

**Aramex PJSC and its subsidiaries**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

Dear Shareholders,

2017 was another good year for Aramex. We continued to Innovate and streamline our operations across our global network while achieving consistent financial and business growth.

Our 2017 Full Year Revenues reached AED 4,721 million, up by 9% compared to AED 4,343 million we achieved in 2016. Our Net Profits in 2017 also increased by 2%, to AED 435.4 million, compared to AED 426.6 million in 2016. These results are a true testament to the company's strong foundation and robust business strategy. The results confirm that we are on the right path for growth in the coming years.

Consistent with previous years, our performance in 2017 is driven by the surge of global e-commerce activities, which continue to fuel the growth of our Express business. We are also delighted that our Freight-Forwarding services, mostly driven by Oil and Gas activities, started to pick up in the fourth quarter, providing us with great business potential. We are extremely positive about the growth signs of these services, and will be expanding our investments in technology and talent to accelerate the growth of Supply Chain and Freight-Forwarding services in various market segments, and across all our markets.

We are very confident about the growth potential in 2018 amid the continuous boom in e-commerce activities globally, yet we have to remain cautious about the changing competitive environment that requires highest levels of efficiencies and operational effectiveness in meeting customers' expectations. We will be focusing on key strategic initiatives in 2018 aiming at transforming our business into a technology-driven enterprise and enhancing our operational efficiencies through various cost restructuring programs.

Moreover, we will continue to evaluate and consider acquisition opportunities that will enable us to expand our footprint, improve our capabilities, and enhance our portfolio of product lines.

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

Sincerely,

  
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 2017, 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 2017 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)***

##### *Revenue recognition*

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.

To address the above risks, our audit procedures included, amongst others, considering the appropriateness and testing the consistency of the Group's revenue recognition accounting policies, as well as assessing the compliance of such policies with the applicable International Financial Reporting Standards. We have evaluated the control environment and tested internal controls over the completeness, measurement and occurrence of revenue recognized. We obtained a representative sample of transactions and tested their proper recording and recognition. In addition, we selected a sample of transactions before and after the 31 December 2017 cut-off date to check proper recognition.

We performed, as well, substantive analytical procedures and data analytics on monthly gross margins and revenues to identify inconsistencies and/or unusual movements during the year.

##### *Goodwill impairment*

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 1,164 million as of 31 December 2017 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.

Our audit procedures included, among others, using 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. We also 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. The Group's disclosures about goodwill are included in Note 5.

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

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

***Key audit matters (continued)***

*Employees' benefit liability*

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 24 million, and the balance of accumulated liability as of 31 December 2017 amounted to AED 30 million (Note 24).

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.

To address the above risks, 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.

*Income tax*

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.

We have 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. Our audit procedures included an assessment of 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. We involved our internal tax specialists to analyze and challenge the assumptions used to determine tax positions, and corroborated the assumptions with supporting evidence.

We also 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 2017 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.





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

### Report on other legal and regulatory requirements

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

- i) 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 2017 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 2017 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 2017; and
- viii) note 27 reflects the social contributions made during the year.

*For Ernst & Young*

Ashraf Abu-Sharkh  
Partner  
Registration No: 690  
1 March 2018  
Dubai, United Arab Emirates


Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION


At 31 December 2017

	Notes	2017 AED'000	2016 AED'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	911,633	840,272
Goodwill	5	1,164,088	1,139,063
Other intangible assets	6	226,254	226,558
Investments in joint ventures and associates	9, 10	144,121	135,789
Available for sale financial assets	11	41,766	26,066
Deferred tax assets	12	3,267	3,282
Other non-current assets		1,640	2,884
		<u>2,492,769</u>	<u>2,373,914</u>
<b>Current assets</b>			
Accounts receivable, net	13	934,166	741,688
Other current assets	14	249,542	212,122
Bank balances and cash	15	727,649	701,296
		<u>1,911,357</u>	<u>1,655,106</u>
<b>TOTAL ASSETS</b>		<u><b>4,404,126</b></u>	<u><b>4,029,020</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	1,464,100	1,464,100
Statutory reserve	17	269,181	227,198
Foreign currency translation reserve	17	(302,912)	(350,627)
Reserve arising from acquisition of non-controlling interests	17	(43,584)	(33,037)
Retained earnings	18	1,113,313	957,783
<b>Equity attributable to equity holders of the Parent</b>		<u>2,500,098</u>	<u>2,265,417</u>
Non-controlling interests		18,964	9,085
<b>Total equity</b>		<u><b>2,519,062</b></u>	<u><b>2,274,502</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	19	293,331	361,762
Employees' end of service benefits	20	140,553	138,797
Employees' benefit liability	24	29,875	74,988
Deferred tax liabilities	12	53,556	57,103
		<u>517,315</u>	<u>632,650</u>
<b>Current liabilities</b>			
Accounts payable	21	280,608	232,358
Bank overdrafts	22	97,602	57,453
Interest-bearing loans and borrowings	19	220,240	211,881
Other current liabilities	23	769,299	620,176
		<u>1,367,749</u>	<u>1,121,868</u>
<b>Total liabilities</b>		<u><b>1,885,064</b></u>	<u><b>1,754,518</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>4,404,126</b></u>	<u><b>4,029,020</b></u>

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 1 March 2018.

  
Abdullah Al Mazrui  
(Chairman)

  
Bashar Obeid  
(Chief Executive Officer)

  
Nadia Abu Sara  
(Interim 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 2017

	<i>Notes</i>	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
<b>Continuing operations</b>			
Rendering of services	25	4,721,387	4,343,158
Cost of services	26	<u>(2,165,682)</u>	<u>(1,911,165)</u>
<b>Gross profit</b>		<b>2,555,705</b>	<b>2,431,993</b>
Share of results of joint ventures and associates	9, 10	(4,473)	(1,363)
Selling and marketing expenses		(208,212)	(204,237)
Administrative expenses	27	(973,085)	(940,317)
Operating expenses	28	(823,058)	(826,412)
Gain on bargain purchase	3	-	41,568
Other income, net	29	<u>6,618</u>	<u>20,217</u>
<b>Operating profit</b>		<b>553,495</b>	<b>521,449</b>
Finance income		7,937	11,485
Finance expense		<u>(24,700)</u>	<u>(27,211)</u>
<b>Profit before tax from continuing operations</b>		<b>536,732</b>	<b>505,723</b>
Income tax expense	12	<u>(81,351)</u>	<u>(60,926)</u>
<b>Profit for the year from continuing operations</b>		<b>455,381</b>	<b>444,797</b>
<b>Discontinued operations</b>			
Profit after tax for the year from discontinued operations	8	<u>-</u>	<u>7,377</u>
<b>Profit for the year</b>		<b>455,381</b>	<b>452,174</b>
<b>Attributable to:</b>			
<i>Equity holders of the Parent</i>			
Profit for the year from continuing operations		435,399	419,218
Profit for the year from discontinued operations		-	7,377
		<u>435,399</u>	<u>426,595</u>
<i>Non-controlling interests</i>			
Profit for the year from continuing operations		<u>19,982</u>	<u>25,579</u>
		<b>455,381</b>	<b>452,174</b>
<b>Earnings per share attributable to the equity holders of the Parent:</b>			
Basic and diluted earnings per share from continuing operations	31	<u>AED 0.297</u>	<u>AED 0.286</u>
Basic and diluted earnings per share from discontinued operations		<u>AED 0.000</u>	<u>AED 0.005</u>

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 2017

	2017 AED'000	2016 AED'000
<b>Profit for the year</b>	<b>455,381</b>	452,174
<b>Other comprehensive income, net of tax</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>46,980</u>	<u>(97,939)</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>	<u>46,980</u>	<u>(97,939)</u>
<b>Total comprehensive income for the year, net of tax</b>	<u><u>502,361</u></u>	<u><u>354,235</u></u>
<b>Attributable to:</b>		
Equity holders of the Parent	483,114	331,789
Non-controlling interests	<u>19,247</u>	<u>22,446</u>
	<u><u>502,361</u></u>	<u><u>354,235</u></u>

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 2017

	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	
<b>For the year ended 31 December 2017</b>							
At 1 January 2017	1,464,100	227,198	(350,627)	(33,037)	957,783	9,085	2,274,502
Profit for the year	-	-	-	-	435,399	19,982	455,381
Other comprehensive income for the year	-	-	47,715	-	-	(735)	46,980
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)	-	-
<b>At 31 December 2017</b>	<b>1,464,100</b>	<b>269,181</b>	<b>(302,912)</b>	<b>(43,584)</b>	<b>1,113,313</b>	<b>18,964</b>	<b>2,519,062</b>

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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</i>							
<i>31 December 2016</i>	1,464,100	195,663	(255,821)	(28,119)	785,708	38,264	2,199,795
At 1 January 2016							
Profit for the year	-	-	-	-	426,595	25,579	452,174
Other comprehensive income for the year	-	-	(94,806)	-	-	(3,133)	(97,939)
Total comprehensive income for the year	-	-	(94,806)	-	426,595	22,446	354,235
Directors fees paid (note 18)	-	-	-	-	(3,370)	-	(3,370)
Dividends of subsidiaries	-	-	-	-	-	(52,462)	(52,462)
Non-controlling interests (note 3)	-	-	-	(4,918)	-	(27,686)	(32,604)
Increase of capital of a subsidiary	-	-	-	-	-	826	826
Acquisition of non-controlling interests (note 3)	-	-	-	-	-	27,697	27,697
Dividends paid to shareholders (note 18)	-	-	-	-	(219,615)	-	(219,615)
Transfer to statutory reserve	-	31,535	-	-	(31,535)	-	-
<b>At 31 December 2016</b>	<b>1,464,100</b>	<b>227,198</b>	<b>(350,627)</b>	<b>(33,037)</b>	<b>957,783</b>	<b>9,085</b>	<b>2,274,502</b>

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax from continuing operations		536,732	505,723
Profit before tax from discontinued operations	8	-	5,771
<b>Profit before tax</b>		<b>536,732</b>	<b>511,494</b>
<b>Adjustment for:</b>			
Depreciation of property, plant and equipment	4	104,228	99,170
Amortisation of other intangible assets	6	4,681	5,152
Impairment of goodwill	5	1,844	-
Provision for employees' end of service benefits	20	24,970	23,043
Provision for doubtful accounts, net	13	9,497	10,424
Net finance expense		16,763	15,726
Employees' benefit plan expense	24	24,030	47,627
Reversal of employees' benefit plan expense	24	(27,950)	-
Share of results of joint ventures and associates		4,473	1,363
Loss (gain) on disposal of property, plant and equipment		788	(3,852)
Write-off of property, plant and equipment		427	-
Gain on disposal of the discontinued operations	8	-	(3,353)
Gain on bargain purchase	3	-	(41,568)
<b>Working capital adjustments:</b>			
Accounts receivable		(201,975)	(17,783)
Accounts payable		48,250	36,933
Other current assets		(37,420)	(15,376)
Other current liabilities		135,218	29,664
Cash from operations		644,556	698,664
Employees' end of service benefits paid	20	(23,209)	(12,822)
Employees' benefit plan paid	24	(41,193)	(36,464)
Income tax paid	12	(71,958)	(36,562)
<b>Net cash flows from operating activities</b>		<b>508,196</b>	<b>612,816</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	(169,102)	(161,072)
Proceeds from sale of property, plant and equipment		5,242	18,580
Available for sale financial assets		(15,700)	(26,066)
Interest received		7,937	11,485
Proceeds from sale of a subsidiary, net of cash	8	-	118,804
Other non-current assets		1,244	(2,268)
Acquisition of non-controlling interests	3	(9,373)	(32,604)
Margin deposits		(1,241)	6,602
Investments in joint ventures and associates		(3,736)	(137,410)
Dividends received from associates		998	-
Acquisition of subsidiaries, net of cash acquired	3	-	(289,094)
<b>Net cash flows used in investing activities</b>		<b>(183,731)</b>	<b>(493,043)</b>
<b>FINANCING ACTIVITIES</b>			
Interest paid		(24,700)	(27,211)
Proceeds from loans and borrowings		23,624	338,354
Repayment of loans and borrowings		(83,696)	(106,594)
Dividends paid to non-controlling interests		(12,188)	(52,462)
Non-controlling interests		1,646	826
Directors' fees paid		(3,630)	(3,370)
Dividends paid to shareholders		(234,256)	(219,615)
<b>Net cash flows used in financing activities</b>		<b>(333,200)</b>	<b>(70,072)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(8,735)</b>	<b>49,701</b>
Net foreign exchange difference		(6,302)	(72,473)
Cash and cash equivalents at 1 January	15	639,474	662,246
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	15	<b>624,437</b>	<b>639,474</b>

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

## 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 2017 comprise the Parent Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities").

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

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

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

The consolidated financial statements were authorised for issue by the Board of Directors on 1 March 2018.

## 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 available for sale financial assets 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 2017. 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



## 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 2017.

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

#### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these standards have no major impact on the Group's consolidated financial statement.

#### **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The adoption of these amendments have no impact on the Group's consolidated financial statements.

#### **Annual Improvements Cycle - 2014-2016**

##### *Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

**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 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group has assessed that there is no significant impact on its statement of financial position and equity .

*Classification and measurement*

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore the application of IFRS 9 will not have a significant impact.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

*Impairment*

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables.

*Other adjustments*

In addition to the adjustments described above, on adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, investments in the associate and joint venture, will be adjusted as necessary. The exchange differences on translation of foreign operations will also be adjusted.

The Group has assessed that there is no significant impact on its balance sheet or equity on applying the requirements of IFRS 9.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Standards issued but not yet effective (continued)**

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2018.

In preparing to adopt IFRS 15, the Group is considering the following:

*Variable consideration*

Currently, the Group recognises revenue measured at the fair value of the consideration received or receivable. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter.

*Rendering of services*

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

*Advances received from customers*

Generally, the Group receives only short-term advances from its customers. They are presented as part of trade and other payables.

*Other adjustments*

In addition to the major adjustments described above, on adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, profit or loss after tax for the year from discontinued operations, investments in associate and joint venture, as well as share of profit of an associate and a joint venture, will be affected and adjusted as necessary. Furthermore, exchange differences on translation of foreign operations would also be adjusted.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

The group has assessed that there is no significant impact on its balance sheet or equity on applying the requirements of IFRS 15.

**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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Standards issued but not yet effective (continued)**

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

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it 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 also requires lessees and lessors to make more extensive disclosures than under IAS 17.**

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

**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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Standards issued but not yet effective (continued)**

**Transfers of Investment Property - Amendments to IAS 40**

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. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

This standard is not applicable on the Group.

**Annual Improvements 2014 2016 Cycle (Issued In December 2016)**

These improvements include:

**IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters**

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

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

The amendments clarify that:

An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

- (a) the investment entity associate or joint venture is initially recognised;
- (b) the associate or joint venture becomes an investment entity; and
- (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Standards issued but not yet effective (continued)**

**Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

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. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

**IFRIC Interpretation 23 Uncertainty over Income Treatments**

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 must 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 interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. 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.

**2.5 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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**Business combinations and goodwill (continued)**

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.

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



**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**Fair value measurement (continued)**

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.

**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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**Investments in associates and joint ventures (continued)**

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.

**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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**Impairment of non-financial assets (continued)**

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.

**Accounts receivable**

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

**Foreign currencies**

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

*Transactions and balances*

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

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment 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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**Foreign currencies (continued)**

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.

**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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**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).

**Available for sale financial assets**

Available for sale financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited to the available for sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the statement of profit or loss in finance costs. Interest earned whilst holding available for sale financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

**Social security**

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

**Revenue recognition**

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

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

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

*Express revenue*

Express revenue is recognised upon receipt of shipment from the customer as the sales process is considered complete and the risks are transferred to the customer.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**Revenue recognition (continued)**

*Freight forwarding revenue*

Freight forwarding revenue is recognised upon the delivery of freight to the destination or to the air carrier.

*Shop 'n' ship services revenue*

Shop 'n' ship services revenue is recognised upon the receipt of the merchandise by the customers.

*Revenue from logistics and document storage services*

Revenue from logistics and document storage services is recognised when the services are rendered.

**Interest income**

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

**Borrowing costs**

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

**Taxes**

*Current income tax*

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

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

*Deferred tax*

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

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

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

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**Taxes (continued)**

*Deferred tax (continued)*

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.

**Current versus non-current classification**

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Summary of significant accounting policies (continued)**

**Current versus non-current classification (continued)**

All other assets are classified as non-current.

A liability is current when:

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

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

**Impairment and uncollectability of financial assets**

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

- |   |         |
|---|---------|
| - Disclosures for significant assumptions | Note 37 |
| - Trade receivables                       | Note 13 |

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Leases**

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

*Group as a lessee*

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

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

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

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

**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.



**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.

**3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS***Acquisitions of Non-Controlling Interests*

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
	<hr/>
Difference recognized as a reserve from acquisition of non-controlling interest	<u>3,725</u>

**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
	<hr/>
Difference recognized as a reserve from acquisition of non-controlling interest	<u>4,490</u>

**3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)***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>

**3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)****Business combination****2016****1. Acquisition of Fastway Limited (New Zealand)**

In February 2016, the Group acquired 100% of the voting shares of Fastway Limited, an unlisted company based in New Zealand and specializing in domestic business.

**Assets acquired and liabilities assumed**

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

	<i>Fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
<b>Assets</b>		
Property, plant and equipment	22,056	22,056
Trade and other receivables	32,458	32,458
Bank balances and cash	31,395	31,395
Deferred tax and other non-current assets	9,489	9,489
Intangible assets	178,091	-
	<u>273,489</u>	<u>95,398</u>
<b>Liabilities</b>		
Trade and other payables	(75,959)	(75,959)
Deferred tax liability	(1,911)	-
	<u>(77,870)</u>	<u>(75,959)</u>
<b>Total identifiable net assets</b>	195,619	19,439
Goodwill arising on acquisition	126,457	
<b>Purchase consideration transferred</b>	<u>322,076</u>	
<b>Analysis of cash flow on acquisition:</b>		
Net cash acquired with the subsidiary		31,395
Cash paid		(322,076)
<b>Net cash outflow (included in cash flows used in investing activities in the statement of cash flows)</b>		<u>(290,681)</u>

During 2017, the valuation was completed and there were no changes on the fair value on the net assets recognized.

Prior year figures were restated in accordance with IAS 8. Deferred tax liability and goodwill have been increased by an amount of AED 55,059 thousand and no other balances were affected. Figures prior to 1 January 2016 have not been changed and, accordingly, a third statement of financial position as of 31 December 2017 has not been presented (note 5).

## Aramex PJSC and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

#### 3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

##### Business combination (continued)

2016 (continued)

##### 2. Acquisition of Aramex Mashreq for Logistics Services SAE (Egypt)

The Group has 75% interest in Aramex Mashreq for Logistics Services SAE (Egypt). Until 31 December 2015, the approvals for all major operational decisions for the Company were required by the Group and its partners jointly until such time that the partners exercise their option to buy an additional share of 25%, prior to the expiry date of 31 December 2015. Since the Partner's option to buy additional shares in the Company elapsed, Aramex PJSC obtained control without transferring consideration. Therefore, the transaction has been accounted for as a business combination in accordance with IFRS 3 effective 1 January 2016. During 2016, the valuation was completed since the Group sought an independent valuation for the land and buildings. Since the fair value of the consideration transferred was less than the fair value of net assets acquired, the Group recognized a bargain purchase gain of AED 41,568 thousand.

The fair values of the identifiable assets and liabilities for Aramex Mashreq for Logistics Services SAE, as at the date of acquisition were:

	<i>Fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
<b>Assets</b>		
Property, plant and equipment	127,728	72,304
Trade and other receivables	13,761	13,761
Bank balances and cash	1,587	1,587
	<u>143,076</u>	<u>87,652</u>
<b>Liabilities</b>		
Trade and other payables	(5,384)	(5,384)
Deferred tax liability	(1,558)	(1,558)
Term loan	(25,347)	(25,347)
	<u>(32,289)</u>	<u>(32,289)</u>
<b>Total identifiable net assets at fair value</b>	110,787	55,363
Less: non-controlling interest	(27,697)	
Fair value of net assets acquired	<u>83,090</u>	
<b>Analysis of cash flows on acquisition:</b>		
Net cash acquired with the subsidiary	1,587	
Cash paid	-	
<b>Net cash inflow (included in cash flows used in investing activities in the statement of cash flows)</b>	<u>1,587</u>	

## Aramex PJSC and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

#### 3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

##### Business combination (continued)

2016 (continued)

##### 2. Acquisition of Aramex Mashreq for Logistics Services SAE (Egypt) (continued)

In October 2016, the Group acquired the remaining 25% interest of the voting shares of Aramex Mashreq for logistics services, increasing its ownership interest to 100%. Cash consideration of AED 25,809 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex Mashreq for logistics services at the acquisition date was AED 50,041 thousand, and the carrying value of the additional interest acquired was AED 26,325 thousand. The difference of AED (516) thousand between the consideration paid and the carrying value of the additional interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	25,809
Less : Carrying value of the additional interest in Aramex Mashreq for Logistic Services SAE (Egypt)	<u>26,325</u>
Difference recognized as a reserve from acquisition of non-controlling interest	<u><u>(516)</u></u>

**3 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)****Acquisition of Non-Controlling Interests****2016*****Aramex Kenya Ltd***

In April 2016, the Group acquired an additional 30% interest of the voting shares of Aramex Kenya Limited, increasing its ownership interest to 100%. Cash consideration of AED 2,203 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex Kenya Ltd at the acquisition date was AED 3,159 thousand, and the carrying value of the additional interest acquired was AED 948 thousand. The difference of AED 1,255 thousand between the consideration paid and the carrying value of the additional interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

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

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	2,203
Less : Carrying value of the additional interest in Aramex Kenya Ltd	948
	<u>          </u>
Difference recognized as a reserve from acquisition of non-controlling interests	<u>1,255</u>

***Aramex Ghana Ltd***

In October 2016, the Group acquired an additional 12.5% interest of the voting shares of Aramex Ghana Limited, increasing its ownership interest to 87.5%. Cash consideration of AED 4,040 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex Ghana Ltd at the acquisition date was AED 3,491 thousand, and the carrying value of the additional interest acquired was AED 436 thousand. The difference of AED 3,604 thousand between the consideration paid and the carrying value of the additional interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

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

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	4,040
Less : Carrying value of the additional interest in Aramex Ghana Ltd	436
	<u>          </u>
Difference recognized as a reserve from acquisition of non-controlling interests	<u>3,604</u>

***Infofort Ghana Ltd***

In June 2016, the Group acquired an additional 25% interest of the voting shares of Infofort Ghana Ltd, increasing its ownership interest to 100%. Cash consideration of AED 552 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Infofort Ghana Limited at the acquisition date was a negative balance of AED 93 thousand, and the carrying value of the additional interest acquired was a negative balance of AED 23 thousand. The difference of AED 575 thousand between the consideration paid and the carrying value of the additional interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

Following is a schedule of additional interest acquired in Infofort Ghana Ltd:

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	552
Less: Carrying value of the additional interest in Infofort Ghana Ltd	(23)
	<u>          </u>
Difference recognized as a reserve from acquisition of non-controlling interests	<u>575</u>

Aramex PJSC and its subsidiaries

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At 31 December 2017

4 PROPERTY, PLANT AND EQUIPMENT

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
<b>At 31 December 2017</b>	<b>87,804</b>	<b>100,458</b>	<b>534,311</b>	<b>43,093</b>	<b>82,590</b>	<b>179,355</b>	<b>222,610</b>	<b>127,307</b>	<b>48,563</b>	<b>1,426,091</b>
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
<b>At 31 December 2017</b>	<b>-</b>	<b>55,050</b>	<b>91,261</b>	<b>24,867</b>	<b>32,305</b>	<b>100,593</b>	<b>125,844</b>	<b>84,538</b>	<b>-</b>	<b>514,458</b>
Net carrying amount:										
<b>At 31 December 2017</b>	<b>87,804</b>	<b>45,408</b>	<b>443,050</b>	<b>18,226</b>	<b>50,285</b>	<b>78,762</b>	<b>96,766</b>	<b>42,769</b>	<b>48,563</b>	<b>911,633</b>

Property, plant and equipment include vehicles with a net book value of AED 18.26 million (2016: AED 25.01 million) have been obtained under finance leases (note 19).



Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

4 PROPERTY, PLANT AND EQUIPMENT (continued)

2016 -	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 2016	40,340	80,488	301,397	35,494	67,590	121,103	144,582	120,174	171,641	1,082,809
Acquisitions of subsidiaries	39,623	2,567	86,379	4,089	9,931	23,856	10,712	13,826	-	190,983
Additions	925	11,007	46,027	5,177	2,514	24,145	29,228	28,778	13,271	161,072
Transfers	1,697	717	131,254	-	4,619	2,966	7,145	-	(148,398)	-
Reclassification	-	748	-	3	(1)	(963)	1	212	-	-
Disposals	-	(1,367)	(14,073)	(2,199)	(476)	(4,981)	(9,277)	(19,451)	-	(51,824)
Discontinued operation	-	(209)	-	(28)	-	(1,290)	(2,219)	-	-	(3,746)
Exchange differences	(7,826)	(3,971)	(33,440)	(2,417)	(9,907)	(10,769)	(8,896)	(11,661)	-	(88,887)
At 31 December 2016	74,759	89,980	517,544	40,119	74,270	154,067	171,276	131,878	36,514	1,290,407
Depreciation:										
At 1 January 2016	-	46,294	56,707	18,909	23,463	67,324	93,422	73,539	-	379,658
Acquisitions of subsidiaries	-	1,369	9,928	2,387	1,259	12,589	8,310	5,357	-	41,199
Charge for the year	-	9,118	15,420	4,018	4,987	15,567	21,973	28,087	-	99,170
Disposals	-	(1,131)	(4,644)	(1,511)	(243)	(4,283)	(9,277)	(17,626)	-	(38,715)
Discontinued operation	-	(35)	-	(15)	-	(952)	(1,125)	-	-	(2,127)
Exchange differences	-	(2,852)	(5,176)	(1,439)	(2,605)	(4,583)	(5,905)	(6,490)	-	(29,050)
At 31 December 2016	-	52,763	72,235	22,349	26,861	85,662	107,398	82,867	-	450,135
Net carrying amount:										
At 31 December 2016	74,759	37,217	445,309	17,770	47,409	68,405	63,878	49,011	36,514	840,272

## Aramex PJSC and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

#### 5 GOODWILL

	2017 AED'000	2016 AED'000 (Restated)
At 1 January	1,139,063	1,038,079
Deferred tax liability recognized*	-	55,059
Acquisition of subsidiaries	-	126,457
Impairment of goodwill**	(1,844)	-
Discontinued operations	-	(78,417)
Exchange differences	26,869	(2,115)
<b>At 31 December</b>	<b><u>1,164,088</u></b>	<b><u>1,139,063</u></b>

\* Prior year figures were restated in accordance with IAS 8 (Note 3). Deferred tax liability and goodwill have been increased by an amount of AED 55,059 thousand and no other balances were affected. Figures prior to 1 January 2016 have not been changed and, accordingly, a third statement of financial position as of 31 December 2017 has not been presented.

\*\* During 2017, management performed an impairment test for goodwill in accordance with IAS 36, accordingly, an impairment of AED 1,844 was recognised in the Domestic Shipping CGU.

The Group performed its annual impairment test on 31 December 2016 and 2017. 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 2017, 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:

	2017 AED'000	2016 AED'000
Express shipping	277,127	270,337
Freight forwarding	172,452	168,227
Domestic shipping	506,491	493,466
Logistics	76,915	75,030
Documents storage	121,916	122,816
Publication and distribution	9,187	9,187
	<b><u>1,164,088</u></b>	<b><u>1,139,063</u></b>

#### 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 7.6% to 9.6% (2016: ranges between 8% to 10%). 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.

**5 GOODWILL (continued)**

Growth rate estimates – Growth rate used of 3.8% (2016: 3.7%) 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>2017 AED'000</i>	<i>2016 AED'000</i>
<b>Cost:</b>				
At 1 January	67,459	186,776	254,235	71,892
Acquisition of subsidiaries	-	-	-	178,091
Discontinued operations	-	-	-	(7,911)
Exchange differences	-	4,377	4,377	12,163
<b>At 31 December</b>	<b>67,459</b>	<b>191,153</b>	<b>258,612</b>	<b>254,235</b>
<b>Amortization and impairment:</b>				
At 1 January	(27,677)	-	(27,677)	(22,525)
Amortization	(4,681)	-	(4,681)	(5,152)
<b>At 31 December</b>	<b>(32,358)</b>	<b>-</b>	<b>(32,358)</b>	<b>(27,677)</b>
<b>Net book value:</b>				
<b>At 31 December</b>	<b>35,101</b>	<b>191,153</b>	<b>226,254</b>	<b>226,558</b>

\* 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 9.3% (2016: 11%). 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.

**6 OTHER INTANGIBLE ASSETS (continued)**

Growth rate estimates – Growth rate used of 2.5% (2016: 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**

The Group has one subsidiary in the Middle East with material non-controlling interests.

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

**Proportion of equity interest held by non-controlling interests:**

	<i>2017</i> %	<i>2016</i> %
	<b>50%</b>	<b>50%</b>
	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
<b>Accumulated balances of material non-controlling interest:</b>	<b>8,769</b>	<b>4,119</b>
<b>Profit allocated to material non-controlling interest:</b>	<b>15,565</b>	<b>23,143</b>

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

**Summarised income statements for 2017 and 2016:**

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Revenue	<b>625,702</b>	651,257
Cost of sales	<b>(307,200)</b>	(307,975)
Administrative, selling and operating expenses	<b>(273,938)</b>	(282,944)
Other expenses	<b>(12,164)</b>	(9,655)
<b>Profit before tax</b>	<b>32,400</b>	50,683
Income tax	<b>(1,269)</b>	(4,398)
<b>Profit for the year</b>	<b>31,131</b>	46,285
<b>Total comprehensive income</b>	<b>31,131</b>	46,285
Attributable to non-controlling interests	<b>15,565</b>	23,143
Dividends paid to non-controlling interests	<b>5,033</b>	49,724

Aramex PJSC and its subsidiaries

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7 MATERIAL PARTLY – OWNED SUBSIDIARIES (continued)

Summarised statements of financial position as at 31 December 2017 and 2016:

	2017 AED'000	2016 AED'000
Cash and bank balances	87,671	90,502
Property, plant and equipment	46,427	53,859
Other current assets	168,928	149,919
Non- current assets	153	512
Trade and other payable (current)	(222,389)	(219,729)
Interest-bearing loans and borrowing and deferred tax	(17,987)	(24,451)
Liabilities (non-current)	(45,264)	(42,373)
<b>Total Equity</b>	<b>17,539</b>	<b>8,239</b>
Attributable to:		
Equity holders of parent	8,769	4,119
Non-controlling interests	8,769	4,119

Summarised cash flow information for the year ended 31 December:

	2017 AED'000	2016 AED'000
Operating	25,073	134,370
Investing	(6,074)	(8,307)
Financing	(21,829)	(95,886)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,830)</b>	<b>30,177</b>

**8 DISCONTINUED OPERATION****2016****Disposal of Mail Call Couriers PTY Limited (Australia)**

During 2016, the Group disposed off 100% of its interest in Mail Call Couriers PTY Limited.

The Mail Call Couriers PTY Limited segment is no longer presented in the segment note.

The results of Mail Call Couriers PTY Limited for the period are presented below:

	<i>2016</i> <i>AED '000</i>
Rendering of services	53,293
Cost of services	<u>(31,542)</u>
<b>Gross profit</b>	<b>21,751</b>
Less: Overheads	<u>(16,758)</u>
<b>Operating profit</b>	<b>4,993</b>
Add: Other income, net	<u>778</u>
<b>Profit before tax</b>	<b>5,771</b>
Income tax expense	<u>(1,747)</u>
<b>Profit after tax for the period</b>	<b>4,024</b>
Profit on disposal of the discontinued operations	<u>3,353</u>
<b>Total Profit for the period from the discontinued operation</b>	<b><u>7,377</u></b>

The major classes of assets and liabilities of Mail Call Couriers PTY Limited as at 31 August 2016 are as follows:

	<i>2016</i> <i>AED '000</i>
<b>Assets</b>	
Property, plant and equipment	1,619
Trade receivables	8,409
Other current assets	1,152
Other non current assets	919
Cash at banks	<u>4,007</u>
<b>Total Assets</b>	<b><u>16,106</u></b>
<b>Liabilities</b>	
Trade payables	195
Other current liabilities	3,518
Other non-current liabilities	<u>681</u>
<b>Total Liabilities</b>	<b><u>4,394</u></b>
<b>Net assets directly associated with disposal group</b>	<b><u>11,712</u></b>

**8 DISCONTINUED OPERATION (continued)****2016 (continued)****Disposal of Mail Call Couriers PTY Limited (Australia) (continued)**

<b>Cash flow on sale:</b>	<i>AED '000</i>
Consideration received	122,811
Cash included as cash and cash equivalents at 31 August 2016 in the statement of cash flows	<u>(4,007)</u>
<b>Net cash flow</b>	<u><u>118,804</u></u>

The net cash flows incurred by Mail Call Couriers PTY Limited are as follows:

	<i>2016</i>
	<i>AED '000</i>
Operating	(1,178)
Investing	(428)
<b>Net cash outflows</b>	<u><u>(1,606)</u></u>

Profit on sales was recognized as follows:

	<i>AED '000</i>
Consideration received	122,811
Net assets directly associated with disposal Group	(11,712)
Goodwill	(78,417)
Intangible assets	(7,911)
Foreign currency translation reserve associated with disposal	<u>(21,418)</u>
<b>Profit on sale</b>	<u><u>3,353</u></u>

- \* Goodwill and intangible assets amounting to AED 78,417 thousand and AED 7,911 thousand, respectively, resulting from the initial acquisition were disposed off.

## 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>2017</i>	<i>2016</i>			<i>2017</i>	<i>2016</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	5,563	4,147
Aramex Global Solutions*	60%	60%	Singapore	Express, freight and Domestic services	125,982	119,464
Others					2,854	1,710
					<u>134,399</u>	<u>125,321</u>

\* The approval for all major operational decisions for the Company were required by the Group and its partners jointly.

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>2017</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	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)
<b>Equity</b>	<u>11,127</u>	<u>209,970</u>	<u>2,854</u>	<u>223,951</u>
Proportion of the Group's ownership	<u>50%</u>	<u>60%</u>		
<b>Carrying amount of the investment</b>	<u>5,563</u>	<u>125,982</u>	<u>2,854</u>	<u>134,399</u>

\* The current assets of Aramex Global Solutions include cash at banks amounted to AED 33.8 million, accounts receivable amounted to AED 63.8 million and other current assets amounted to AED 2.1 million.

\*\* The current liabilities of Aramex Global Solutions include, accruals amounted to AED 25.5 million, trade payables amounted to AED 35.1 million, and other current liabilities amounted to AED 6.6 million.



Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

9 INVESTMENTS IN JOINT VENTURES (continued)

	2016			
	<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	1,035	164,539	47,127	212,701
Current assets*	24,368	74,463	16,566	115,397
Non-current liabilities	-	(18)	(48,987)	(49,005)
Current liabilities**	(17,109)	(39,876)	(11,286)	(68,271)
Equity	8,294	199,108	3,420	210,822
Proportion of the Group's ownership	50%	60%		
Carrying amount of the investment	4,147	119,464	1,710	125,321

\* The current assets of Aramex Global Solutions include cash at banks amounted to AED 26.6 million, accounts receivable amounted to AED 44.7 million and other current assets amounted to AED 3.1 million.

\*\* The current liabilities of Aramex Global Solutions include, accruals amounted to AED 9.7 million, trade payables amounted to AED 29.3 million, and other current liabilities amounted to AED 0.9 million.

Summarized statement of profit or loss of the joint ventures:

	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)
<b>Profit (loss) before tax</b>	<b>2,231</b>	<b>(1,779)</b>	<b>(4,020)</b>	<b>(3,568)</b>
Income tax expense	-	(3,521)	(121)	(3,642)
Profit (loss) for the year	2,231	(5,300)	(4,141)	(7,210)
<b>Group's share of profit (loss) for the year</b>	<b>1,116</b>	<b>(3,180)</b>	<b>(2,450)</b>	<b>(4,514)</b>

	2016			
	<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	88,660	68,874	15,627	173,161
Cost of sale	(69,366)	(66,092)	(5,377)	(140,835)
Administrative expenses	(16,937)	(3,515)	(15,409)	(35,861)
Profit (loss) before tax	2,357	(733)	(5,159)	(3,535)
Income tax expense	-	(197)	(65)	(262)
Profit (loss) for the year	2,357	(930)	(5,224)	(3,797)
Group's share of profit (loss) for the year	1,179	(558)	(2,613)	(1,992)

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2017 and 2016.

## Aramex PJSC and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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>2017</i>	<i>2016</i>			<i>2017</i>	<i>2016</i>
	<i>%</i>	<i>%</i>			<i>AED'000</i>	<i>AED'000</i>
Canterbury Courier Operations Ltd	25%	25%	New Zealand	Domestic services	-	367
Linehaul Express Australia Pty Ltd	26.4%	26.4%	Australia	Domestic services	235	197
WS One Investment LLC	25%	25%	UAE	Express services	9,044	9,588
Aramex Thailand Ltd	49%	49%	Thailand	Logistics and transportation	443	316
					<u>9,722</u>	<u>10,468</u>

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>2017</i>				
	<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 Ltd AED'000</i>	<i>Total 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)
<b>Equity</b>	<u>-</u>	<u>888</u>	<u>36,178</u>	<u>904</u>	<u>37,970</u>
Proportion of the Group's ownership	<u>25%</u>	<u>26.4%</u>	<u>25%</u>	<u>49%</u>	
<b>Group's share</b>	<u>-</u>	<u>235</u>	<u>9,044</u>	<u>443</u>	<u>9,722</u>
<b>Carrying amount of the investment</b>	<u>-</u>	<u>235</u>	<u>9,044</u>	<u>443</u>	<u>9,722</u>
	<i>2016</i>				
	<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 Ltd AED'000</i>	<i>Total AED'000</i>
Non-current assets	2,984	-	1,824	315	5,123
Current assets	4,331	4,833	44,120	666	53,950
Non-current liabilities	(888)	-	-	(27)	(915)
Current liabilities	(4,959)	(4,088)	(7,592)	(310)	(16,949)
<b>Equity</b>	<u>1,468</u>	<u>745</u>	<u>38,352</u>	<u>644</u>	<u>41,209</u>
Proportion of the Group's ownership	<u>25%</u>	<u>26.4%</u>	<u>25%</u>	<u>49%</u>	
<b>Group's share</b>	<u>367</u>	<u>197</u>	<u>9,588</u>	<u>316</u>	<u>10,468</u>
<b>Carrying amount of the investment</b>	<u>367</u>	<u>197</u>	<u>9,588</u>	<u>316</u>	<u>10,468</u>

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10 INVESTMENT IN ASSOCIATES (continued)

	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)
<b>(Loss) profit before tax</b>	<b>(603)</b>	<b>78</b>	<b>1,818</b>	<b>(581)</b>	<b>712</b>
Income tax expense					
<b>(Loss) profit for the year</b>	<b>(603)</b>	<b>78</b>	<b>1,818</b>	<b>(581)</b>	<b>712</b>
<b>Group's share of (loss) profit for the year</b>	<b>(150)</b>	<b>21</b>	<b>454</b>	<b>(284)</b>	<b>41</b>

	2016				
	<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	15,134	21,720	53,340	3,143	93,337
Cost of sale	(11,120)	(21,362)	(38,754)	(1,619)	(72,855)
Administrative expenses	(2,750)	(565)	(11,829)	(1,862)	(17,006)
Profit (loss) before tax	1,264	(207)	2,757	(338)	3,476
Income tax expense	(222)	-	(400)	-	(622)
Profit (loss) for the year	1,042	(207)	2,357	(338)	2,854
Group's share of profit (loss) for the year	260	(54)	589	(166)	629

The associates had no contingent liabilities or capital commitments as at 31 December 2017 and 2016.

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11 AVAILABLE FOR SALE FINANCIAL ASSETS

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>Nature of activity</i>	<i>Book value</i>	
	<i>2017</i>	<i>2016</i>			<i>2017</i>	<i>2016</i>
<b>Unquoted financial assets</b>	<b>%</b>	<b>%</b>			<b>AED'000</b>	<b>AED'000</b>
Udaan Logisure Private Ltd	<b>5.88</b>	5.88	India	Local delivery solutions	<b>1,844</b>	1,844
Return Hound Ltd	<b>20</b>	20	British Virgin Islands	Lost luggage retrieval business	<b>1,102</b>	1,102
Shippify Inc	<b>10.70</b>	10.70	USA	Food delivery	<b>1,102</b>	1,102
Grab a Grub Services Pvt Ltd	<b>24.53</b>	16.35	India	B2B logistics provider	<b>11,155</b>	7,395
What 3 Words Ltd	<b>3.29</b>	3.29	UK	Global addressing systems	<b>10,804</b>	10,950
Jamalon Inc.	<b>8.49</b>	8.49	British Virgin Islands	Online book retail	<b>3,673</b>	3,673
Cash Basha	<b>20</b>	-	British Virgin Islands	Online shopping platform	<b>551</b>	-
Flirtey Tech Pty Ltd.	<b>1</b>	-	USA	Drone Technology	<b>78</b>	-
Tu Share Pty Ltd	<b>4.21</b>	-	Australia	Courier service provider to small businesses	<b>1,457</b>	-
Mawarid Technology LLC	<b>1.56</b>	-	UAE	Technology Solutions	<b>10,000</b>	-
					<b>41,766</b>	<b>26,066</b>

Unquoted investments are not traded in an active market and are stated at cost less accumulated impairment as their fair values cannot be reliably determined due to the unpredictable nature of future cash flows. The Group assessed the impairment of these investments. The Group management believes that fair values of such investments are not materially different from their carrying amounts, and no such impairment exists.

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

12 INCOME TAX

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

Consolidated income statement

	2017 AED'000	2016 AED'000
Current income tax expense	81,616	60,583
Deferred tax	(3,532)	819
Foreign exchange	3,267	(476)
<b>Income tax expense reported in the consolidated income statement</b>	<b>81,351</b>	<b>60,926</b>

Deferred tax relates to the following:

	2017 AED'000	2016 AED'000
Provision for doubtful accounts	2,187	1,813
Depreciation	(6,617)	(6,681)
Employees' end of service benefits	2,656	2,339
Net operating losses carried forward	3,272	40
Capital allowance	-	392
Franchises with indefinite useful life	(56,110)	(56,110)
Others	4,323	4,386
	<b>(50,289)</b>	<b>(53,821)</b>
<i>Recognised as follows:</i>		
As deferred tax assets	3,267	3,282
As deferred tax liabilities	(53,556)	(57,103)
	<b>(50,289)</b>	<b>(53,821)</b>

Reconciliation of deferred tax liability, net:

	2017 AED'000	2016 AED'000
<b>As of 1 January</b>	<b>(53,821)</b>	2,057
Tax income (expense) during the year recognised on Income Statement	265	(343)
Deferred taxes acquired in business combination	-	(55,059)
Foreign exchange	3,267	(476)
<b>As of 31 December</b>	<b>(50,289)</b>	<b>(53,821)</b>

Reconciliation between accounting profit and taxable profit:

	2017 AED'000	2016 AED'000
Accounting profit before income tax	536,732	505,723
Non-deductible expenses	49,927	44,163
Taxable profit	586,659	549,886
Income tax expense reported in the consolidated income statement	81,351	60,926
Effective income tax rate	15.16%	12.05%

## Aramex PJSC and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

#### 12 INCOME TAX (continued)

Movements on income tax provision were as follows:

	2017 AED'000	2016 AED'000
At 1 January	44,929	36,756
Income tax expense for the year	81,616	60,583
Income tax paid	(71,958)	(36,562)
Foreign exchange	4,247	(15,848)
<b>At 31 December</b>	<b>58,834</b>	<b>44,929</b>

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 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

	2017 AED'000	2016 AED'000
Trade receivables	997,429	800,596
Less: allowance for doubtful accounts	(63,263)	(58,908)
	<b>934,166</b>	<b>741,688</b>

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

	2017 %	2016 %
- Middle East and Africa	59	66
- Europe	10	10
- North America	4	4
- Asia and others	27	20

As at 31 December 2017, trade receivables at nominal value of AED 63,263 thousand (2016: AED 58,908 thousand) were impaired. Movements on allowance for impairment of receivables were as follows:

	2017 AED'000	2016 AED'000
At 1 January	58,908	57,180
Charge for the year	9,497	10,424
Unused amounts reversed	(1,384)	-
Acquisition of subsidiaries	-	654
Amounts written-off	(3,758)	(9,350)
<b>At 31 December</b>	<b>63,263</b>	<b>58,908</b>

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

**13 ACCOUNTS RECEIVABLE (continued)**

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

	<i>Total</i> <i>AED'000</i>	<i>Past due but not impaired</i>				
		<i>0-60</i> <i>days</i> <i>AED'000</i>	<i>61-90</i> <i>days</i> <i>AED'000</i>	<i>91-180</i> <i>days</i> <i>AED'000</i>	<i>181-365</i> <i>days</i> <i>AED'000</i>	<i>More than</i> <i>1 year</i> <i>AED'000</i>
2017	934,166	798,260	87,905	34,345	13,656	-
2016	741,688	581,194	126,920	21,956	11,618	-

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

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

**14 OTHER CURRENT ASSETS**

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Prepaid expenses	71,222	62,387
Advances and other receivables	178,320	149,735
	<u>249,542</u>	<u>212,122</u>

**15 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following:

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Cash and short term deposits	727,649	701,296
Less: cash margin	(5,610)	(4,369)
Less: bank overdrafts (note 22)	(97,602)	(57,453)
	<u>624,437</u>	<u>639,474</u>

Included in cash and short term deposits are amounts totalling AED 454,429 thousand (31 December 2016: AED 409,302 thousand) of cash held at foreign banks abroad and amounts totaling approximately AED 89,588 thousand (2016: AED 69,779 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 at the consolidated statement of financial position.

**16 SHARE CAPITAL**

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
<i>Authorised, issued and paid up</i> 1,464,100,000 ordinary shares of AED 1 each (2016: 1,464,100,000 ordinary shares of AED 1 each)	<u>1,464,100</u>	<u>1,464,100</u>

At 31 December 2017

**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.

**18 RETAINED EARNINGS****Dividends**

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.

The General Assembly approved in its meeting held on 24 April 2016 a cash dividend for 2015 of 15% of the Company's share capital.

**Directors' fees paid**

Directors' fees of 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 (2016: AED 3.37 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2015 were paid in 2016).

**19 LOANS AND BORROWINGS**

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
<b>Non-current</b>		
Term loan (a)	285,063	349,431
Notes payable	1,497	-
Finance lease obligations (b)	6,771	12,331
	<u>293,331</u>	<u>361,762</u>
	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
<b>Current</b>		
Term loan (a)	205,616	196,532
Notes payable	2,199	480
Finance lease obligations (b)	12,425	14,869
	<u>220,240</u>	<u>211,881</u>



**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 2017.

**Others**

Term loans also include a number of loans obtained by Group's subsidiaries with a balance of AED 267 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 2017 for all loans as of 31 December 2017 are as follows:

<i>Year</i>	<i>AED'000</i>
2018	205,616
2019	77,582
2020	47,009
2021 thereafter	160,472
	<u>490,679</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>
<b>2017 -</b>			
Within one year	13,467	1,042	12,425
After one year but not more than five years	7,101	330	6,771
<b>Total</b>	<u>20,568</u>	<u>1,372</u>	<u>19,196</u>
<b>2016 -</b>			
Within one year	16,378	1,509	14,869
After one year but not more than five years	12,967	636	12,331
<b>Total</b>	<u>29,345</u>	<u>2,145</u>	<u>27,200</u>

Finance lease obligations have maturities till 2021. Interest rate on finance lease obligations ranges between 2.2% - 8% (2016: 2.2% - 8%).

## Aramex PJSC and its subsidiaries

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#### 20 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Provision as at 1 January	138,797	129,544
Provided during the year	24,970	23,043
Paid during the year	(23,209)	(12,822)
Exchange differences	(5)	(968)
	<u>140,553</u>	<u>138,797</u>
Provision as at 31 December	-	-
Actuarial gains and losses	-	-
	<u>140,553</u>	<u>138,797</u>
Present value of the defined benefit obligations	<u>140,553</u>	<u>138,797</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 743 thousand as at 31 December 2017 (2016: AED 456 thousand) and with Arab Bank of AED 514 thousand as at 31 December 2017 (2016: Nil).

Aramex Algeria SARL has outstanding overdrafts from Citi Bank of AED 6,452 thousand as at 31 December 2017 (2016: AED 1,908 thousand).

Aramex International LLC has outstanding overdrafts from HSBC of AED 62,434 thousand as at 31 December 2017 (2016: AED 55,089 thousand).

Aramex Special Logistics has outstanding overdraft from Citi Bank of AED 27,459 thousands as at 31 December 2017 (2016: Nil).

#### 23 OTHER CURRENT LIABILITIES

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Accrued expenses	428,099	364,788
Deferred revenue	53,412	52,508
Sales tax and other taxes	29,065	28,247
Income tax provision (note 12)	58,834	44,929
Customers' deposits	19,398	5,746
Social security taxes payable	6,998	6,462
Claims	57,703	33,333
Others	115,790	84,163
	<u>769,299</u>	<u>620,176</u>

At 31 December 2017

**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. During 2017, a number of employees exercised their share rights which were paid in cash.

The following tables list the inputs to the models used for the plan for the year ended 31 December 2017:

	<i>2017</i>
Dividend yield (%)	0
Risk-free interest rate (%)	2.4
Expected life (years)	6
Share price (AED)	4.3

Movements on employees' benefit liability were as follows:

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
At 1 January	74,988	63,825
Employees benefit plan expense for the year	24,030	47,627
Reversal of employees' benefit plan expense	(27,950)	-
Paid during the year	(41,193)	(36,464)
At 31 December	<u>29,875</u>	<u>74,988</u>

**25 REVENUE**

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
International express	2,007,009	1,687,115
Freight forwarding	1,156,789	1,130,717
Domestic express	1,022,217	981,258
Logistics	260,331	264,624
Publications and distribution	9,878	9,958
Others*	265,163	269,486
	<u>4,721,387</u>	<u>4,343,158</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.

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**26 COST OF SERVICES**

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
International express	687,749	529,201
Freight forwarding	843,030	810,213
Domestic express	520,167	462,067
Logistics	66,419	65,399
Publications and distribution	5,226	5,730
Others	43,091	38,555
	<u>2,165,682</u>	<u>1,911,165</u>

**27 ADMINISTRATIVE EXPENSES**

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Salaries and benefits	446,701	459,990
Rent	106,689	82,544
Depreciation	62,156	59,700
Communication expenses	42,899	43,408
Repairs and maintenance	43,049	31,289
Allowance for impairment of receivables	8,113	10,424
Printing and stationary	7,141	7,956
Entertainment	9,799	9,352
Vehicle running expenses	5,407	4,905
Insurance and security	27,243	27,999
Government fees and taxes	40,871	37,392
Corporate social responsibility*	3,669	5,466
Sponsorship	183	194
Utilities	20,134	13,852
Travel expenses	26,694	20,478
Professional fees	38,431	41,150
Others	83,906	84,218
	<u>973,085</u>	<u>940,317</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>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Salaries and benefits	541,263	539,159
Vehicle running and maintenance	90,685	88,109
Supplies	27,591	28,514
Communication expenses	7,374	7,339
Depreciation	42,072	39,470
Rent	59,811	67,694
Others	54,262	56,127
	<u>823,058</u>	<u>826,412</u>

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**29 OTHER INCOME, NET**

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Exchange (loss) gain	(219)	13,412
(Loss) gain on sale of property, plant and equipment	(788)	3,852
Miscellaneous income	7,625	2,953
	<u>6,618</u>	<u>20,217</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>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Rent expense	<u>3,495</u>	<u>3,495</u>

**Key management compensation**

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

	<i>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Salaries and other short term benefits	35,946	8,886
Board remuneration	3,630	3,370
End of service benefits	196	193
	<u>39,772</u>	<u>12,449</u>

**Directors fees paid were disclosed in note 18**

**Employees' benefit plan**

Senior executive 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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 30 RELATED PARTY TRANSACTIONS (continued)

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

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

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

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 2017 and 2016, 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>
<b>Associates:</b>					
	2017	506	947	529	-
	2016	331	542	84	2
<b>Joint ventures in which the parent is a venturer:</b>					
	2017	2,614	26,510	2,824	11,966
	2016	1,725	30,225	2,819	8,757
<b>Companies controlled by directors and shareholders:</b>					
	2017	87,073	-	15,576	9,271
	2016	75,526	-	5,833	680

\* These amounts are classified as trade receivables.

\*\* These amounts are classified as trade payables.

#### 31 EARNINGS PER SHARE

	<i>31 December 2017</i>	<i>31 December 2016</i>
Profit attributable to shareholders of the Parent (AED'000)		
Profit for the year from continuing operations	435,399	419,218
Profit for the year from discontinued operations	-	7,377
	<u>435,399</u>	<u>426,595</u>
Weighted average number of shares during the year (shares)	<u>1,464 million</u>	<u>1,464 million</u>
Basic and diluted earnings per share from continuing operations (AED)	<u>0.297</u>	<u>0.286</u>
Basic and diluted earnings per share from discontinued operations (AED)	<u>0.000</u>	<u>0.005</u>

**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 207.79 million for the year ended 31 December 2017 (2016: AED 189.82 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>2017</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>
Within one year	<b>182,149</b>	153,190
After one year but not more than five years	<b>603,925</b>	511,079
More than five years	<b>7,379</b>	12,817
	<b><u>793,453</u></b>	<b><u>677,086</u></b>

**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 2017 and 2016, respectively.

Aramex PJSC and its subsidiaries

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At 31 December 2017

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
<b>Year ended 31 December 2017</b>							
<b>Revenue</b>							
Third party	2,007,009	1,156,789	1,022,217	260,331	275,041	-	4,721,387
Inter-segment	801,522	221,087	2,199	7,445	20,469	(1,052,722)	-
Total revenues	2,808,531	1,377,876	1,024,416	267,776	295,510	(1,052,722)	4,721,387
Gross profit	1,319,261	313,759	502,050	193,911	226,724	-	2,555,705
<b>Year ended 31 December 2016</b>							
<b>Revenue</b>							
Third party	1,687,115	1,130,717	981,258	264,624	279,444	-	4,343,158
Inter-segment	712,218	222,997	3,589	5,615	16,551	(960,970)	-
Total revenues	2,399,333	1,353,714	984,847	270,239	295,995	(960,970)	4,343,158
Gross profit	1,157,914	320,503	519,191	199,225	235,160	-	2,431,993

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.



## Aramex PJSC and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

#### 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:

	2017 AED'000	2016 AED'000
<b>Revenues</b>		
Middle East and Africa	2,836,592	2,797,963
Europe	574,753	563,904
North America	134,888	117,993
Asia and others	1,175,154	863,298
	<u>4,721,387</u>	<u>4,343,158</u>
<b>Assets</b>		
Middle East and Africa	2,973,296	2,752,965
Europe	409,227	385,532
North America	65,200	48,868
Asia and others	956,403	841,655
	<u>4,404,126</u>	<u>4,029,020</u>
<b>Non-current assets*</b>		
Middle East and Africa	873,743	797,457
Europe	68,610	63,782
North America	2,535	3,959
Asia and others	378,886	363,487
	<u>1,323,774</u>	<u>1,228,685</u>
<b>Liabilities</b>		
Middle East and Africa	1,237,517	1,172,115
Europe	98,702	81,484
North America	19,375	17,382
Asia and others	529,470	483,537
	<u>1,885,064</u>	<u>1,754,518</u>

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

#### 34 COMMITMENTS AND CONTINGENCIES

##### Guarantees

	2017 AED'000	2016 AED'000
Letters of guarantee	<u>110,797</u>	<u>100,414</u>

##### Capital commitments

As at 31 December 2017, the Group has capital commitments of AED 47 million (2016: AED 37.4 million) towards purchase/construction of property, plant and equipment.

**34 COMMITMENTS AND CONTINGENCIES (continued)****Legal claims contingency**

The Group is a defendant in a number of lawsuits amounting to AED 36,576 thousand representing legal actions and claims related to its ordinary course of business (2016: AED 17,377 thousand). The management and their legal advisors believe that the provision recorded of AED 13,168 thousand as of 31 December 2017 is sufficient to meet the obligations that may arise from the lawsuits (2016: AED 6,090 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>
<b>2017</b>		
Variable rate instruments	+100	(4,933)
Variable rate instruments	-100	4,933
<b>2016</b>		
Variable rate instruments	+100	(5,487)
Variable rate instruments	-100	5,487

**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 59% percent of the Group's trade receivables are based in Middle East and Africa.

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

**35 RISK MANAGEMENT (continued)****Credit risk (continued)**

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

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

At 31 December 2017 the Group had 5 customers (2016: 5 customers) that accounted for approximately 34% (2016: 23%) 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 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>

# Aramex PJSC and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

### 35 RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

Year ended 31 December 2016

	<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	24,608	182,887	84,533	291,309	583,337
Notes payable	56	495	-	-	551
Finance lease obligations	4,475	11,833	9,488	3,549	29,345
Bank overdraft	57,578	-	-	-	57,578
Trade and other payables	755,967	-	-	-	755,967
	<u>842,684</u>	<u>195,215</u>	<u>94,021</u>	<u>294,858</u>	<u>1,426,778</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>
<b>2017</b>		
EUR	+10	723
INR	+10	310
GBP	+10	(3,748)
EGP	+10	(76)
TRY	+10	570
ZAR	+10	(12)
<b>2016</b>		
EUR	+10	1,738
INR	+10	(340)
GBP	+10	(4,017)
EGP	+10	112
TRY	+10	190
ZAR	+10	(142)

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

### 35 RISK MANAGEMENT (continued)

#### Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interests and retained earnings, and is measured at AED 2,803,010 thousand as at 31 December 2017 (2016: AED 2,616,044 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, available for sale financial assets 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.

Available for sale investments (note 11) are carried at cost due to the lack of availability of information to assess fair values. The Group intent to carry those for strategic purposes until an appropriate valuation methodology could be determined or until an appropriate exist is found.

### 37 KEY SOURCES OF ESTIMATION UNCERTAINTY

#### Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the statement of financial position date, gross trade accounts receivable were AED 997,429 thousand (2016: AED 800,596 thousand) and the provision for doubtful debts was AED 63,263 thousand (2016: AED 58,908 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 7.6% to 9.6% has been used in discounting the cash flows projected (refer to note 5).

**Provision for tax**

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

**End of service benefits**

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

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

**Useful lives of intangible assets with finite lives**

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

**Identifiable assets and liabilities taken over on acquisition of subsidiaries**

The Group separately recognises assets and liabilities on the acquisition of a subsidiary when it is probable that the associated economic benefits will flow to the acquirer or when, in the case of liability, it is probable that an outflow of economic resources will be required to settle the obligation and the fair value of the asset or liability can be measured reliably. Intangible assets and contingent liabilities are separately recognised when they meet the criteria for recognition set out in IFRS 3. Intangible assets, acquired on acquisition, mainly represent lists of customers, bound by a contract, valued on the basis of minimum cash flows.

**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.