara
(Chief Financial Officer)

The notes on pages 8 to 27 form an integral part of this condensed interim consolidated financial information.

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

	Note	For the three-month period ended		For the nine-month period ended	
		30 September		30 September	
		2019 AED "000" Unaudited	2018 AED "000" Unaudited	2019 AED "000" Unaudited	2018 AED "000" Unaudited
Continuing operations					
Rendering of services		1,269,940	1,239,108	3,782,280	3,660,653
Cost of services		(596,666)	(568,560)	(1,775,075)	(1,677,166)
Gross profit		<u>673,274</u>	<u>670,548</u>	<u>2,007,205</u>	<u>1,983,487</u>
Selling and marketing expenses		(49,363)	(50,494)	(152,889)	(156,043)
Administrative expenses		(216,811)	(234,989)	(672,648)	(707,492)
Operating expenses		(246,575)	(222,443)	(712,879)	(654,092)
Net impairment loss on financial assets		(7,302)	(19,286)	(20,811)	(27,252)
Other (expenses) / income, net		(2,408)	1,838	2,151	5,714
Operating profit		<u>150,815</u>	<u>145,174</u>	<u>450,129</u>	<u>444,322</u>
Finance income		1,557	1,867	6,686	6,304
Finance costs		(20,993)	(7,341)	(59,556)	(20,676)
Share of results of joint ventures and associates		425	2,664	3,696	(725)
Profit before income tax from continuing operations		<u>131,804</u>	<u>142,364</u>	<u>400,955</u>	<u>429,225</u>
Income tax expense		(17,452)	(25,942)	(53,329)	(71,798)
Profit for the period from continuing operations		<u>114,352</u>	<u>116,422</u>	<u>347,626</u>	<u>357,427</u>
Discontinued operations					
Profit after tax for the period from discontinued operations	12	-	-	-	811
Profit for the period		<u>114,352</u>	<u>116,422</u>	<u>347,626</u>	<u>358,238</u>
Attributable to:					
<i>Equity holders of the Parent Company</i>					
Profit for the period from continuing operations		113,754	112,883	344,937	338,142
Profit for the period from discontinued operations		-	-	-	487
		<u>113,754</u>	<u>112,883</u>	<u>344,937</u>	<u>338,629</u>
<i>Non-controlling interests</i>					
Profit for the period from continuing operations		598	3,539	2,689	19,285
Profit for the period from discontinued operations		-	-	-	324
		<u>598</u>	<u>3,539</u>	<u>2,689</u>	<u>19,609</u>
		<u>114,352</u>	<u>116,422</u>	<u>347,626</u>	<u>358,238</u>
Earnings per share attributable to equity holders of the Parent Company					
Basic and diluted earnings per share in AED	9	<u>0.078</u>	<u>0.077</u>	<u>0.236</u>	<u>0.231</u>

The notes on pages 8 to 27 form an integral part of this condensed interim consolidated financial information.

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2019 AED "000" (Unaudited)	2018 AED "000" (Unaudited)	2019 AED "000" (Unaudited)	2018 AED "000" (Unaudited)
Profit for the period	114,352	116,422	347,626	358,238
Other comprehensive income				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations	3,717	(6,302)	(44,628)	(18,505)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax	3,717	(6,302)	(44,628)	(18,505)
<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	(7,661)	-	(7,052)	8,312
Net other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods, net of tax	(7,661)	-	(7,052)	8,312
Other comprehensive loss for the period, net of tax	(3,944)	(6,302)	(51,680)	(10,193)
Total comprehensive income for the period	110,408	110,120	295,946	348,045
Attributable to:				
Equity holders of the Parent Company	109,493	107,273	302,723	329,347
Non-controlling interests	915	2,847	(6,777)	18,698
	110,408	110,120	295,946	348,045

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

	Share capital	Statutory reserve	Foreign currency translation reserve	Reserve arising from acquisition of non-controlling interests	Fair value reserve for financial assets at fair value through other comprehensive income	Retained earnings	Equity attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
	AED "000"	AED "000"	AED "000"	AED "000"	AED "000"	AED "000"	AED "000"	AED "000"	AED "000"
For the nine-month period ended 30 September 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	-	-	-	-	-	344,937	344,937	2,689	347,626
Other comprehensive loss	-	-	(35,162)	-	(7,052)	-	(42,214)	(9,466)	(51,680)
Total comprehensive (loss)/income for the period	-	-	(35,162)	-	(7,052)	344,937	302,723	(6,777)	295,946
Directors' fees for the period	-	-	-	-	-	(3,640)	(3,640)	-	(3,640)
Non-controlling interests	-	-	-	-	-	-	-	324	324
Dividends of subsidiaries	-	-	-	-	-	-	-	(1,356)	(1,356)
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 September 2019	1,464,100	314,515	(406,379)	(324,745)	(826)	1,420,510	2,467,175	14,328	2,481,503
For the nine-month period ended 30 September 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	-	-	-	-	-	338,629	338,629	19,609	358,238
Other comprehensive (loss)/income	-	-	(17,594)	-	8,312	-	(9,282)	(911)	(10,193)
Total comprehensive (loss)/income for the period	-	-	(17,594)	-	8,312	338,629	329,347	18,698	348,045
Directors' fees for the period	-	-	-	-	-	(3,769)	(3,769)	-	(3,769)
Dividends of subsidiaries	-	-	-	-	-	-	-	(16,008)	(16,008)
Non-controlling interests	-	-	-	-	-	-	-	1,460	1,460
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 September 2018	1,464,100	268,633	(320,506)	(45,089)	8,312	1,210,073	2,585,523	23,602	2,609,125

The notes on pages 8 to 27 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Note	For the nine-month period ended	
		30 September	
		2019	2018
		AED "000"	AED "000"
		(Unaudited)	(Unaudited)
<u>OPERATING ACTIVITIES</u>			
Profit before tax from continuing operations		400,955	429,225
Profit before tax from discontinued operations		-	811
Profit before tax		400,955	430,036
Adjustments for			
Depreciation of property and equipment		79,068	85,808
Depreciation of right of use assets	6	161,171	-
Amortisation of other intangible assets		3,222	3,507
Loss/(gain) on sale of property and equipment		2,488	(261)
Provision for employees' end of service benefits		21,061	18,790
Net impairment loss on financial assets		20,811	27,252
Finance costs – borrowings		27,720	20,676
Finance income		(6,686)	(6,304)
Finance costs – lease liability		31,836	-
Employees' benefit liability expense	7	1,702	9,289
Share of results of joint ventures and associates		(3,696)	725
Loss on disposals of discontinued operations	12	-	109
		739,652	589,627
Working capital adjustments:			
Accounts receivable		(69,515)	(211,163)
Accounts payable		(52,253)	20,951
Other current assets		(6,530)	(35,797)
Other current liabilities		(82,091)	(1,651)
Net cash flows generated from operating activities before income tax, and employees' end of service benefit and employees' benefit liability paid		529,263	361,967
Employees' end of service benefits paid		(14,937)	(20,197)
Employees' benefit liability paid	7	(47,380)	-
Income tax paid		(44,774)	(38,480)
Net cash flows generated from operating activities		422,172	303,290
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	5	(94,924)	(109,799)
Proceeds from sale of property and equipment		8,458	2,546
Proceeds from sale of financial assets at fair value through other comprehensive income		15,180	-
Interest received		6,686	6,304
Acquisition of non-controlling interests	4	(293,808)	-
Other non-current assets		501	(3,157)
Margin deposits		(1,557)	(636)
Fixed deposits		(2,668)	-
Investment in joint ventures and associates		752	(996)
Net cash disposed from sale of a subsidiary	12	-	(235)
Net cash flows used in investing activities		(361,380)	(105,973)

The notes on pages 8 to 27 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Note	For the nine-month period ended	
		30 September	
		2019	2018
		AED "000"	AED "000"
		(Unaudited)	(Unaudited)
<u>FINANCING ACTIVITIES</u>			
Interest paid		(46,586)	(18,442)
Proceeds from loans and borrowings		668,414	104,057
Repayment of loans and borrowings		(382,136)	(63,146)
Principal elements of lease payments		(155,782)	-
Dividends paid to non-controlling interests		(1,356)	(16,008)
Non-controlling interest		324	1,769
Other current assets		-	(19,631)
Other non-current assets		-	(29,381)
Directors' fees paid		(3,640)	(3,769)
Dividends paid to shareholders		(241,577)	(238,648)
Net cash flows used in financing activities		(162,339)	(283,199)
Net decrease in cash and cash equivalents		(101,547)	(85,882)
Net foreign exchange difference		(53,081)	(11,394)
Cash and cash equivalents at 1 January	8	709,955	624,437
Cash and cash equivalents at 30 September	8	555,327	527,161

Non-cash transaction:

Non-cash transactions are disclosed in Note 19.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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 was authorised for issue by the Board of Directors on 30 October 2019.

2. Summary of significant accounting policies

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 nine-month period ended 30 September 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 this 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 the statement of financial position) and an operating lease (off the statement of financial position). 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 condensed interim consolidated 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.

Key estimates and judgments

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.

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

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.

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)

2.5 Leases under IFRS 16 ‘Leases’: (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 September 2019 (Note 19).

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 paid 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	<u>(14,152)</u>
Difference recognised as a reserve from acquisition of non-controlling interest	<u>279,656</u>

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

5. Property and equipment

During the nine-month period ended 30 September 2019, the Group purchased AED 139 million (nine-month period ended 30 September 2018: AED 110 million) of various types of property and equipment.

6. Right of use assets

	As at 30 September 2019				
	Land AED'000	Buildings AED'000	Equipments 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	30,405	58,872	1,394	70,825	161,496
Reclassification	(393)	18,283	(17,890)	-	-
Disposals	-	(10,438)	(342)	(21,988)	(32,768)
At the end of the period	<u>217,181</u>	<u>617,616</u>	<u>4,470</u>	<u>163,314</u>	<u>1,002,581</u>
Accumulated depreciation:					
At the beginning of the period*	-	-	-	22,446	22,446
Charge for the period	6,922	105,942	1,389	46,918	161,171
Reclassification	(393)	393	-	-	-
Disposals	-	(2,761)	(87)	(10,963)	(13,811)
Exchange rate difference	(41)	(702)	(44)	73	(714)
At the end of the period	<u>6,488</u>	<u>102,872</u>	<u>1,258</u>	<u>58,474</u>	<u>169,092</u>
Net book amounts:					
At 30 September 2019	<u>210,693</u>	<u>514,744</u>	<u>3,212</u>	<u>104,840</u>	<u>833,489</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.

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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.

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 September 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 cash equivalents

	30 September 2019	31 December 2018
	AED "000" (Unaudited)	AED "000" (Audited)
Cash and bank balances	720,721	836,659
Less: fixed deposits with maturity above 3 months	(2,668)	-
Less: cash margin	(7,798)	(6,241)
Less: bank overdrafts (Note 10)	(154,928)	(120,463)
Cash and cash equivalents	<u>555,327</u>	<u>709,955</u>

Included within cash and short term deposits are amounts total of 444,837 thousand (31 December 2018: AED 452,971 thousand) held at foreign banks abroad and amounts totalling approximately AED 123,406 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 30 September (Unaudited) 2019		For the nine-month period ended 30 September (Unaudited) 2019	
	2018	2018	2019	2018
Profit attributable to the shareholders of Parent (AED'000)	<u>113,754</u>	<u>112,883</u>	<u>344,937</u>	<u>338,629</u>
Weighted average number of shares during the period (Shares)	<u>1,464.1 million</u>	<u>1,464.1 million</u>	<u>1,464.1 million</u>	<u>1,464.1 million</u>
Basic and diluted earnings per share (AED)	<u>0.078</u>	<u>0.077</u>	<u>0.236</u>	<u>0.231</u>

As of 30 September 2019, basic and diluted earnings per share from discontinued operations amounted to nil (30 September 2018: AED 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 271 thousand as at 30 September 2019 (2018: AED 515 thousand) and from the Arab Bank of AED 1,819 thousand as at 30 September 2019 (2018: AED 907 thousand).

Aramex Algeria SARL has outstanding overdraft from Citi Bank of AED 9,652 thousand as at 30 September 2019 (2018: AED 8,351 thousand).

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

Aramex Special Logistics LLC has outstanding overdraft from Citi Bank of AED 91,262 thousand as at 30 September 2019 (2018: AED 44,452 thousand).

Aramex Emirates LLC has outstanding overdraft from Arab Bank of AED nil as at 30 September 2019 (2018: AED 3,804 thousand).

Aramex Kenya Limited has outstanding overdraft from Citibank of AED 508 thousand as at 30 September 2019 (2018: AED nil).

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11. Interest-bearing loans and borrowings

	30 September 2019	31 December 2018
	AED “000” (Unaudited)	AED “000” (Audited)
Bank borrowings	<u>740,284</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 September 2019	31 December 2018
	AED “000” (Unaudited)	AED “000” (Audited)
Current	587,139	302,197
Non-current	<u>153,145</u>	<u>200,822</u>
	<u>740,284</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.

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

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

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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	<u>(96)</u>
Add: Other income	992
Less: Expenses	(85)
Profit before tax	811
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 consolidated 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 September 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	109,520	627,029	617,217
Europe	9,650	26,610	28,501
North America	4,645	27,245	29,365
Asia and others	29,110	152,605	163,794
	<u>152,925</u>	<u>833,489</u>	<u>838,877</u>

Earnings per share decreased by AED 0.005 per share for the three-month period ended 30 September 2019 and by AED 0.015 per share for the nine-month period ended 30 September 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 nine-month period ended 30 September 2019
(Unaudited)

	International express AED "000"	Freight forwarding AED "000"	Domestic express AED "000"	Logistics AED "000"	Other AED "000"	Eliminations AED "000"	Total AED "000"
Revenue							
Third party	1,675,705	844,741	784,365	258,100	219,369	-	3,782,280
Inter-segment	738,994	198,215	705	4,875	9,455	(952,244)	-
Total revenue	2,414,699	1,042,956	785,070	262,975	228,824	(952,244)	3,782,280
Timing of revenue recognition							
Goods transferred at a point in time	2,414,699	1,042,956	785,070	262,975	221,048	(952,244)	3,774,504
Services transferred overtime	-	-	-	-	7,776	-	7,776
Total revenue from contracts with customers	2,414,699	1,042,956	785,070	262,975	228,824	(952,244)	3,782,280
Gross profit	1,014,106	200,790	432,348	181,644	178,317	-	2,007,205

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13. Segment information (continued)

For the nine-month period ended 30 September 2018
(Unaudited)

	International express AED "000"	Freight forwarding AED "000"	Domestic express AED "000"	Logistics AED "000"	Other AED "000"	Eliminations AED "000"	Total AED "000"
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	2,199,387	1,045,341	782,449	222,110	234,614	(823,248)	3,660,653
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 overtime	-	-	-	-	9,048	-	9,048
Total revenue from contracts with customers	2,199,387	1,045,341	782,449	222,110	234,614	(823,248)	3,660,653
Gross profit	1,028,540	221,527	394,142	160,321	178,957	-	1,983,487

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 nine-month period ended 30 September	
	AED "000" (Unaudited)	AED "000" (Unaudited)
Revenue		
Middle East and Africa	2,324,268	2,266,913
Europe	405,159	433,786
North America	137,376	98,490
Asia and others	915,477	861,464
	<u>3,782,280</u>	<u>3,660,653</u>
	30 September 2019	31 December 2018
	AED "000" (Unaudited)	AED "000" (Audited)
Assets		
Middle East and Africa	3,877,803	3,376,583
Europe	434,432	411,935
North America	117,869	64,185
Asia and others	944,931	851,578
	<u>5,375,035</u>	<u>4,704,281</u>
Non-current assets*		
Middle East and Africa	1,539,683	924,424
Europe	78,644	59,120
North America	47,087	5,776
Asia and others	397,357	248,231
	<u>2,062,771</u>	<u>1,237,551</u>
Liabilities		
Middle East and Africa	2,155,548	1,688,909
Europe	104,665	89,020
North America	58,577	16,428
Asia and others	574,742	478,118
	<u>2,893,532</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 nine-month period ended 30 September	
	2019 AED "000" Unaudited	2018 AED "000" Unaudited
Rent expense (Companies controlled by Directors)	-	1,042

Key management compensation

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

	For the nine-month period ended 30 September	
	2019 AED "000" Unaudited	2018 AED "000" Unaudited
Salaries and other short term benefits	10,565	4,861
Board remuneration	2,730	2,985
End of service benefits	48	54
	<u>13,343</u>	<u>7,900</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 nine-month period ended 30 September 2019 and 2018, as well as balances with related parties as at 30 September 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	438	1,211	-	1,116
	2018	365	743	-	193
Joint ventures in which the Parent is a venture	2019	59,148	879	19,319	6,522
	2018	29,825	3,560	19,408	2,747
Companies controlled by Directors and shareholders, and others	2019	88,022	-	52,529	34,411
	2018	107,232	-	82,967	12,701

As at 30 September 2019, the total investment in Associates and Joint Ventures amounted to AED 11,518 thousand and AED 13,908 thousand, respectively (31 December 2018: AED 11,403 thousand and AED 11,453 thousand, respectively).

The share of results of Associates and Joint Ventures for the six-month period ended 30 September 2019, is AED 93 thousand and AED 3,603 thousand, respectively (30 September 2018: 570 thousand and a loss of 1,295 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 September 2019	31 December 2018
	AED "000" (Unaudited)	AED "000" (Audited)
Bank contingencies		
Letters of guarantee	121,940	121,922

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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 September 2019	31 December 2018
	AED "000" (Unaudited)	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 September 2019, the Group is a defendant in a number of lawsuits amounting to AED 136,727 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.

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19. Non-cash transactions

	For the nine-month period ended 30 September	
	2019 AED "000" Unaudited	2018 AED "000" Unaudited
Right of use assets (i)	851,407	-
Lease liability (i)	817,090	-
Unwinding lease liability (ii)	9,284	1,096
Disposal of right of use assets (Note 6)	18,957	-
Property and equipment (iii)	44,000	-
Accrued interest on borrowings	3,686	1,138
Settlement of debt and other current assets to acquire additional non-controlling interests (Note 4)	49,013	-

- (i) Upon the adoption of IFRS 16, right of use asset was measured at the amount equal to the lease liability of AED 817,090 thousand, adjusted by the amount of prepayments of AED 17,662 thousand, other liabilities and accruals of AED 16,527 thousand and the net book value of the finance lease previously recognized under IAS 17 amounting to AED 33,182 thousand totaling to the right of use asset of AED 851,407 thousand at the date of adoption (Note 2.5).
- (ii) After the adoption of IFRS 16, lease liability measured at present value was unwound during the period ended 30 September 2019 where a portion amounting to AED 9,284 thousand was unpaid as of 30 September 2019.
- (iii) During the period ended 30 September 2019, the Group had received non-cash consideration from a customer as settlement of trade receivables for an amount measured at fair value amounting to AED 44,000 thousand.

20. 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.