

Aramex PJSC and its subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Dear Shareholders,

It is with great pleasure that we report to you another great year for Aramex. 2018 was one of Aramex's most profitable years since inception, with Full Year Revenue increasing by 8% to AED 5,086 million, compared to AED 4,721 million in 2017; and Net Profits growing by 13% to AED 492.6 million, compared to AED 435.4 million for 2017. These results are a further testament to the company's strong foundation and robust business strategy. They also reaffirm that we are on the right path for more growth in the future.

Our performance in 2018 was largely driven by the growth of global e-commerce activities, which continue to be the main contributor to the growth of our Express business. We also started witnessing good growth in the Oil and Gas vertical, predominantly in the GCC and Asia.

Throughout 2018, we continued to invest in creating a leaner, more efficient business and transforming our overall operations. We were also focused on accelerating our digital transformation strategy and boosting investments across all verticals, especially within our International Express business, to be well positioned to benefit from the global boom in e-commerce. These efforts have paid off well and ultimately expanded both our top and bottom line.

Moving forward, we will continue to focus on leveraging new innovations and optimizing our operations to further improve our service levels throughout all key verticals. We will also remain open to unlocking opportunities in new sectors and geographies, particularly in specialized industry verticals where we see strong demand, to further enable B2B growth.

We would like to take this opportunity to extend our thanks and greatest appreciation to our Shareholders, Board of Directors, Aramex management and employees, business partners and customers for their confidence in us, and their continuous support.

Sincerely yours,



Abdullah M. Mazrui
Chairman
Aramex PJSC



Bashar Obeid
Chief Executive Office
Aramex PJSC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAMEX PJSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Aramex PJSC (the "Company"), and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>The Group focuses on revenues as a key performance measure and as a driver for growth and expansion. Due to the materiality of the amounts involved, diversity of the Group's geographical footprint, and susceptibility of such revenues to overstatement and fraud risk, we assess revenue recognition as a key audit matter.</p>	<p>We have:</p> <ul style="list-style-type: none"> - Considered the appropriateness and tested the consistency of the Group's revenue recognition accounting policies; - Assessed the compliance of such policies with the applicable International Financial Reporting Standards; - Evaluated the control environment and tested internal controls over the completeness, measurement and occurrence of revenue recognized; - Obtained a representative sample of transactions and tested their proper recording and recognition; - Selected a sample of transactions before and after the 31 December 2018 cut-off date to check proper recognition; and - Performed substantive analytical procedures and data analytics on monthly gross margins and revenues to identify inconsistencies and/or unusual movements during the year.
<p>Goodwill Impairment</p> <p>Under IFRSs, the Group is required to annually test goodwill for impairment. This annual impairment test was significant to our audit because the balance of AED 1,125 million as of 31 December 2018 is material to the financial statements. In addition, management's assessment process is complex and highly judgmental, and is based on assumptions, specifically the discount rate and the growth rate estimates which are affected by expected future market or economic conditions. Any changes in assumptions could result in impairment of the goodwill. Accordingly, we consider impairment testing of goodwill to be a key audit matter.</p>	<p>We have:</p> <ul style="list-style-type: none"> - Used our valuation experts to assist us in evaluating the assumptions and methodologies used by the Group, in particular, those relating to discount rates, forecasted revenue growth and profit margins for the cash generating units; and - Focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill. <p>The Group's disclosures about goodwill are included in Note 5.</p>

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

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Employees' Benefit Liability</p> <p>The Group has awarded phantom shares to senior executives under a long-term incentive plan. The scheme is cash-settled on vesting date and, accordingly, the annual expense charge to the income statement is subject to change based on certain assumptions, such as share price on vesting date and volatility of share price. Charge for the year amounted to AED 15.8 million, and the balance of accumulated liability as of 31 December 2018 amounted to AED 45.7 million (Note 24).</p> <p>Management performs a quarterly assessment of the expense and related liability using the binomial model. Management's calculations are considered significant to our audit because the assessment process is complex and includes estimates and assumptions. Any changes in assumptions could result in material changes to the liability and/or related expense amount.</p>	<p>We have deployed the assistance of our valuation specialists to evaluate and challenge management's assumptions, including those used in the assessment of expected vesting price, risk free interest rate and expected volatility, as referred to in note 24.</p>
<p>Income Tax</p> <p>The Group seeks to obtain tax clearance from all tax jurisdictions on an annual basis. However, this is not possible due to various circumstances and, hence, provisions are made until such time when final tax clearance is obtained. Income tax positions were significant to our audit because the assessment process is complex, uses estimates and the amounts involved are material. Any tax adjustments identified in subsequent periods are recorded in the subsequent period, unless they relate to an error under IAS 8.</p>	<p>We have:</p> <ul style="list-style-type: none"> - Tested the completeness and accuracy of the amounts recognized as tax provisions, current and deferred tax assets and liabilities, including the assessment of disputes with tax authorities; - Assessed correspondence with the relevant tax authorities and we tested management's assumptions to determine the probability that deferred tax assets will be recovered through taxable income in future years; - Involved our internal tax specialists to analyze and challenge the assumptions used to determine tax positions, and corroborated the assumptions with supporting evidence; and - Assessed the adequacy of the Group's disclosure in Note 12 to the consolidated financial statements.

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

Report on the audit of the consolidated financial statements (continued)

Other information included in the Company's 2018 annual report.

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Report on other legal and regulatory requirements

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

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;
- iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Company;
- v) investments in shares and stocks during the year ended 31 December 2018 are disclosed in notes 9, 10 and 11 to the consolidated financial statements;
- vi) note 30 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2018; and
- viii) note 27 reflects the social contributions made during the year.

For Ernst & Young



Ashraf Abu-Sharkh
Partner
Registration No: 690
27 February 2019
Dubai, United Arab Emirates


Aramex PJSC and its subsidiaries

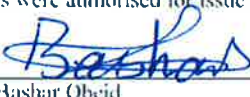
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	949,715	911,633
Goodwill	5	1,124,695	1,164,088
Other intangible assets	6	211,193	226,254
Investments in joint ventures and associates	9, 10	22,856	144,121
Financial assets at fair value through other comprehensive income	11	53,787	41,766
Deferred tax assets	12	6,323	3,267
Other non-current assets		5,877	1,640
		<u>2,374,446</u>	<u>2,492,769</u>
Current assets			
Accounts receivable, net	13	1,140,664	934,166
Other current assets	14	352,512	249,542
Bank balances and cash	15	836,659	727,649
		<u>2,329,835</u>	<u>1,911,357</u>
TOTAL ASSETS		<u>4,704,281</u>	<u>4,404,126</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	1,464,100	1,464,100
Statutory reserve	17	314,515	269,181
Foreign currency translation reserve	17	(371,217)	(302,912)
Reserve arising from acquisition of non-controlling interests	17	(324,745)	(43,584)
Fair value reserve of financial assets at fair value through other comprehensive income	17	10,252	-
Retained earnings	18	1,316,764	1,113,313
Equity attributable to equity holders of the Parent		<u>2,409,669</u>	<u>2,500,098</u>
Non-controlling interests		22,137	18,964
Total equity		<u>2,431,806</u>	<u>2,519,062</u>
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	19	218,818	293,331
Employees' end of service benefits	20	140,167	140,553
Employees' benefit liability	24	-	29,875
Deferred tax liabilities	12	51,298	53,556
		<u>410,283</u>	<u>517,315</u>
Current liabilities			
Accounts payable	21	290,638	280,608
Bank overdrafts	22	120,463	97,602
Interest-bearing loans and borrowings	19	318,267	220,240
Employees' benefit liability	24	45,678	-
Other current liabilities	23	1,087,146	769,299
		<u>1,862,192</u>	<u>1,367,749</u>
Total liabilities		<u>2,272,475</u>	<u>1,885,064</u>
TOTAL EQUITY AND LIABILITIES		<u>4,704,281</u>	<u>4,404,126</u>

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 27 February 2019.


Abdullah Al Mazrui
(Chairman)


Bashar Obeid
(Chief Executive Officer)


Nadia Abu Sara
(Chief Financial Officer)

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

Aramex PJSC and its subsidiaries
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	<i>Notes</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Continuing operations			
Rendering of services	25	5,086,055	4,720,540
Cost of services	26	(2,319,430)	(2,165,425)
Gross profit		2,766,625	2,555,115
Selling and marketing expenses		(207,823)	(208,083)
Administrative expenses	27	(985,243)	(972,175)
Operating expenses	28	(894,849)	(822,883)
Other income, net	29	5,986	6,542
Operating profit		684,696	558,516
Finance income		9,046	7,937
Finance expense		(27,649)	(24,700)
Share of results of joint ventures and associates	9, 10	3,956	(4,473)
Loss on disposal of a joint venture	9	(45,665)	-
Profit before tax from continuing operations		624,384	537,280
Income tax expense	12	(100,393)	(81,351)
Profit for the year from continuing operations		523,991	455,929
Discontinued operations			
Profit (loss) after tax for the year from discontinued operations	8	811	(548)
Profit for the year		524,802	455,381
Attributable to:			
<i>Equity holders of the Parent</i>			
Profit for the year from continuing operations		492,148	435,728
Profit (loss) for the year from discontinued operations		487	(329)
		492,635	435,399
<i>Non-controlling interests</i>			
Profit for the year from continuing operations		31,843	20,201
Profit (loss) for the year from discontinued operations		324	(219)
		32,167	19,982
		524,802	455,381
Earnings per share attributable to the equity holders of the Parent:			
Basic and diluted earnings per share from continuing operations	31	AED 0.336	AED 0.297
Basic and diluted earnings per share from discontinued operations		AED 0.000	AED 0.000

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

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 AED'000	2017 AED'000
Profit for the year	524,802	455,381
Other comprehensive income, net of tax:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(69,034)	46,980
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods, net of tax	(69,034)	46,980
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Net gain on equity instruments at fair value through other comprehensive income	10,252	-
Net other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax	10,252	-
Other comprehensive (loss) income for the year, net of tax	(58,782)	46,980
Total comprehensive income for the year	466,020	502,361
Attributable to:		
Equity holders of the Parent	434,582	483,114
Non-controlling interests	31,438	19,247
	466,020	502,361

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

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Parent						Total AED'000	Non-controlling interests AED'000	Total AED'000
	Share capital AED'000	Statutory reserve AED'000	Foreign currency translation reserve AED'000	Reserve arising from acquisition of non-controlling interests AED'000	Fair value reserve of financial assets at fair value through other comprehensive income AED'000	Retained earnings AED'000			
<i>For the year ended</i>									
<i>31 December 2018</i>									
At 1 January 2018	1,464,100	269,181	(302,912)	(43,584)	-	1,113,313	18,964	2,500,098	
Impact of adoption of IFRS 9	-	-	-	-	-	(1,222)	267	(955)	
At January 2018 (Restated)	1,464,100	269,181	(302,912)	(43,584)	-	1,112,091	19,231	2,498,876	
Profit for the year	-	-	-	-	-	492,635	32,167	524,802	
Other comprehensive income	-	-	(68,305)	-	10,252	-	(729)	(58,782)	
Total comprehensive income for the year	-	-	(68,305)	-	10,252	492,635	31,438	466,020	
Directors' fees paid (Note 18)	-	-	-	-	-	(3,980)	-	(3,980)	
Dividends of subsidiaries	-	-	-	-	-	-	(17,039)	(17,039)	
Non-controlling interests	-	-	-	-	-	-	2,096	2,096	
Acquisition of non-controlling interest (Note 3)	-	-	-	(281,161)	-	-	(13,589)	(294,750)	
Dividends paid to shareholders (Note 18)	-	-	-	-	-	(238,648)	-	(238,648)	
Transfer to statutory reserve	-	45,334	-	-	-	(45,334)	-	-	
At 31 December 2018	1,464,100	314,515	(371,217)	(324,745)	10,252	1,316,764	22,137	2,431,806	

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

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Parent						Total AED '000
	Share capital AED '000	Statutory reserve AED '000	Foreign currency translation reserve AED '000	Reserve arising from acquisition of non-controlling interests AED '000	Retained earnings AED '000	Non- controlling interests AED '000	
<i>For the year ended 31 December 2017</i>	1,464,100	227,198	(350,627)	(33,037)	957,783	9,085	2,274,502
At 1 January 2017	-	-	-	-	435,399	19,982	455,381
Profit for the year	-	-	47,715	-	-	(735)	46,980
Other comprehensive income for the year	-	-	47,715	-	435,399	19,247	502,361
Total comprehensive income for the year	-	-	47,715	-	435,399	19,247	502,361
Directors fees paid (Note 18)	-	-	-	-	(3,630)	-	(3,630)
Dividends of subsidiaries	-	-	-	-	-	(12,188)	(12,188)
Non-controlling interests	-	-	-	-	-	1,646	1,646
Acquisition of non-controlling interests (Note 3)	-	-	-	(10,547)	-	1,174	(9,373)
Dividends paid to shareholders (Note 18)	-	-	-	-	(234,256)	-	(234,256)
Transfer to statutory reserve	-	41,983	-	-	(41,983)	-	-
At 31 December 2017	1,464,100	269,181	(302,912)	(43,584)	1,113,313	18,964	2,519,062

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

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		624,384	537,280
Profit (loss) before tax from discontinued operations	8	811	(548)
Profit before tax		625,195	536,732
Adjustment for:			
Depreciation of property, plant and equipment	4	116,305	104,228
Amortisation of other intangible assets	6	4,672	4,681
Impairment of goodwill	5	-	1,844
Provision for employees' end of service benefits	20	27,624	24,970
Provision for expected credit losses, net	13	27,362	9,497
Net finance expense		18,603	16,763
Employees' benefit plan expense	24	15,803	24,030
Reversal of employees' benefit plan expense	24	-	(27,950)
Share of results of joint ventures and associates	9,10	(3,956)	4,473
Loss on disposal of property, plant and equipment		17	788
Write-off of property, plant and equipment		-	427
Loss on disposal of the discontinued operations	8	109	-
Loss on disposal of a joint venture	9	45,665	-
Working capital adjustments:			
Accounts receivable		(275,884)	(201,975)
Accounts payable		23,907	48,250
Other current assets		(50,371)	(37,420)
Other current liabilities		39,006	135,218
Cash from operations		614,057	644,556
Employees' end of service benefits paid	20	(26,658)	(23,209)
Employees' benefit plan paid	24	-	(41,193)
Income tax paid	12	(92,922)	(71,958)
Net cash flows from operating activities		494,477	508,196
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(171,432)	(169,102)
Proceeds from sale of property, plant and equipment		3,530	5,242
Financial assets at fair value through other comprehensive income		-	(15,700)
Interest received		9,046	7,937
Net cash disposed from sale of a subsidiary	8	(235)	-
Other non-current assets		(4,237)	1,244
Acquisition of non-controlling interests	3	-	(9,373)
Margin deposits		(631)	(1,241)
Investments in joint ventures and associates		(1,426)	(3,736)
Dividends received from an associate		625	998
Proceeds from sale of a joint venture	9	73,452	-
Net cash flows used in investing activities		(91,308)	(183,731)
FINANCING ACTIVITIES			
Interest paid		(27,649)	(24,700)
Proceeds from loans and borrowings		104,057	23,624
Repayment of loans and borrowings		(80,543)	(83,696)
Dividends paid to non-controlling interests		(17,039)	(12,188)
Non-controlling interests		2,671	1,646
Directors' fees paid		(3,980)	(3,630)
Dividends paid to shareholders		(238,648)	(234,256)
Other current assets		(49,012)	-
Net cash flows used in financing activities		(310,143)	(333,200)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		93,026	(8,735)
Net foreign exchange difference		(7,508)	(6,302)
Cash and cash equivalents at 1 January	15	624,437	639,474
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	709,955	624,437

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

1 CORPORATE INFORMATION

Aramex PJSC (the “Parent Company”) was established as a Public Joint Stock Company on 15 February 2005 and is registered in the Emirate of Dubai, United Arab Emirates under the UAE Federal Law No 2 of 2015. The consolidated financial statements of the Company as at 31 December 2018 comprise the Parent Company and its subsidiaries (collectively referred to as the “Group” and individually as “Group entities”).

The Parent Company was listed on the Dubai Financial Market on 9 July 2005.

The Principal activities of the Group are to invest in the freight, express, logistics and supply chain management businesses through acquiring and owning controlling interests in companies in the Middle East and other parts of the world.

The Parent Company’s registered office is, Business Center Towers, 2302A, Media City (TECOM), Sheikh Zayed Road, Dubai, United Arab Emirates.

The consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and applicable requirements of UAE Federal Law No. 2 of 2015.

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

The consolidated financial statements have been prepared under a historical cost basis, except for employees’ benefit plan and financial assets at fair value through other comprehensive income that have been measured at fair value.

2.2 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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

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

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

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

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous year, except for the following amendment standards effective as of 1 January 2018.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

Rendering of services

The Group has concluded that revenue from shipments should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the shipment.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

Advances received from customers

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

Variable Consideration

Some transportation and logistics contracts state that customers have the right to get compensation from the Group against any delay in satisfying the performance obligation. As for other storage contracts, it does state that the Group shall be liable to the customers in case of failing to exercise a degree of care in storing their documents under IFRS 15, customer's rights to get compensation from the Group give rise to variable consideration.

Principal versus agent consideration

The Group has certain contracts to buy software and sell it back to customers. Before the adoption of IFRS 15, the Group concluded that based on the existence of credit risk and the nature of the consideration in the contract, it has an exposure to the significant risks and rewards associated with the sale of software to its customers, and accounted for the contracts as if it is a principal. Upon the adoption of IFRS 15, the Group determined that it does not have the control before the software is transferred to customers. Hence, it is an agent in these contracts because it does not have the ability to direct the use of the software or obtain benefits from the equipment.

The adoption of IFRS 15 did not have a significant impact on the Group's statement of financial position nor the statement of changes in equity.

IFRS 9 Financial Instruments

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

The Group had implemented IFRS 9 on 1 January 2018. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated. and there was a negative impact amounting to AED 1,222 thousand from the adoption of IFRS 9 on the retained earnings. The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

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

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

The effect of adopting IFRS 9 is, as follows:

Impact on the statement of financial position (increase/(decrease)):

	Balance at 1 January 2018 under IAS39 <i>AED'000</i>	Adjustments <i>AED'000</i>	Balance at 1 January 2018 under IFRS 9 <i>AED'000</i>
Assets			
Account receivable	934,166	(948)	933,218
Total assets	934,166	(948)	933,218
Equity			
Retained Earning	1,113,313	(1,222)	1,112,091
Non-controlling interests	18,964	267	19,231
Total Equity	1,132,277	(955)	1,131,322
Liabilities			
Deferred tax liabilities	53,556	7	53,563
Total liabilities	53,556	7	53,563
Total Equity and Liabilities	1,185,833	(948)	1,184,885

The change did not have material impact on the Group's operating, investing and financing cash flows and the basic and diluted EPS.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

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

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

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

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or use the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. During 2018, the Group has performed a detailed impact assessment of IFRS 16.

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2018:

	<i>AED'000</i>
Assets	
Property, plant and equipment	609,410
Prepayments	(17,664)
Deferred tax assets	5,137
Total Assets	596,883
Equity	
Net impact on equity	5,137
Total Equity	5,137
Liabilities	
Lease liabilities	591,746
Total Liabilities	591,746
Total Equity and Liabilities	596,883

Aramex PJSC and its subsidiaries

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At 31 December 2018

Impact on the statement of profit or loss (increase/(decrease)) for 2018:

	<u>AED'000</u>
Depreciation expense	(190,001)
Operating lease expense	215,544
Operating profit	25,543
Finance cost	(28,403)
Income tax expense	5,137
Profit of the year	2,277

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

• **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

• **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

• **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

• **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2.5 Significant accounting judgments, estimates and assumptions

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

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

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

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

2.6 Summary of significant accounting policies

Property, plant and equipment

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

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

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

Land is not depreciated

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

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised in the statement of profit or loss.

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

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

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

Fair value measurement

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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

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

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

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

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

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

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

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

Intangible assets with finite lives are amortised over their economic lives which are between 7 to 15 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

Prepaid agency fees

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

- | | |
|---|---------|
| - Disclosures for significant assumptions | Note 37 |
| - Goodwill | Note 5 |
| - Other intangible assets | Note 6 |

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

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

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

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

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

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

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

Cash and short-term deposits

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Accounts receivable

Trade receivables are stated at original invoice amount less any provision for any uncollectible amounts or expected credit loss. The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date of the transaction first qualify for recognition.

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into AED's, at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Loans and borrowings and other financial liabilities

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

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated income statement. Other financial liabilities including deferred consideration on acquisition of subsidiaries are measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of

the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated income statement.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Accounts payable and accruals

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

Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' end of service benefits

The provision for employees' end of service benefits, disclosed as a long-term liability, is calculated in accordance with IAS19 for Group's entities where their respective labour laws require providing indemnity payments upon termination of relationship with their employees.

Share-based payments

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

Cash-settled transactions

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

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Social security

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Revenue recognition

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

The new standards require that revenue be recognized as a company satisfies a performance obligation by transferring control of a good or service. A performance obligation can be satisfied over time or at a point in time.

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

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

Express revenue

Express revenue is recognised upon delivery of shipment from the customer as the sales process is considered complete and the control is transferred to the customer that performance obligation can be satisfied.

Freight forwarding revenue

Freight forwarding revenue is recognised upon the delivery of freight to the destination or to the air carrier that performance obligation can be satisfied.

Shop 'n' ship services revenue

Shop 'n' ship services revenue is recognised upon the receipt of the merchandise by the customers that performance obligation can be satisfied.

Revenue from logistics and document storage services

Revenue from logistics and document storage services is recognised when the services are rendered that performance obligation can be satisfied.

Interest income

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

Borrowing costs

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

Taxes

Current income tax

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Taxes (continued)

Deferred tax

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

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

Sales tax

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

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Taxes (continued)

Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

Leases

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

Group as a lessee

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

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

Cash dividend

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for the issue of bonus shares.

Offsetting of financial instruments

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

Discontinued operations

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

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

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

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

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

- Represents a separate major line of business or geographical area of operations
 - Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- Or
- Is a subsidiary acquired exclusively with a view to resale

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

3 ACQUISITION OF NON-CONTROLLING INTERESTS

2018

1. Acquisition of Additional Interest in Aramex Tanzania Ltd. -Tanzania

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

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

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

2. Acquisition of additional interest in Tal Saudi Arabia for Commerce and Contracts Co. Ltd

In 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 244,796 thousand payable in 2019, and, the amount due from the shareholder of AED 49,012 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 recognized within equity as a reserve arising from acquisition of non-controlling interests.

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

	<i>AED'000</i>
Consideration payable to non-controlling shareholders	244,796
Settlement of debt to acquire additional non-controlling interests	49,012
Less: carrying value of the additional interest in Tal Saudi Arabia for Commerce and Contracts Co. Ltd	<u>14,152</u>
Difference recognized as a reserve from acquisition of non-controlling interests	<u><u>279,656</u></u>

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

3 ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

2017

1. Acquisition of additional interest in Aramex International for Services Co. Ltd. - Sudan

In February 2017, the Group acquired an additional 20% interest of the voting shares of Aramex International for Services Co. Ltd. – located in Sudan, increasing its ownership interest to 100%. Cash consideration of AED 4,333 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex International for Services Co. Ltd. at the acquisition date was AED 3,041 thousand, and the carrying value of the additional interest acquired was AED 608 thousand. The difference of AED 3,725 thousand between the consideration paid and the carrying value of the additional interest acquired has been recognized within equity as a reserve arising from acquisition of non-controlling interests.

Following is a schedule of additional interest acquired in Aramex International for Services Co. Ltd. - Sudan:

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	4,333
Less: Carrying value of the additional interest in Aramex International Ltd.	608
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Difference recognized as a reserve from acquisition of non-controlling interest	3,725
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2. Acquisition of additional interest in CBKSoft Yazlm – Turkey

In September 2017, the Group acquired an additional 13% interest of the voting shares of CBKSoft Yazlm, increasing its ownership interest to 64%. Cash consideration of AED 5,040 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of CBKSoft Yazlm at the acquisition date was AED 4,235 thousand, and the carrying value of the additional interest acquired was AED 550 thousand. The difference of AED 4,490 thousand between the consideration paid and the carrying value of the additional interest acquired has been recognized within equity as a reserve arising from acquisition of non-controlling interests.

Following is a schedule of additional interest acquired in Aramex CBKSoft Yazlm – Turkey:

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	5,040
Less: Carrying value of the additional interest in CBKSoft Yazlm	550
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Difference recognized as a reserve from acquisition of non-controlling interest	4,490
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Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

3 ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

2017 (continued)

3. Acquisition of additional interest in Aramex Tanzania Ltd. – Tanzania

In August 2017, the Group acquired an additional 18% interest of the voting shares of Aramex Tanzania Ltd., increasing its ownership interest to 83%. Upon mutual agreement, no cash consideration was paid, instead, the amount due from the shareholder of AED 1,658 thousand was waived against the additional shares acquired. The carrying value of the net assets of Aramex Tanzania Ltd. at the acquisition date was at a negative balance of AED 3,747 thousand, and the carrying value of the additional interest acquired was at a negative balance of AED 674 thousand. The difference of AED 2,332 thousand between the consideration given and the carrying value of the additional interest acquired has been recognized within equity as a reserve arising from acquisition of non-controlling interests.

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

	<i>AED'000</i>
Waiver of debt to acquire additional non-controlling interests	1,658
Less: Carrying value of the additional interest in Aramex Tanzania Ltd.	<u>(674)</u>
Difference recognized as a reserve from acquisition of non-controlling interests	<u><u>2,332</u></u>

Aramex PJSC and its subsidiaries

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4 PROPERTY, PLANT AND EQUIPMENT

2018 -	Land AED'000	Leasehold improvements AED'000	Buildings AED'000	Furniture and fixtures AED'000	Warehousing racks AED'000	Office equipment AED'000	Computers AED'000	Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost:										
At 1 January 2018	87,804	100,458	534,311	43,093	82,590	179,355	222,610	127,307	48,563	1,426,091
Additions	-	11,584	959	4,926	8,704	22,277	46,463	43,255	33,264	171,432
Transfers	-	421	2,819	12	728	12,190	23,910	-	(40,080)	-
Disposal	-	(6,216)	(387)	(2,731)	(162)	(3,029)	(5,340)	(23,405)	-	(41,270)
Discontinued operations (note 8)	-	(85)	-	(136)	-	(101)	(105)	(274)	-	(701)
Exchange differences	(2,204)	(2,419)	(6,581)	(1,138)	(1,006)	(4,132)	(4,913)	(5,218)	-	(27,611)
At 31 December 2018	85,600	103,743	531,121	44,026	90,854	206,560	282,625	141,665	41,747	1,527,941
Depreciation:										
At 1 January 2018	-	55,050	91,261	24,867	32,305	100,593	125,844	84,538	-	514,458
Charge for the year	-	11,118	17,518	4,554	5,708	18,586	31,968	26,853	-	116,305
Disposals	-	(5,437)	(15)	(2,311)	(116)	(2,647)	(5,121)	(22,463)	-	(38,110)
Discontinued operations (note 8)	-	(30)	-	(48)	-	(37)	(53)	(146)	-	(314)
Exchange differences	-	(1,593)	(1,396)	(792)	(365)	(2,731)	(3,613)	(3,623)	-	(14,113)
At 31 December 2018	-	59,108	107,368	26,270	37,532	113,764	149,025	85,159	-	578,226
Net carrying amount:										
At 31 December 2018	85,600	44,635	423,753	17,756	53,322	92,796	133,600	56,506	41,747	949,715

Property, plant and equipment include vehicles with a net book value of AED 33.20 million (2017: AED 18.26 million) have been obtained under finance leases (note 19).

Aramex PJSC and its subsidiaries

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At 31 December 2018

4 PROPERTY, PLANT AND EQUIPMENT (continued)

2017 -	Land AED '000	Leasehold improvements AED '000	Buildings AED '000	Furniture and fixtures AED '000	Warehousing racks AED '000	Office equipment AED '000	Computers AED '000	Vehicles AED '000	Capital work in progress AED '000	Total AED '000
Cost:										
At 1 January 2017	74,759	89,980	517,544	40,119	74,270	154,067	171,276	131,878	36,514	1,290,407
Additions	9,801	20,280	9,691	5,485	7,708	25,930	47,362	20,246	22,599	169,102
Transfers	-	-	-	-	-	2,012	8,111	-	(10,123)	-
Reclassification	-	-	-	(53)	-	53	-	-	-	-
Disposals	-	(11,807)	-	(3,082)	(421)	(5,806)	(8,130)	(26,581)	(427)	(56,254)
Exchange differences	3,244	2,005	7,076	624	1,033	3,099	3,991	1,764	-	22,836
At 31 December 2017	87,804	100,458	534,311	43,093	82,590	179,355	222,610	127,307	48,563	1,426,091
Depreciation:										
At 1 January 2017	-	52,763	72,235	22,349	26,861	85,662	107,398	82,867	-	450,135
Charge for the year	-	10,069	17,665	4,373	5,239	17,410	24,065	25,407	-	104,228
Disposals	-	(9,064)	-	(2,374)	(309)	(4,406)	(7,908)	(25,736)	-	(49,797)
Exchange differences	-	1,282	1,361	519	514	1,927	2,289	2,000	-	9,892
At 31 December 2017	-	55,050	91,261	24,867	32,305	100,593	125,844	84,538	-	514,458
Net carrying amount:										
At 31 December 2017	87,804	45,408	443,050	18,226	50,285	78,762	96,766	42,769	48,563	911,633

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

5 GOODWILL

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
At 1 January	1,164,088	1,139,063
Impairment of goodwill	-	(1,844)
Exchange differences	<u>(39,393)</u>	<u>26,869</u>
At 31 December	<u>1,124,695</u>	<u>1,164,088</u>

The Group performed its annual impairment test on 31 December 2017 and 2018. The Group considers the relationship between its market capitalization and its book value among other factors, when reviewing for indicators of impairment. As at 31 December 2018, the market capitalization of the Group was above the book value of its equity. The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period.

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

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Express shipping	268,189	277,127
Freight forwarding	166,891	172,452
Domestic shipping	487,624	506,491
Logistics	74,434	76,915
Documents storage	118,370	121,916
Publication and distribution	<u>9,187</u>	<u>9,187</u>
	<u>1,124,695</u>	<u>1,164,088</u>

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

The calculation of the value-in-use is most sensitive to the following assumptions:

Transaction volumes – these are based on budgeted performance of individual cash generating units.

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) for the industry which ranges between 7.1% to 9.1% (2017: ranges between 7.6% to 9.6%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

5 GOODWILL (continued)

Growth rate estimates – Growth rate used of 3.8% (2017: 3.8%) is based on actual operating results and future expected performance.

Sensitivity to changes in assumptions

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

6 OTHER INTANGIBLE ASSETS

Intangible assets with definite life:

	<i>Customer lists and other intangible assets with definite useful life</i>	<i>Franchises with indefinite useful life*</i>	<i>Total</i>	
	<i>AED'000</i>	<i>AED'000</i>	<i>2018 AED'000</i>	<i>2017 AED'000</i>
Cost:				
At 1 January	67,459	191,153	258,612	254,235
Exchange differences	-	(10,389)	(10,389)	4,377
At 31 December	67,459	180,764	248,223	258,612
Amortization and impairment:				
At 1 January	(32,358)	-	(32,358)	(27,677)
Amortization	(4,672)	-	(4,672)	(4,681)
At 31 December	(37,030)	-	(37,030)	(32,358)
Net book value:				
At 31 December	30,429	180,764	211,193	226,254

* Intangible assets acquired through a business combination are mainly franchises. These assets have indefinite useful lives and are tested for impairment annually.

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

The calculation of the value-in-use is most sensitive to the following assumptions:

Transaction volumes – these are based on budgeted performance of individual cash generating units.

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) for the industry of 9.4% – 9.5% (2017: 9.3%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

6 OTHER INTANGIBLE ASSETS (continued)

Growth rate estimates – Growth rate used of 2.5% - 2.6% (2017: 2.5%) is based on actual operating results and future expected performance.

Sensitivity to changes in assumptions

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

7 MATERIAL PARTLY – OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

	<i>2018</i> %	<i>2017</i> %
	-	50%
	<u>-</u>	<u>50%</u>
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Accumulated balances of material non-controlling interest:	-	8,769
	<u>-</u>	<u>8,769</u>
Profit allocated to material non-controlling interest:	-	15,565
	<u>-</u>	<u>15,565</u>

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

Summarised income statements for 2018 and 2017:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Revenue	-	625,702
Cost of sales	-	(307,200)
Administrative, selling and operating expenses	-	(273,938)
Other expenses	-	(12,164)
	<u>-</u>	<u>32,400</u>
Profit before tax	-	32,400
Income tax	-	(1,269)
	<u>-</u>	<u>31,131</u>
Profit for the year	-	31,131
	<u>-</u>	<u>31,131</u>
Total comprehensive income	-	31,131
	<u>-</u>	<u>31,131</u>
Attributable to non-controlling interests	-	15,565
Dividends paid to non-controlling interests	-	5,033

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

7 MATERIAL PARTLY – OWNED SUBSIDIARIES (continued)

Summarised statements of financial position as at 31 December 2018 and 2017:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Cash and bank balances	-	87,671
Property, plant and equipment	-	46,427
Other current assets	-	168,928
Non-current assets	-	153
Trade and other payable (current)	-	(222,389)
Interest-bearing loans and borrowing and deferred tax	-	(17,987)
Liabilities (non-current)	-	(45,264)
Total Equity	-	17,539
Attributable to:		
Equity holders of parent	-	8,769
Non-controlling interests	-	8,769

Summarised cash flow information for the year ended 31 December:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Operating	-	25,073
Investing	-	(6,074)
Financing	-	(21,829)
Net decrease in cash and cash equivalents	-	(2,830)

8 DISCONTINUED OPERATION

Disposal of Aramex Botswana Limited

On 1 February 2018, the Group disposed of 100% of its interest in Aramex Botswana Limited. The cash outflows generated from the sale of the discontinued operation during 2018 have been presented in the consolidated statement of cash flows as part of the investing activities.

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

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

	<i>2018</i> <i>AED '000</i> <i>Up to date</i> <i>of disposal</i>	<i>2017</i> <i>AED '000</i>
Rendering of services	145	1,009
Cost of services	(103)	(419)
Gross profit	42	590
Less: overheads	(138)	(1,214)
Operating loss	(96)	(624)
Add: other income	992	194
Less: expenses	(85)	(118)
Profit (loss) before tax	811	(548)
Income tax expense	-	-
Net profit (loss)	811	(548)

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

8 DISCONTINUED OPERATION (continued)

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

	<i>2018</i> <i>AED '000</i>	<i>2017</i> <i>AED '000</i>
Assets		
Property, plant and equipment	387	387
Trade receivables	194	56
Other current assets	210	307
Cash and cash equivalent	235	169
	<u>1,026</u>	<u>919</u>
Liabilities		
Trade payables	221	13
Other current liabilities	375	227
Other non-current liabilities	321	679
	<u>917</u>	<u>919</u>
Net assets directly associated with the disposal group	<u>109</u>	
Cash flow on sale:		
Consideration received	-	
Cash included as cash and cash equivalents at 1 February 2018 in the statement of cash flows	(235)	
Net cash outflow	<u>(235)</u>	

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

	<i>2018</i> <i>AED '000</i>	<i>2017</i> <i>AED '000</i>
Operating	32	(373)
Investing	(1)	353
Net cash inflow (outflow)	<u>31</u>	<u>(20)</u>
Loss on disposal of discontinued operation:		
Consideration received	-	
Net assets directly associated with disposal group	(109)	
	<u>(109)</u>	

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 INVESTMENTS IN JOINT VENTURES

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

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>Nature of activity</i>	<i>Book value</i>	
	<i>2018</i>	<i>2017</i>			<i>2018</i>	<i>2017</i>
	<i>%</i>	<i>%</i>			<i>AED'000</i>	<i>AED'000</i>
Aramex Sinotrans Co. LTD	50%	50%	China	Express, freight and logistics services	11,453	5,563
Aramex Global Solutions*	-	60%	Singapore	Express, freight and Domestic services	-	125,982
Others					-	2,854
					11,453	134,399

* During 2018, the Group disposed of its 60% interest in Aramex Global Solutions for a consideration of AED 73,452 thousand accordingly, a loss amounting to AED 45,665 thousand was recognized on the Group's consolidated income statement. (Note 30)

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

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

	<i>2018</i>			
	<i>Aramex Sinotrans Co. LTD AED'000</i>	<i>Aramex Global Solutions AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Non-current assets	2,027	-	40,470	42,497
Current assets*	64,404	-	16,606	81,010
Non-current liabilities	-	-	(49,885)	(49,885)
Current liabilities**	(43,525)	-	(7,191)	(50,716)
Equity	22,906	-	-	22,906
Proportion of the Group's ownership	50%	-	-	-
Carrying amount of the investment	11,453	-	-	11,453

* The current assets of Aramex Sinotrans Co. Ltd include cash at banks amounted to AED 12.63 million, accounts receivable amounted to AED 47.33 million and other current assets amounted to AED 4.44 million.

** The current liabilities of Aramex Sinotrans Co. Ltd include, accruals amounted to AED 23.23 million, trade payables amounted to AED 17.6 million, other current liabilities amounted to AED 1.39 million and tax provisions amounted to AED 1.3 million.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

9 INVESTMENTS IN JOINT VENTURES (continued)

	2017			
	<i>Aramex Sinotrans Co. LTD AED'000</i>	<i>Aramex Global Solutions AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Non-current assets	1,454	177,554	43,193	222,201
Current assets	29,122	99,680	19,889	148,691
Non-current liabilities	-	-	(47,556)	(47,556)
Current liabilities	(19,449)	(67,264)	(12,672)	(99,385)
Equity	11,127	209,970	2,854	223,951
Proportion of the Group's ownership	50%	60%		
Carrying amount of the investment	5,563	125,982	2,854	134,399

Summarized statement of profit or loss of the joint ventures:

	2018			
	<i>Aramex Sinotrans Co. LTD AED'000</i>	<i>Aramex Global Solutions AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Revenue	173,540	339,576	21,889	535,005
Cost of sale	(133,226)	(316,865)	(8,698)	(458,789)
Administrative expenses	(26,027)	(27,923)	(12,849)	(66,799)
Other income or expense	(531)	2,862	(1,296)	1,035
Profit (loss) before tax	13,756	(2,350)	(954)	10,452
Income tax expense	(1,298)	(3,405)	-	(4,703)
Profit (loss) for the year	12,458	(5,755)	(954)	5,749
Group's share of profit (loss) for the year	6,229	(3,453)	(776)	2,000

	2017			
	<i>Aramex Sinotrans Co. LTD AED'000</i>	<i>Aramex Global Solutions AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Revenue	88,938	265,789	18,355	373,082
Cost of sale	(66,978)	(248,175)	(5,921)	(321,074)
Administrative expenses	(19,729)	(19,393)	(16,454)	(55,576)
Profit (loss) before tax	2,231	(1,779)	(4,020)	(3,568)
Income tax expense	-	(3,521)	(121)	(3,642)
Profit (loss) for the year	2,231	(5,300)	(4,141)	(7,210)
Group's share of profit (loss) for the year	1,116	(3,180)	(2,450)	(4,514)

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2018 and 2017.

Aramex PJSC and its subsidiaries

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10 INVESTMENTS IN ASSOCIATES

The details of the investments in associates were as follows:

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>Nature of activity</i>	<i>Book value</i>	
	<i>2018</i>	<i>2017</i>			<i>2018</i>	<i>2017</i>
	<i>%</i>	<i>%</i>			<i>AED'000</i>	<i>AED'000</i>
Linehaul Express						
Australia Pty Ltd	26.4%	26.4%	Australia	Domestic services	216	235
WS One Investment LLC	25%	25%	UAE	Express services	10,715	9,044
Aramex Thailand Ltd	49%	49%	Thailand	Logistics and transportation	472	443
					11,403	9,722

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

	<i>2018</i>				
	<i>Canterbury Courier Operations Ltd</i>	<i>Linehaul Express Australia PTY Ltd</i>	<i>WS One Investment LLC</i>	<i>Aramex Thailand Ltd</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Non-current assets	-	5,847	20,868	1,371	28,086
Current assets	-	46	25,397	204	25,647
Non-current liabilities	-	(5,073)	(3,337)	(610)	(9,020)
Current liabilities	-	-	(70)	(1)	(71)
Equity	-	820	42,858	964	44,642
Proportion of the Group's ownership	-	26.4%	25%	49%	
Group's share	-	216	10,715	472	11,403
Carrying amount of the investment	-	216	10,715	472	11,403
	<i>2017</i>				
	<i>Canterbury Courier Operations Ltd</i>	<i>Linehaul Express Australia PTY Ltd</i>	<i>WS One Investment LLC</i>	<i>Aramex Thailand Ltd</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Non-current assets	-	58	43,801	289	44,148
Current assets	5,847	5,720	8,621	1,508	21,696
Non-current liabilities	-	-	-	(1)	(1)
Current liabilities	(5,847)	(4,890)	(16,244)	(892)	(27,873)
Equity	-	888	36,178	904	37,970
Proportion of the Group's ownership	25%	26.4%	25%	49%	
Group's share	-	235	9,044	443	9,722
Carrying amount of the investment	-	235	9,044	443	9,722

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10 INVESTMENT IN ASSOCIATES (continued)

	2018				
	<i>Canterbury Courier Operations Ltd AED'000</i>	<i>Linehaul Express Australia PTY Ltd AED'000</i>	<i>WS One Investment LLC AED'000</i>	<i>Aramex Thailand AED'000</i>	<i>Total AED'000</i>
Revenue	-	28,887	36,704	4,609	70,200
Cost of sale	-	(28,485)	(20,711)	(2,743)	(51,939)
Administrative expenses	-	(386)	(6,819)	(2,812)	(10,017)
Profit (loss) before tax	-	16	9,174	(946)	8,244
Income tax benefit	-	-	-	248	248
Profit (loss) for the year	-	16	9,174	(698)	8,492
Group's share of profit (loss) for the year	-	4	2,294	(342)	1,956

	2017				
	<i>Canterbury Courier Operations Ltd AED'000</i>	<i>Linehaul Express Australia PTY Ltd AED'000</i>	<i>WS One Investment LLC AED'000</i>	<i>Aramex Thailand AED'000</i>	<i>Total AED'000</i>
Revenue	-	27,367	42,789	4,656	74,812
Cost of sale	-	(26,916)	(27,691)	(2,442)	(57,049)
Administrative expenses	(603)	(373)	(13,280)	(2,795)	(17,051)
(Loss) profit before tax	(603)	78	1,818	(581)	712
Income tax expense	-	-	-	-	-
(Loss) profit for the year	(603)	78	1,818	(581)	712
Group's share of (loss) profit for the year	(150)	21	454	(284)	41

The associates had no contingent liabilities or capital commitments as at 31 December 2018 and 2017.

Aramex PJSC and its subsidiaries

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At 31 December 2018

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>Nature of activity</i>	<i>Fair value</i>	
	<i>2018</i>	<i>2017</i>			<i>2018</i>	<i>2017</i>
Unquoted financial assets	%	%			AED'000	AED'000
Udaan Logisure Private Ltd	5.88	5.88	India	Local delivery solutions	1,844	1,844
Return Hound Ltd	20	20	British Virgin Islands	Lost luggage retrieval business	-	1,102
Shippify Inc	10.70	10.70	USA	Food delivery	1,102	1,102
Grab a Grub Services Pvt Ltd	24.53	24.53	India	B2B logistics provider	12,805	11,155
What 3 Words Ltd	3.29	3.29	UK	Global addressing systems	15,241	10,804
Jamalon Inc.	8.49	8.49	British Virgin Islands	Online book retail	8,253	3,673
Cash Basha	20	20	British Virgin Islands	Online shopping platform	551	551
Flirtey Tech Pty Ltd.	1	1	USA	Drone Technology	74	78
Tu Share Pty Ltd	4.21	4.21	Australia	Courier service provider to small businesses	6,611	1,457
Mawarid Technology LLC	1.56	1.56	UAE	Technology Solutions	7,306	10,000
					53,787	41,766

For equity instruments at fair value through OCI, Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Aramex PJSC and its subsidiaries

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12 INCOME TAX

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

Consolidated income statement

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Current income tax expense	103,510	81,616
Deferred tax	(5,321)	(3,532)
Foreign exchange	2,204	3,267
Income tax expense reported in the consolidated income statement	<u>100,393</u>	<u>81,351</u>

Deferred tax relates to the following:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Provision for expected credit losses	3,661	2,187
Impact of adoption of IFRS 9	(7)	-
Provision for expected credit losses (restated)	3,654	2,187
Depreciation	(8,141)	(6,617)
Employees' end of service benefits	4,738	2,656
Net operating losses carried forward	1,903	3,272
Franchises with indefinite useful life	(52,058)	(56,110)
Others	4,929	4,323
	<u>(44,975)</u>	<u>(50,289)</u>
<i>Recognised as follows:</i>		
As deferred tax assets	6,323	3,267
As deferred tax liabilities	(51,298)	(53,556)
	<u>(44,975)</u>	<u>(50,289)</u>

Reconciliation of deferred tax liability, net:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
As of 1 January	(50,289)	(53,821)
Impact of adoption of IFRS 9	(7)	-
As of 1 January (restated)	(50,296)	(53,821)
Deferred tax assets	3,117	265
Foreign exchange	2,204	3,267
As of 31 December	<u>(44,975)</u>	<u>(50,289)</u>

Reconciliation between accounting profit and taxable profit:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Accounting profit before income tax	624,384	537,280
Non-deductible expenses	48,547	44,174
Taxable profit	<u>672,931</u>	<u>581,454</u>
Income tax expense reported in the consolidated income statement	<u>100,393</u>	<u>81,351</u>
Effective income tax rate	<u>16.08%</u>	<u>15.14%</u>

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12 INCOME TAX (continued)

Movements on income tax provision were as follows:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
At 1 January	58,834	44,929
Income tax expense for the year	103,510	81,616
Income tax paid	(92,922)	(71,958)
Foreign exchange	(3,097)	4,247
At 31 December	66,325	58,834

In some countries, the tax returns for certain years have not yet been reviewed by the tax authorities. In certain tax jurisdictions, the Group has provided for its tax exposures based on the current interpretation and enforcement of the tax legislation in the jurisdiction. However, the Group's management is satisfied that adequate provisions have been made for potential tax contingencies.

Aramex PJSC is registered in the United Arab Emirates of where there is no corporate income taxation. Income tax appearing in the consolidated statement of financial position represents the income tax provision of Group's subsidiaries as of 31 December.

13 ACCOUNTS RECEIVABLE

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Trade receivables	1,225,875	997,429
Less: allowance for expected credit losses	(85,211)	(63,263)
	1,140,664	934,166

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

	<i>2018</i> <i>%</i>	<i>2017</i> <i>%</i>
- Middle East and Africa	65	59
- Europe	7	10
- North America	3	4
- Asia and others	25	27

As at 31 December 2018, trade receivables at nominal value of AED 85,211 thousand (2017: AED 63,263 thousand) were impaired. Movements on expected credit losses were as follows:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
At 1 January	63,263	58,908
Impact of adoption of IFRS 9	948	-
At 1 January (restated)	64,211	58,908
Charge for the year	27,362	9,497
Unused amounts reversed	(405)	(1,384)
Amounts written-off	(3,115)	(4,829)
Foreign exchange	(2,842)	1,071
At 31 December	85,211	63,263

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13 ACCOUNTS RECEIVABLE (continued)

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

	<i>Total</i> <i>AED '000</i>	<i>Past due but not impaired</i>				
		<i>0-90</i> <i>days</i> <i>AED '000</i>	<i>91-180</i> <i>days</i> <i>AED '000</i>	<i>181-270</i> <i>days</i> <i>AED '000</i>	<i>271-365</i> <i>days</i> <i>AED '000</i>	<i>More than</i> <i>1 year</i> <i>AED '000</i>
2018						
Expected credit loss rate	7%	2%	12%	45%	69%	79%
Gross Receivables	1,225,875	1,070,829	75,412	20,491	22,350	36,793
Expected credit loss	85,211	22,239	9,108	9,306	15,335	29,223
Carrying amount at default	<u>1,140,664</u>	<u>1,048,590</u>	<u>66,304</u>	<u>11,185</u>	<u>7,015</u>	<u>7,570</u>
2017						
Expected credit loss rate	6%	0%	37%	40%	40%	100%
Gross Receivables	997,429	886,165	54,790	11,009	11,752	33,713
Expected credit loss	63,263	-	20,445	4,404	4,701	33,713
Carrying amount at default	<u>934,166</u>	<u>886,165</u>	<u>34,345</u>	<u>6,605</u>	<u>7,051</u>	<u>-</u>

Management determines the expected credit loss on customers' balances and builds up a provision based on different factors including analysis of customer or group of customers that have similar risk characteristics.

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

14 OTHER CURRENT ASSETS

	<i>2018</i> <i>AED '000</i>	<i>2017</i> <i>AED '000</i>
Prepaid expenses	61,505	71,222
Advances and other receivables	291,007	178,320
	<u>352,512</u>	<u>249,542</u>

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	<i>2018</i> <i>AED '000</i>	<i>2017</i> <i>AED '000</i>
Cash and short term deposits	836,659	727,649
Less: cash margin	(6,241)	(5,610)
Less: bank overdrafts (note 22)	(120,463)	(97,602)
	<u>709,955</u>	<u>624,437</u>

Included in cash and short term deposits are amounts totaling AED 452,971 thousand (31 December 2017: AED 454,429 thousand) of cash held at foreign banks abroad and amounts totaling approximately AED 186,306 thousand (2017: AED 89,588 thousand) of cash on delivery collected by the Group on behalf of customers, the same balance was recorded as trade payable and other current liabilities on the consolidated statement of financial position.

16 SHARE CAPITAL

	<i>2018</i> <i>AED '000</i>	<i>2017</i> <i>AED '000</i>
<i>Authorised, issued and paid up</i>		
1,464,100,000 ordinary shares of AED 1 each (2017: 1,464,100,000 ordinary shares of AED 1 each)	<u>1,464,100</u>	<u>1,464,100</u>

Aramex PJSC and its subsidiaries

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17 RESERVES

Statutory reserve

In accordance with the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, 10% of the net profit for each year is required to be transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid-up share capital of the applicable entities. This reserve is non-distributable except in certain circumstances. The consolidated statutory reserve reflects transfers made post-acquisition for subsidiary companies together with transfers made by the parent company. It does not, however, reflect the additional transfers to the consolidated statutory reserves which would be made if the retained post-acquisition profits of the subsidiaries were distributed to the Parent Company.

Foreign currency translation reserve

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

Reserve arising from acquisition of non-controlling interests

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

Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of financial assets at fair value through other comprehensive income is used to record the differences arising from the fair valuation of the Group's financial assets at fair value through other comprehensive income.

18 RETAINED EARNINGS

Dividends

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

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

Directors' fees paid

Directors' fees of AED 3.98 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2017 were paid in 2018 (2017: AED 3.63 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2016 were paid in 2017).

19 LOANS AND BORROWINGS

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Non-current		
Term loan (a)	199,944	285,063
Notes payable	878	1,497
Finance lease obligations (b)	17,996	6,771
	218,818	293,331
	<hr/> <hr/>	<hr/> <hr/>
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Current		
Term loan (a)	299,693	205,616
Notes payable	2,504	2,199
Finance lease obligations (b)	16,070	12,425
	318,267	220,240
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Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

19 LOANS AND BORROWINGS (continued)

(a) Term Loans

HSBC loan (1)

During 2016, the Group entered into a 5 year term loan agreement with HSBC Bank Australia for a total amount of AED 108 million (AUD 39.6 million) bearing annual interest rate of AUD (BBSY) plus a margin of 1.5%. The term loan is repayable in 20 consecutive quarterly instalments; the first instalment was due on 30 June 2016. The purpose of this facility is to finance new acquisitions.

HSBC loan (2)

During 2016, the Group entered into a 5 year term loan agreement with HSBC Bank New Zealand for a total amount of AED 115 million (NZD 44.2 million) bearing annual interest rate of NZD (BKBM) plus a margin of 1.5%. The term loan is repayable in 20 consecutive quarterly instalments; the first instalment was due on 30 June 2016. The purpose of this facility is to finance new acquisitions.

There were several financial covenants attached to the interest-bearing loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings throughout 2018.

Others

Term loans also include a number of loans obtained by Group's subsidiaries with a balance of AED 277 million to finance their operating activities. Those loans carry interest at commercial rates, are repayable in regular installments and are subject to covenants consistent with the Group's borrowing policies.

The principal instalments payable after 2019 for long-term loans as of 31 December 2018 are as follows:

<i>Year</i>	<i>AED'000</i>
2020	46,389
2021	149,400
2022 thereafter	4,155
	<u>199,944</u>

(b) Finance lease obligation

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

	<i>Future minimum lease payments AED'000</i>	<i>Interest AED'000</i>	<i>Present value of minimum lease payments AED'000</i>
2018 -			
Within one year	18,175	2,105	16,070
After one year but not more than five years	19,143	1,147	17,996
Total	<u>37,318</u>	<u>3,252</u>	<u>34,066</u>
2017 -			
Within one year	13,467	1,042	12,425
After one year but not more than five years	7,101	330	6,771
Total	<u>20,568</u>	<u>1,372</u>	<u>19,196</u>

Finance lease obligations have maturities till 2021. Interest rate on finance lease obligations ranges between 9% - 15% (2017: 2.2% - 8%).

Aramex PJSC and its subsidiaries

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At 31 December 2018

20 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Provision as at 1 January	140,553	138,797
Provided during the year	27,624	24,970
Paid during the year	(26,658)	(23,209)
Discontinued operations	(64)	-
Exchange differences	(1,288)	(5)
Provision as at 31 December	<u>140,167</u>	<u>140,553</u>
Actuarial gains and losses	-	-
Present value of the defined benefit obligations	<u><u>140,167</u></u>	<u><u>140,553</u></u>

21 ACCOUNTS PAYABLE

Trade payables mainly include payables to third party suppliers against invoices received from them for line haul, freight services, handling and delivery charges.

22 BANK OVERDRAFTS

The Group maintains overdrafts and lines of credit with various banks. Aramex Tunisia has outstanding overdrafts from Citi Bank of AED 515 thousand as at 31 December 2018 (2017: AED 743 thousand) and with Arab Bank of AED 907 thousand as at 31 December 2018 (2017: 514 thousand).

Aramex Algeria SARL has outstanding overdrafts from Citi Bank of AED 8,351 thousand as at 31 December 2018 (2017: AED 6,452 thousand).

Aramex International LLC has outstanding overdrafts from HSBC of AED 62,434 thousand as at 31 December 2018 (2017: AED 62,434 thousand).

Aramex Special Logistics has outstanding overdraft from Citi Bank of AED 44,452 thousand as at 31 December 2018 (2017: 27,459 thousand).

Aramex Emirates LLC has outstanding overdrafts from Arab Bank of AED 3,804 thousand as at 31 December 2018 (2017: Nil).

23 OTHER CURRENT LIABILITIES

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Accrued expenses	401,618	428,099
Deferred revenue	37,926	53,412
Sales tax and other taxes	44,104	29,065
Income tax provision (note 12)	66,325	58,834
Customers' deposits	10,402	19,398
Social security taxes payable	6,086	6,998
Claims	20,178	57,703
Consideration payable to non-controlling shareholders	293,808	-
Others	206,699	115,790
	<u><u>1,087,146</u></u>	<u><u>769,299</u></u>

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24 EMPLOYEES' BENEFIT LIABILITY

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

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

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

The following tables list the inputs to the models used for the plan for the year ended 31 December 2018:

	<i>2018</i>
Dividend yield (%)	0
Risk-free interest rate (%)	2.75
Expected life (years)	6
Share price (AED)	4.29

Movements on employees' benefit liability were as follows:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
At 1 January	29,875	74,988
Employees benefit plan expense for the year	15,803	24,030
Reversal of employees' benefit plan expense	-	(27,950)
Paid during the year	-	(41,193)
At 31 December	<u>45,678</u>	<u>29,875</u>

25 REVENUES

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
International express	2,272,688	2,006,298
Freight forwarding	1,163,756	1,156,684
Domestic express	1,051,319	1,022,191
Logistics	301,801	260,326
Publications and distribution	11,101	9,878
Others*	285,390	265,163
	<u>5,086,055</u>	<u>4,720,540</u>

* Represents revenues from other special services which the Group renders, including airline ticketing and travel, visa services and revenues from document retention business. All related costs are reflected in cost of services.

Aramex PJSC and its subsidiaries

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26 COST OF SERVICES

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
International express	795,893	687,598
Freight forwarding	869,293	842,936
Domestic express	516,696	520,155
Logistics	81,424	66,419
Publications and distribution	5,718	5,226
Others	50,406	43,091
	<u>2,319,430</u>	<u>2,165,425</u>

27 ADMINISTRATIVE EXPENSES

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Salaries and benefits	444,050	446,374
Rent	103,307	106,491
Depreciation	71,645	62,161
Communication expenses	44,718	42,873
Repairs and maintenance	48,530	43,049
Allowance for expected credit losses (note 13)	26,957	8,113
Printing and stationary	7,727	7,124
Entertainment	9,710	9,799
Vehicle running expenses	6,424	5,407
Insurance and security	21,136	27,221
Government fees and taxes	46,740	40,866
Corporate social responsibility*	2,983	3,666
Sponsorship	208	183
Utilities	15,273	20,133
Travel expenses	24,640	26,685
Professional fees	31,418	38,390
Others	79,777	83,640
	<u>985,243</u>	<u>972,175</u>

* These amounts are paid to accredited well-known institutions that management has reviewed individually and it is comfortable that they comply with international ethical regulations.

28 OPERATING EXPENSES

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Salaries and benefits	574,053	541,140
Vehicle running and maintenance	104,246	90,643
Supplies	31,997	27,591
Communication expenses	8,958	7,370
Depreciation	44,660	42,067
Rent	71,048	59,811
Others	59,887	54,261
	<u>894,849</u>	<u>822,883</u>

Aramex PJSC and its subsidiaries

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29 OTHER INCOME, NET

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Exchange gain (loss)	2,345	(295)
Loss on sale of property, plant and equipment	(17)	(788)
Miscellaneous income	3,658	7,625
	<u>5,986</u>	<u>6,542</u>

30 RELATED PARTY TRANSACTIONS

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

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

	<i>Companies controlled by the directors</i>	
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Rent expense	<u>1,157</u>	<u>3,495</u>

Key management compensation

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

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Salaries and other short term benefits	7,941	35,946
Board remuneration	3,980	3,630
End of service benefits	1,434	196
	<u>13,355</u>	<u>39,772</u>

Directors fees paid were disclosed in note 18

Employees' benefit plan

Senior executives of the Group were granted phantom shares as detailed in Note 24.

Significant subsidiaries of the Group include:

Aramex Fastway Holdings PTY Ltd.
Aramex Jordan Ltd.
Aramex India Private Limited, India
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex Bahrain S.P.C
Aramex Emirates LLC, UAE
Aramex Ireland Limited
Aramex Nederland B.V.
Aramex South Africa PTY Ltd.
Aramex Hong Kong Limited
Tal Saudi Arabia for Commerce and Contracts Co. Ltd
Aramex International Hava Kargo Ve Kerye Anonim Sirketi

All of the above subsidiaries are 100% owned by the Parent Company.

Aramex PJSC and its subsidiaries

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30 RELATED PARTY TRANSACTIONS (continued)

During 2018, the Group disposed of its 60% interest in Aramex Global Solutions for a consideration of AED 73,452 thousand accordingly, a loss amounting to AED 45,665 thousand was recognized on the Group's consolidated income statement. (Note 9)

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. The outstanding balances as at 31 December 2018 and 2017, are included in notes 13 and 21:

		<i>Sales to related parties AED'000</i>	<i>Cost from related parties AED'000</i>	<i>Amounts owed by related parties* AED'000</i>	<i>Amounts owed to related parties** AED'000</i>
Associates:					
	2018	1,127	468	193	-
	2017	506	947	529	-
Joint ventures in which the parent is a venturer:					
	2018	1,258	51,491	2,747	19,408
	2017	2,614	26,510	2,824	11,966
Companies controlled by directors and shareholders:					
	2018	143,583	-	26,744	3,053
	2017	87,073	-	15,576	9,271

* These amounts are classified as trade receivables.

** These amounts are classified as trade payables.

31 EARNINGS PER SHARE

	<i>31 December 2018</i>	<i>31 December 2017</i>
Profit attributable to shareholders of the Parent (AED'000)		
Profit for the year from continuing operations	492,148	435,728
Profit (loss) for the year from discontinued operations	487	(329)
	492,635	435,399
Weighted average number of shares during the year (shares)	1,464 Million	1,464 million
Basic and diluted earnings per share from continuing operations (AED)	0.336	0.297
Basic and diluted earnings per share from discontinued operations (AED)	0.000	0.000

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32 OPERATING LEASES

Group as lessee

The Group leases land, office space, warehouses and transportation equipments under various operating leases, some of which are renewable annually. Rent expense related to these leases amounted to AED 219.52 million for the year ended 31 December 2018 (2017: AED 207.79 million). The Group believes that most operating leases will be renewed at comparable rates to the expiring leases.

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

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Within one year	164,969	182,149
After one year but not more than five years	278,258	603,925
More than five years	257,528	7,379
	<u>700,755</u>	<u>793,453</u>

33 SEGMENTAL INFORMATION

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

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

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

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

The following table presents revenue and profit information regarding the Group's operating segments for the years ended 31 December 2018 and 2017, respectively.

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33 SEGMENTAL INFORMATION (continued)

	International express AED '000	Freight forwarding AED '000	Domestic express AED '000	Logistics AED '000	Others AED '000	Elimination AED '000	Total AED '000
Year ended 31 December 2018							
Revenue							
Third party	2,272,688	1,163,756	1,051,319	301,801	296,491	-	5,086,055
Inter-segment	892,255	238,687	1,369	6,307	17,719	(1,156,337)	-
Total revenues	3,164,943	1,402,443	1,052,688	308,108	314,210	(1,156,337)	5,086,055
Timing of revenue recognition							
Goods transferred at a point in time	3,164,943	1,402,443	1,052,688	308,108	302,591	(1,156,337)	5,074,436
Services transferred overtime	-	-	-	-	11,619	-	11,619
Total revenues from contracts with customers	3,164,943	1,402,443	1,052,688	308,108	314,210	(1,156,337)	5,086,055
Gross profit	1,476,795	294,464	534,623	220,378	240,365	-	2,766,625
Year ended 31 December 2017							
Revenue							
Third party	2,006,298	1,156,684	1,022,191	260,326	275,041	-	4,720,540
Inter-segment	801,360	221,087	2,199	7,445	20,469	(1,052,560)	-
Total revenues	2,807,658	1,377,771	1,024,390	267,771	295,510	(1,052,560)	4,720,540
Timing of revenue recognition							
Goods transferred at a point in time	2,807,658	1,377,771	1,024,390	267,771	284,821	(1,052,560)	4,709,851
Services transferred overtime	-	-	-	-	10,689	-	10,689
Total revenues from contracts with customers	2,807,658	1,377,771	1,024,390	267,771	295,510	(1,052,560)	4,720,540
Gross profit	1,318,700	313,748	502,036	193,907	226,724	-	2,555,115

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

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At 31 December 2018

33 SEGMENTAL INFORMATION (continued)

Geographical segments

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

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

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Revenues		
Middle East and Africa	3,079,972	2,835,745
Europe	578,887	574,753
North America	140,570	134,888
Asia and others	1,286,626	1,175,154
	<u>5,086,055</u>	<u>4,720,540</u>
Assets		
Middle East and Africa	3,376,583	2,973,296
Europe	411,935	409,227
North America	64,185	65,200
Asia and others	851,578	956,403
	<u>4,704,281</u>	<u>4,404,126</u>
Non- current assets*		
Middle East and Africa	924,424	873,743
Europe	59,120	68,610
North America	5,776	2,535
Asia and others	248,231	378,886
	<u>1,237,551</u>	<u>1,323,774</u>
Liabilities		
Middle East and Africa	1,688,909	1,237,517
Europe	89,020	98,702
North America	16,428	19,375
Asia and others	478,118	529,470
	<u>2,272,475</u>	<u>1,885,064</u>

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

34 COMMITMENTS AND CONTINGENCIES

Guarantees

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Letters of guarantee	121,922	110,797

Capital commitments

As at 31 December 2018, the Group has capital commitments of AED 30.7 million (2017: AED 47 million) towards purchase/construction of property, plant and equipment.

Aramex PJSC and its subsidiaries

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At 31 December 2018

34 COMMITMENTS AND CONTINGENCIES (continued)

Legal claims contingency

The Group is a defendant in a number of lawsuits amounting to AED 24,128 thousand representing legal actions and claims related to its ordinary course of business (2017: AED 36,576 thousand). The management and their legal advisors believe that the provision recorded of AED 11,199 thousand as of 31 December 2018 is sufficient to meet the obligations that may arise from the lawsuits (2017: AED 13,168 thousand).

35 RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts, notes payable and term loans).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

	<i>Increase/ (decrease) in basis points</i>	<i>Effect on profit for the year AED '000</i>
2018		
Variable rate instruments	+100	(2,669)
Variable rate instruments	-100	2,669
2017		
Variable rate instruments	+100	(4,933)
Variable rate instruments	-100	4,933

Credit risk

This is the risk that a counter party will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks and financial institutions. The Group manages credit risk with its customers by establishing credit limits for customers' balances and also disconnects the service for customers exceeding certain limits for a certain period of time. Also, the diversity of the Group's customer base (residential, corporate, government agencies) limits the credit risk. The Group also has a credit department that continuously monitors the credit status of the Group's customers.

The Group also deposits its cash balances with a number of major high rated financial institutions and has a policy of limiting its balances deposited with each institution.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 65% percent of the Group's trade receivables are based in Middle East and Africa.

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

35 RISK MANAGEMENT (continued)

Credit risk (continued)

A significant portion of the Group's customers have been transacting with the Group for a number of years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are an agent, wholesaler, retailer or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At 31 December 2018 the Group had 5 customers (2017: 5 customers) that accounted for approximately 37% (2017: 34%) of all the receivables outstanding.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

Excessive risk concentration

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

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

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

Year ended 31 December 2018

	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1-2 year AED'000</i>	<i>2-5 years AED'000</i>	<i>5 years AED'000</i>	<i>Total AED'000</i>
Term loans	148,249	153,891	54,179	153,404	1,758	521,481
Notes payable	741	1,961	842	77	-	3,621
Finance lease obligations	5,237	12,938	13,484	5,659	-	37,318
Bank overdraft	120,986	-	-	-	-	120,986
Trade and other payables	1,274,221	-	-	-	-	1,274,221
	<u>1,549,434</u>	<u>178,790</u>	<u>68,505</u>	<u>159,140</u>	<u>1,758</u>	<u>1,957,627</u>

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

35 RISK MANAGEMENT (continued)

Liquidity risk (continued)

Year ended 31 December 2017

	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1-2 year AED'000</i>	<i>2-5 years AED'000</i>	<i>Total AED'000</i>
Term loans	39,673	179,035	86,963	216,038	521,709
Notes payable	682	1,791	1,539	26	4,038
Finance lease obligations	3,949	9,518	5,867	1,234	20,568
Bank overdraft	98,014	-	-	-	98,014
Trade and other payables	935,361	2,915	-	-	938,276
	<u>1,077,679</u>	<u>193,259</u>	<u>94,369</u>	<u>217,298</u>	<u>1,582,605</u>

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Group is exposed to currency risk mainly on purchases and sales that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the United States Dollar (USD), Euro (EUR), Egyptian Pound (EGP), Sterling (GBP), South African Rand (ZAR), Turkish Lira (TRY) and the Indian Rupee (INR). The currencies in which these transactions are primarily denominated are Euro, USD, ZAR, TRY and GBP. The Parent Company's and a number of other Group entities' functional currencies are either the USD or currencies that are pegged to the USD. As a significant portion of the Group's transactions are denominated in USD, this reduces currency risk. The Group also has currency exposures on intra group transactions in the case of Group entities where the functional currency is not the USD or a currency that is not pegged to the USD. Intra Group transactions are primarily denominated in USD.

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

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

	<i>Changes in currency rate to AED %</i>	<i>Effect on profit before tax AED'000</i>
2018		
EUR	+10	2,083
INR	+10	(404)
GBP	+10	380
EGP	+10	408
TRY	+10	1,075
ZAR	+10	(13)
2017		
EUR	+10	723
INR	+10	310
GBP	+10	(3,748)
EGP	+10	(76)
TRY	+10	570
ZAR	+10	(12)

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

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35 RISK MANAGEMENT (continued)

Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interests and retained earnings, and is measured at AED 2,770,634 thousand as at 31 December 2018 (2017: AED 2,803,010 thousand).

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In the medium to long term, the Group believes that having a debt to equity ratio of up to 50% would still enable the Group to achieve its objective of maintaining a strong capital base.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements other than the statutory requirements in the jurisdictions where the Group entities are incorporated.

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables, financial assets at fair value through other comprehensive income and other current assets. Financial liabilities consist of loans and borrowings, bank overdrafts, trade payables and other current liabilities.

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

37 KEY SOURCES OF ESTIMATION UNCERTAINTY

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the statement of financial position date, gross trade accounts receivable were AED 1,225,875 thousand (2017: AED 997,429 thousand) and the provision for expected credit losses was AED 85,211 thousand (2017: AED 63,263 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognised in the consolidated income statement.

37 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Goodwill impairment

The impairment test is based on the "value in use" calculation. These calculations have used cash flow projections based on actual operating results and future expected performance. A discount which ranges between 7.1% to 9.1% has been used in discounting the cash flows projected (refer to note 5).

Provision for tax

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

End of service benefits

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

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

Useful lives of intangible assets with finite lives

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

Intangible assets with indefinite lives

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.