

ARAMEX PJSC AND ITS SUBSIDIARIES

**REPORT OF THE DIRECTORS' AND
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2019**

ARAMEX PJSC AND ITS SUBSIDIARIES

Report of the directors' and consolidated financial statements for the year ended 31 December 2019

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Dear Valued Shareholders,

2019 was another good year for Aramex. We continued to innovate and streamline our operations to enhance efficiency levels across the network, achieve consistent financial performance and grow the business.

Aramex's 2019 Full Year Revenue increased by 3% to AED 5,246 million, compared to AED 5,086 million in Full Year 2018. Net Profit increased 1% to AED 497.4 million, compared to AED 492.6 million made in the year ago period. We are pleased with our performance that comes amid continuous global economic uncertainty and pricing pressure on our core business prompted by shifting dynamics of the industry.

Over the course of the year, we strategically focused our efforts on upgrading our operations and deepening our commitment to building a digital infrastructure that enables a higher service level to customers, more efficient processes to handle strong growth in shipment volumes and partial mitigation of impacts from pricing pressure, especially in our express business. We invested heavily in the last mile operations, one of the most critical and competitive stages of the delivery journey. This has enabled us to become the leaders in last mile in our core markets.

Another key focus area for us during 2019 was the commercial transformation, a strategic step to accelerate the growth in our B2B business lines across different verticals such as fashion retail, telecommunications, manufacturing, chemicals and healthcare, to ensure higher diversification in our revenue mix.

Moving forward, we remain committed to enhancing our operational efficiencies and the overall customer experience through a number of strategic investments in ground operations and the latest digital technologies. We will be focused on accelerating our business transformation roadmap across different areas to realize higher synergies and lower cost of doing business on the ground. We will also accelerate the commercial restructuring process while prioritizing the B2B segment, to ensure we have a well-diversified revenue mix.

Worth noting here that the consolidated financial statements discloses related party transactions and balances in Note 34. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations. To the best of our knowledge, the consolidated financial statements fairly presents, in all material respects, the consolidated financial position, results of operation and consolidated cash flows of the Group as of, and for, the year ended 31 December 2019.

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 yours,

A. Mazrui
Abdullah M. Mazrui

Chairman
Aramex PJSC



Bashar Obeid

Bashar Obeid
Chief Executive Officer
Aramex PJSC



Independent auditor's report to the shareholders of Aramex PJSC

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aramex PJSC (the “Company”) and its subsidiaries (together referred to as the “Group”) as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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



*Independent auditor's report to the shareholders of
Aramex PJSC (continued)*

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

Our audit approach

Overview

Key Audit Matters	<ul style="list-style-type: none">• Revenue recognition• Impairment of goodwill• Adoption of IFRS 16 - leases
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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.



*Independent auditor's report to the shareholders of
Aramex PJSC (continued)*

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Revenue recognition</i>	
<p>The Group focuses on revenues as a key performance measure and as a driver for growth and expansion. Due to the materiality of the amounts involved, diversity of the Group's geographical footprint, and susceptibility of such revenues to overstatement/understatement and fraud risk, we assess revenue recognition as a key audit matter.</p>	<p>Our audit procedures performed in relation to revenue recognition include:</p> <ul style="list-style-type: none">• Considered the appropriateness and tested the consistency of the Group's revenue recognition policies;• Assessed the compliance of such policies with the applicable International Financial Reporting Standards;• Reviewed the control environment and tested internal controls over the completeness, accuracy and occurrence of revenue recognised;• Obtained a representative sample of transactions and tested their occurrence, accuracy and recognition;• Selected a sample of transactions before and after the year end to verify recognition in the current reporting period;• Performed substantive analytical procedures to identify inconsistencies and/or unusual movements during the year; and• Assessed the adequacy of the Group's disclosures in the consolidated financial statements in connection with revenue recognition.



*Independent auditor's report to the shareholders of
Aramex PJSC (continued)*

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of goodwill</i>	
<p>As at 31 December 2019, the Group has goodwill of AED 1,128 million (Note 8). As required by IAS 36 – Impairment of Assets, the Group is required to annually test goodwill for impairment.</p> <p>Management's assessment process is complex and highly judgemental, 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 goodwill impairment to be a key audit matter.</p>	<p>Our audit procedures performed in relation to the assessment impairment of goodwill include:</p> <ul style="list-style-type: none">• Involvement of PwC internal valuation experts to support us in assessing the assumptions and methodologies used by the Group, in particular, those relating to discount rates and forecasted revenue growth for the cash generating units; and• Assessing the adequacy of the disclosures about those assumptions, in the consolidated financial statements of the Group, 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.



***Independent auditor's report to the shareholders of
Aramex PJSC (continued)***

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Adoption of IFRS 16 – Leases</i></p>	
<p>The Group has adopted and applied the new principles and accounting policies as provided by IFRS 16 – ‘Leases with effect from 1 January 2019, using modified retrospective approach where the lessee shall recognise the cumulative effect of initially applying this Standard as an adjustment at the transition date (1 January 2019).</p>	<p>Our audit procedures performed in relation to the adoption of IFRS 16 – Leases include:</p>
<p>As at 31 December 2019, in the consolidated statement of financial position, the right of use assets are carried at AED 854 million which represents 15% of the total assets.</p>	<ul style="list-style-type: none"> • Considered the appropriateness and tested the consistency of the Group's accounting policies for leases;
<p>Management's assessment process in determining the incremental borrowing rate and the extension/termination option is highly judgmental, and is based on management assumptions and business plans.</p>	<ul style="list-style-type: none"> • Assessed the compliance of such policies with the applicable International Financial Reporting Standards;
<p>In light of the new lease standard, the Group changed its accounting policy to account for the lease agreements (Note 2.24).</p>	<ul style="list-style-type: none"> • Verified on a sample basis, the accuracy of the lease data by agreeing the sample of lease data to the original contract and the assumptions used to determine the estimates are appropriate;
<p>The impact of the new standard adoption at the transition date is disclosed in (Note 41) of the consolidated financial statement.</p>	<ul style="list-style-type: none"> • Used PwC internal specialist to assess on a sample basis that management's assessment on the incremental borrowing rate (IBR), lease term and the extension/termination options within lease contracts are appropriate;
	<ul style="list-style-type: none"> • Verified on a sample basis, the calculation of the lease liabilities and the right of use assets are appropriate; and
	<ul style="list-style-type: none"> • Assessed the adequacy of the Group's disclosures in the consolidated financial statements in connection with the right of use assets and related lease liabilities.



*Independent auditor's report to the shareholders of
Aramex PJSC (continued)*

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements on 27 February 2019.

Other information

The directors are responsible for the other information. The other information comprises of the Report of the Directors' (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Group's Annual Report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of 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.



***Independent auditor's report to the shareholders of
Aramex PJSC (continued)***

Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

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.

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

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

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

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



*Independent auditor's 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) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the Report of the Directors' is consistent with the books of account of the Group;
- (v) Notes 12, 13, and 14 to the consolidated financial statements disclose the Group's investments in shares during the year ended 31 December 2019;
- (vi) Note 34 to the consolidated financial statements discloses 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 Group has contravened during the year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its consolidated statement of financial position as at 31 December 2019; and
- (viii) as disclosed in Note 30 to the consolidated financial statements, the Group has made social contributions during the year ended 31 December 2019.

PricewaterhouseCoopers
1 March 2020

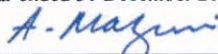
Rami Sarhan
Registered Auditor Number 1152
Abu Dhabi, United Arab Emirates



ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		As at 31 December	
		2019	2018
	Note	AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,005,085	949,715
Right of use assets	7	854,112	-
Goodwill	8	1,128,337	1,124,695
Other intangible assets	9	214,241	211,193
Investment in joint ventures and associates	12,13	26,631	22,856
Financial assets at fair value through other comprehensive income	14	32,656	53,787
Deferred tax assets	15	7,359	6,323
Other non-current assets		5,536	5,877
		<u>3,273,957</u>	<u>2,374,446</u>
Current assets			
Accounts receivable, net	16	1,196,466	1,140,664
Other current assets	17	272,323	352,512
Margins and bank deposits	18	260,740	9,554
Cash and cash equivalents	18	739,318	827,105
		<u>2,468,847</u>	<u>2,329,835</u>
TOTAL ASSETS		<u>5,742,804</u>	<u>4,704,281</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,464,100	1,464,100
Statutory reserve	20	367,095	314,515
Foreign currency translation reserve	20	(398,720)	(371,217)
Reserve arising from acquisition of non-controlling interests	20	(335,186)	(324,745)
Reserve arising from other comprehensive income items	20	272	10,252
Retained earnings	21	1,519,928	1,316,764
Equity attributable to equity holders of the Parent		<u>2,617,489</u>	<u>2,409,669</u>
Non-controlling interests		15,053	22,137
Total equity		<u>2,632,542</u>	<u>2,431,806</u>
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	22	157,636	200,822
Lease liabilities	7	673,020	17,996
Employees' end of service benefits	23	146,983	140,167
Deferred tax liabilities	15	49,515	51,298
		<u>1,027,154</u>	<u>410,283</u>
Current liabilities			
Accounts payable	24	266,814	290,638
Lease liabilities	7	189,849	16,070
Bank overdrafts	25	151,204	120,463
Interest-bearing loans and borrowings	22	582,510	302,197
Employees' benefit liability	27	-	45,678
Income tax provision	15	86,995	66,325
Other current liabilities	26	805,736	1,020,821
		<u>2,083,108</u>	<u>1,862,192</u>
Total liabilities		<u>3,110,262</u>	<u>2,272,475</u>
TOTAL EQUITY AND LIABILITIES		<u>5,742,804</u>	<u>4,704,281</u>

To the best of our knowledge, the consolidated financial statements fairly presents, in all material respects, the consolidated financial position, results of operation and consolidated cash flows of the Group as of, and for, the year ended 31 December 2019.


Abdullah Al Mazrui

(Chairman)


Bashar Obeid

(Chief Executive Officer)


Nadia Abu Sara

(Chief Financial Officer)

The notes on pages 18 to 88 form an integral part of these consolidated financial statements.

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		For the year ended 31 December	
		2019	2018
	Note	AED'000	AED'000
Continuing operations			
Rendering of services	28	5,245,540	5,086,055
Cost of services *	29	(2,467,557)	(2,319,430)
Gross profit		2,777,983	2,766,625
Selling and marketing expenses		(204,055)	(207,823)
Net impairment loss on financial assets	16	(28,999)	(26,957)
Administrative expenses	30	(884,663)	(920,828)
Other operating expenses	31	(1,014,904)	(932,307)
Other income, net	32	4,488	5,986
Operating profit		649,850	684,696
Finance income		12,133	9,046
Finance expense		(83,800)	(27,649)
Share of results of joint ventures and associates	12,13	4,470	3,956
Loss on disposal of a joint venture	12	-	(45,665)
Profit before tax from continuing operations		582,653	624,384
Income tax expense	15	(81,573)	(100,393)
Profit for the year from continuing operations		501,080	523,991
Discontinued operations			
Profit after tax for the year from discontinued operations	11	-	811
Profit for the year		501,080	524,802
Attributable to:			
<i>Equity holders of the Parent</i>			
Profit for the year from continuing operations		497,400	492,148
Profit for the year from discontinued operations		-	487
		<u>497,400</u>	<u>492,635</u>
<i>Non-controlling interests</i>			
Profit for the year from continuing operations		3,680	31,843
Profit for the year from discontinued operations		-	324
		<u>3,680</u>	<u>32,167</u>
		<u>501,080</u>	<u>524,802</u>
Earnings per share attributable to the equity holders of the Parent:			
Basic and diluted earnings per share from continuing operations	35	<u>AED 0.340</u>	<u>AED 0.336</u>

* Cost of services excludes salaries and benefits, vehicle running and maintenance, depreciation of property, plant and equipment, right of use assets and other expenses incurred for rendering of services which are presented under other operating expenses.

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		For the year ended 31 December	
	Note	2019 AED'000	2018 AED'000
Profit for the year		<u>501,080</u>	<u>524,802</u>
Other comprehensive income, net of tax:			
<i>Other comprehensive income to be reclassified to the consolidated statement of income in subsequent periods:</i>			
Gain on debt instruments at fair value through other comprehensive income	14	733	-
Exchange differences on translation of foreign operations		<u>(38,500)</u>	<u>(69,034)</u>
		<u>(37,767)</u>	<u>(69,034)</u>
<i>Other comprehensive income not to be reclassified to the consolidated statement of income in subsequent periods:</i>			
(Loss)/gain on equity instruments at fair value through other comprehensive income	14	<u>(7,152)</u>	<u>10,252</u>
Other comprehensive loss for the year, net of tax		<u>(44,919)</u>	<u>(58,782)</u>
Total comprehensive income for the year		<u>456,161</u>	<u>466,020</u>
Attributable to:			
Equity holders of the Parent		463,478	434,582
Non-controlling interests		<u>(7,317)</u>	<u>31,438</u>
		<u>456,161</u>	<u>466,020</u>

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Parent						
	Share capital AED '000	Statutory reserve AED '000	Foreign currency translation reserve AED '000	Reserve arising from		Retained earnings AED '000	Total AED '000
				acquisition of non- controlling interests AED '000	Reserve arising from other comprehensive income items AED '000		
At 1 January 2019	1,464,100	314,515	(371,217)	(324,745)	10,252	1,316,764	2,409,669
Profit for the year	-	-	-	-	-	497,400	497,400
Other comprehensive loss	-	-	(27,503)	-	(6,419)	-	(33,922)
Total comprehensive income for the year	-	-	(27,503)	-	(6,419)	497,400	463,478
Directors' fees paid (Note 21)	-	-	-	-	-	(3,640)	(3,640)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-
Dividends of subsidiaries	-	-	-	-	(4,026)	4,026	-
Non-controlling interests	-	-	-	-	-	-	-
Remeasurements of post-employment benefit obligations	-	-	-	-	465	(465)	-
Acquisition of non-controlling interest (Note 5)	-	-	-	(10,441)	-	-	(10,441)
Dividends to shareholders (Note 21)	-	-	-	-	-	(241,577)	(241,577)
Transfer to statutory reserve (Note 20)	-	52,580	-	-	-	(52,580)	-
At 31 December 2019	1,464,100	367,095	(398,720)	(335,186)	272	1,519,928	2,617,489
							15,053
							2,632,542
							2,431,806
							501,080
							(44,919)
							456,161
							(3,640)
							(2,053)
							2,286
							(10,441)
							(241,577)
							-
							15,053
							2,632,542

For the year ended 31 December 2019

The notes on pages 18 to 88 form an integral part of these consolidated financial statements.

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Parent						
	Reserve						
	Share capital AED '000	Statutory reserve AED '000	Foreign currency translation reserve AED '000	Reserve arising from acquisition of non- controlling interests AED '000	Reserve arising from other comprehensive income items AED '000	Retained earnings AED '000	Total AED '000
						Non-controlling interests AED '000	Total AED '000
For the year ended 31 December 2018							
At 1 January 2018	1,464,100	269,181	(302,912)	(43,584)	-	1,113,313	2,500,098
Impact on adoption of IFRS 9	-	-	-	-	-	(1,222)	(1,222)
At 1 January 2018 (restated)	1,464,100	269,181	(302,912)	(43,584)	-	1,112,091	2,498,876
Profit for the year	-	-	-	-	-	492,635	492,635
Other comprehensive (loss)/income	-	-	(68,305)	-	10,252	-	(58,053)
Total comprehensive income for the year	-	-	(68,305)	-	10,252	492,635	434,582
Directors' fees paid (Note 21)	-	-	-	-	-	(3,980)	(3,980)
Dividends of subsidiaries	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-
Acquisition of non-controlling interest (Note 5)	-	-	-	-	-	-	-
Dividends to shareholders (Note 21)	-	-	-	(281,161)	-	-	(281,161)
Transfer to statutory reserve (Note 20)	-	45,334	-	-	-	(238,648)	(238,648)
At 31 December 2018	1,464,100	314,515	(371,217)	(324,745)	10,252	1,316,764	2,409,669
						22,137	2,431,806

The notes on pages 18 to 88 form an integral part of these consolidated financial statements.

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 AED'000	2018 AED'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		582,653	624,384
Profit before tax from discontinued operations	11	-	811
Profit before tax		582,653	625,195
Adjustment for:			
Depreciation of property, plant and equipment	6	108,303	116,305
Depreciation of right of use assets	7	220,722	-
Amortisation of other intangible assets	9	4,294	4,672
Provision for employees' end of service benefits	23	28,109	27,624
Net impairment loss on financial assets	16	28,999	26,957
Net finance expense		24,706	18,603
Finance costs – lease liability		46,960	-
Employees' benefit plan expense	27	1,702	15,803
Share of results of joint ventures and associates	12,13	(4,470)	(3,956)
Loss on sale of property, plant and equipment	32	2,419	17
Loss on disposal of the discontinued operations	11	-	109
Loss on disposal of a joint venture	12	-	45,665
		1,044,397	876,994
Working capital adjustments:			
Accounts receivable		(128,801)	(275,479)
Accounts payable		(23,822)	23,907
Other current assets		13,279	(50,371)
Other current liabilities		81,630	39,006
Net cash flows generated from operating activities before employees' end of service benefit, employees' benefit liability paid and income tax paid		986,683	614,057
Employees' end of service benefits paid	23	(20,464)	(26,658)
Employees' benefit plan paid	27	(47,380)	-
Income tax paid	15	(58,923)	(92,922)
Net cash flows generated from operating activities		859,916	494,477
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(159,506)	(171,432)
Proceeds from disposal of property, plant and equipment		9,315	3,530
Financial assets at fair value through other comprehensive income		15,181	-
Interest received		12,133	9,046
Net cash disposed from sale of a subsidiary	11	-	(235)
Acquisition of non-controlling interests		(293,808)	-
Purchase of intangible assets	9	(6,856)	-
Other non-current assets		898	(4,237)
Margin deposits		(1,719)	(631)
Fixed deposits		(249,466)	(3,314)
Loan granted to joint venture		(557)	-
Investments in joint ventures and associates		752	(1,426)
Dividends received from an associate		-	625
Proceeds from disposal of a joint venture	12	-	73,452
Net cash flows used in investing activities		(673,633)	(94,622)

ARAMEX PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 AED'000	2018 AED'000
<u>FINANCING ACTIVITIES</u>			
Interest paid		(68,684)	(27,649)
Proceeds from loans and borrowings		734,518	55,045
Repayment of loans and borrowings		(448,380)	(80,543)
Principal elements of lease payments		(213,984)	-
Dividends paid to non-controlling interests		(1,728)	(17,039)
Dividends paid to former shareholder	5	(10,441)	-
Non-controlling interests		1,961	2,671
Directors' fees paid		(3,640)	(3,980)
Dividends paid to shareholders		(241,577)	(238,648)
Net cash flows used in financing activities		(251,955)	(310,143)
<u>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</u>			
		(65,672)	89,712
Net foreign exchange difference		(52,856)	(7,507)
Cash and cash equivalents at 1 January	18	706,642	624,437
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	18	588,114	706,642

Non-cash transaction:

Non-cash transactions are disclosed in Note 42.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

1 General information

Aramex PJSC (the “Parent Company” or “Company”) was established as a Public Joint Stock Company on 15 February 2005 and is registered in the Emirate of Dubai, United Arab Emirates under the UAE Federal Law No 2 of 2015. The consolidated financial statements of the Company as at 31 December 2019 comprise the Parent Company and its subsidiaries (together 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 Company and its subsidiaries are investment in the freight, express, logistics and supply chain management businesses through acquiring and owning controlling interests in companies in the Middle East and other parts of the world.

The Parent Company’s registered office address is Building and Warehouse No. 3, Um Rammool, Dubai, United Arab Emirates.

The consolidated financial statements was authorised for issue by the Board of Directors on 1 March 2020.

2 Summary of 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. The consolidated financial statements are 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 financial assets at fair value through other comprehensive income at fair value and defined benefit pension plans that have been measured the present value of future obligations using the Projected Unit Credit Method. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16, Leases, effective from 1 January 2019, these policies have been consistently applied to all the periods presented. Refer to Notes 2.24, 7 and 41 for the application of IFRS 16. The principal accounting policies applied to leases until 31 December 2018 are disclosed in Note 2.24.

2.2 Changes in accounting policies

New and revised IFRS applied in the preparation of the consolidated financial statements

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

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

New and revised IFRS applied in the preparation of the consolidated financial statements (continued)

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

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

The impact of the IFRS 16 on this consolidated financial statements of the Group has been disclosed in Note 41.

- (b) **Amendment to IFRS 9, 'Financial instruments'** – The amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. The amendment also confirms that modifications in financial liabilities will result in the immediate recognition of a gain or loss. The amendment did not have a material impact of the Group's consolidated financial statements.
- (c) **IFRIC 23 Uncertainty over Income Tax Treatments** – The interpretation address the determination of taxable profit (tax loss) tax bases, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
- Whether tax treatments should be considered collectively;
 - Assumptions for taxation authorities;
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, and tax rates; and
 - The effect of changes in facts and circumstances.

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

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

New and revised IFRS applied in the preparation of the consolidated financial statements (continued)

- (d) **Amendments to IAS 28: Long-term interests in associates and joint ventures'** - The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

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

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

- (e) **IFRS 11 Joint Arrangements'** - A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

New and revised IFRS issued but not yet effective and not early adopted (continued)

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

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

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

2.3 Basis of consolidation

Subsidiaries

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at 31 December 2019 and 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group:

- power over an investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses 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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and/or ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income is attributable to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Parent.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified the consolidated statement of income.

2.4 Property, plant and equipment

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 consolidated statement of income during the financial period in which they are incurred.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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

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

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 statement of income 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.

* The leasehold improvements range represents the shorter between the lease term and the useful life of the asset.

2.5 Business combinations and goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets with any acquisition-related costs are expensed as incurred.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.5 Business combinations and goodwill (continued)

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in the consolidated statement of income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of income.

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 the consolidated statement of income.

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.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.6 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 statement of income 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 1 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 recognised in the consolidated statement of income when the asset is derecognised.

2.7 Investments in associates and joint arrangements

(i) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.7 – iii), after initially being recognised at cost.

(ii) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint ventures.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.7 Investments in associates and joint arrangements (continued)

(ii) *Joint arrangements* (continued)

Joint ventures

Interests in joint ventures are accounted for using the equity method (Note 2.7 – iii), after initially being recognised at cost in the consolidated statement of financial position.

(iii) *Equity method*

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

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income (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.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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 consolidated statement of income and represents profit or loss after tax and non-controlling interests in 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 consolidated statement of income.

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 the consolidated statement of income.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.8 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 statement of income over the period equivalent to the number of years of agency fees paid in advance.

2.9 Impairment of non-financial assets

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

Disclosures for significant assumptions	Note 4
Goodwill	Note 8
Other intangible assets	Note 9

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

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

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

Impairment losses of continuing operations, are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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 statement of income 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.

2.10 Cash and bank balances

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

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.11 Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Accounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group's accounts receivable are subject to the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

2 Summary of significant accounting policies (continued)

2.11 Accounts receivable (continued)

Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on accounts receivable are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

2.12 Financial assets

Financial assets are classified as follows:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and;
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of income or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(a) Classification

(i) *Investments at fair value through other comprehensive income*

Investments at fair value through other comprehensive income, are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss or amortised cost. Investments at fair value through other comprehensive income include certain equity and debt instruments. These investments may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Financial assets at fair value through other comprehensive income comprise:

Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition are recognised in this category. These are strategic investments and the Group considers this classification to be more relevant.

Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(a) Classification (continued)

(ii) *Financial assets at amortised cost*

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(b) Initial recognition and subsequent measurement

The Group recognises on the trade date the regular way purchases and sales of financial assets which is the date on which the Group commits to purchase or sell the asset.

At initial recognition the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of income.

(i) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of income and presented in other income. Impairment losses are presented as separate line item in the consolidated statement of income.

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(b) Initial recognition and subsequent measurement (continued)

(i) *Debt instruments (continued)*

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of income and recognised in other income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the consolidated statement of income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of income and presented net within other income in the period in which it arises.

(ii) *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of income following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income in the consolidated statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the Group's rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

2 Summary of significant accounting policies (continued)

2.13 Impairment and uncollectibility of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

2.14 Loans and borrowings and other financial liabilities

All financial liabilities are recognised 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 the consolidated statement of income 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 statement of income.

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 recognised in the consolidated statement of income.

A financial liability is derecognised when the obligation under the liability is discharged, 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

2.15 Accounts payable and accruals

These amounts represent unsettled liabilities for goods and services provided to the Group prior to the end of financial year. These amounts are unsecured and are usually paid within 60 days of the date of recognition. Trade and other payable are presented as current liabilities, except those whose payment is due after 12 months of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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2 Summary of significant accounting policies (continued)

2.16 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 consolidated statement of income 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.

2.17 Employees' end of service benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

A provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. The provision relating to annual leave and leave passage is considered as a current liability.

(ii) Other long-term employee benefit obligations

In some countries, the Group also has liabilities for long service end of service benefits that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the consolidated statement of comprehensive income.

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2 Summary of significant accounting policies (continued)

2.17 Employees' end of service benefits (continued)

(ii) Other long-term employee benefit obligations (continued)

The provision for employees' end of service benefits, disclosed as a long-term liability, where their respective labour laws require providing indemnity payments upon termination of relationship with their employees. The provision relating to end of service benefits is disclosed as a non-current liability.

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 27. 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.

2.18 Financial liabilities

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings fair value of the consideration received less directly attributable transaction costs.

The Group's financial liabilities include amounts lease liability, interest-bearing loans and borrowings and trade and other payables.

(a) Subsequent measurement

The measurement of financial liabilities depends on their classification as loans and borrowings:

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the financial liabilities are derecognised as well as through the amortisation process.

ARAMEX PJSC AND ITS SUBSIDIARIES
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2 Summary of significant accounting policies (continued)

2.18 Financial liabilities (continued)

Initial recognition and measurement (continued)

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

2.19 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.

2.20 Revenue recognition

The Group recognises revenue from contracts with customers based on five step model as sets out in IFRS 15 - Revenue from contracts with customers:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

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

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

2 Summary of significant accounting policies (continued)

2.20 Revenue recognition (continued)

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 and shop 'n' ship services revenue

The Group provides courier and express to businesses and private customers. Delivery occurs when the packages have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the end user, and either the end user has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Freight forwarding revenue

The Group transportation services to businesses and private customers. Delivery occurs when the packages have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the end user, and either the end user has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from logistics and document storage services

The Group provides logistics and documentation storage services to customers. Delivery of service occurs when the contractual terms of agreement are satisfied, and either the end user has accepted the services in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

All the contracts and work orders include a single deliverable, and does not include an integration service and could not be performed by another party. It is therefore accounted for as a single performance obligation.

2.21 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 statement of income.

2 Summary of significant accounting policies (continued)

2.22 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.

2.23 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 or
- 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 Summary of significant accounting policies (continued)

2.23 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; or
- 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 the consolidated statement of income.

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2 Summary of significant accounting policies (continued)

2.23 Taxes (continued)

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; or
- 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 consolidated statement of financial position.

2.24 Leases

The Group leases various lands, buildings, warehouses and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases containing immaterial non-lease component for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

ARAMEX PJSC AND ITS SUBSIDIARIES
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2 Summary of significant accounting policies (continued)

2.24 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, ie, term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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2 Summary of significant accounting policies (continued)

2.24 Leases (continued)

Previous accounting policy adopted for the year ended 31 December 2018

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 consolidated statement of income.

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 consolidated statement of income on a straight-line basis over the lease term.

2.25 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.

2.26 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.

2 Summary of significant accounting policies (continued)

2.27 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 consolidated 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 consolidated statement of income.

Additional disclosures are provided in Note 11. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

2.28 Offsetting financial instruments

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

2 Summary of significant accounting policies (continued)

2.29 Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of instruments that are substantially similar, discounted cash flow analysis or other valuation models.

2.30 Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any provision for impairment and principal repayment or discounts. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

2.31 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

2.32 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 consolidated financial statements of each entity are measured using that functional currency.

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2 Summary of significant accounting policies (continued)

2.32 Foreign currencies (continued)

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 the consolidated statement of income 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 the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance as well as policies covering specific areas.

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

The Group's risk management is predominantly controlled by a central treasury and credit department under approved policies.

(a) *Market risk*

(i) Foreign 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 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 to currencies that are not pegged to the 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>
2019		
EUR	+10	(853)
INR	+10	442
GBP	+10	711
EGP	+10	(794)
TRY	+10	(138)
ZAR	+10	25
2018		
EUR	+10	2,083
INR	+10	(404)
GBP	+10	380
EGP	+10	408
TRY	+10	1,075
ZAR	+10	(13)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(i) Foreign currency risk (continued)

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

(ii) Price risk

The Group is not exposed to price risk because as the Group has not invested in listed securities.

(iii) 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 liabilities which carry variable interest rates (bank overdrafts, notes payable and term loans).

The Group is not exposed to interest rate risk on its interest bearing assets, as the term deposits are carry a fixed interest rate with the respective financial institutes.

The sensitivity analysis calculates the effect of a reasonably possible movement in the interest rate on the consolidated statement of income:

	2019 AED'000	2018 AED'000
Variable rate instruments		
+100 bps	(7,473)	(2,669)
- 100 bps	7,473	2,669

(b) *Credit risk*

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Individual risk limits are based on management's assessment on a case-by-case basis. The utilisation of credit limits is regularly monitored.

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Risk management

The Group's policy is to place cash and cash equivalents with reputable banks and financial institutions.

The Group trades only with recognised, creditworthy third parties in addition to establishing credit limits for customers' balances. Receivable balances and credit limits are monitored on an ongoing basis with the result of discontinuing the service for customers exceeding certain limits for a certain period of time. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 65% percent of the Group's trade receivables are based in Middle East and Africa. Credit risks limited to the carrying values of financial assets in the consolidated statement of financial position.

At 31 December 2019 the Group had 5 customers (2018: 5 customers) that accounted for approximately 34% (2018: 37%) of all the receivables outstanding.

The Group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Security

For some receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables,
- debt investments carried at FVOCI, and
- cash and bank balances

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance for trade receivables is based on assumptions about risk of default and expected loss rates.

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk* (continued)

Impairment of financial assets (continued)

Trade receivables (continued)

The expected loss rates are based on the roll rates of receivables over a period of 12 quarter before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

	Between current – 90 days past due	Between 90 – 180 days past due	Between 180 – 270 days past due	Between 270 – 365 days past due	More than 365 days past due	Total
31 December 2019						
Expected loss rate	1%	12%	42%	50%	100%	8%
Gross carrying amount – trade receivables in AED'000	1,118,248	83,563	24,127	12,795	62,225	1,300,958
Expected credit loss in AED'000	15,778	10,076	10,053	6,360	62,225	104,492
Carrying amount in AED'000	<u>1,102,470</u>	<u>73,487</u>	<u>14,074</u>	<u>6,435</u>	<u>-</u>	<u>1,196,466</u>
31 December 2018						
Expected loss rate	2%	12%	45%	69%	79%	7%
Gross carrying amount – trade receivables in AED'000	1,070,829	75,412	20,491	22,350	36,793	1,225,875
Expected credit loss in AED'000	22,239	9,108	9,306	15,335	29,223	85,211
Carrying amount in AED'000	<u>1,048,590</u>	<u>66,304</u>	<u>11,185</u>	<u>7,015</u>	<u>7,570</u>	<u>1,140,664</u>

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

Trade receivables (continued)

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either but not limited to the following main criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that potential default may occur when a financial asset is more than 365 days after invoice issuance date unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt investments carried at FVOCI

All of the entity's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Cash and bank balances

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Management aims to maintain flexibility in funding by keeping committed credit lines available.

The management is confident that the current assets are sufficient to cover the current liabilities of the Group.

ARAMEX PJSC AND ITS SUBSIDIARIES
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk* (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting period to the contractual maturity date.

31 December 2019	Less than 3 months AED'000	Between 3 – 12 months AED'000	Between 1 and 2 years AED'000	Between 2 and 5 years AED'000	Over 5 years AED'000	Total contractual cash flows AED'000	Carrying amount AED'000
Interest-bearing loans and borrowings	158,313	433,444	152,761	6,432	255	751,205	740,146
Lease liabilities	71,560	143,963	168,166	228,253	527,223	1,139,165	862,869
Bank overdrafts	151,894	-	-	-	-	151,894	151,204
Accounts payable and other current liabilities	1,131,250	-	-	-	-	1,131,250	1,131,250
	<u>1,513,017</u>	<u>577,407</u>	<u>320,927</u>	<u>234,685</u>	<u>527,478</u>	<u>3,173,514</u>	<u>2,885,469</u>

31 December 2018	Less than 3 months AED'000	Between 3 – 12 months AED'000	Between 1 and 2 years AED'000	Between 2 and 5 years AED'000	Over 5 years AED'000	Total contractual cash flows AED'000	Carrying amount AED'000
Interest-bearing loans and borrowings	148,990	165,852	55,021	153,481	1,758	525,102	503,019
Lease liabilities	5,237	12,938	13,484	5,659	-	37,318	34,066
Bank overdrafts	120,986	-	-	-	-	120,986	120,463
Accounts payable and other current liabilities	1,339,858	-	-	-	-	1,339,858	1,339,858
	<u>1,615,071</u>	<u>178,790</u>	<u>68,505</u>	<u>159,140</u>	<u>1,758</u>	<u>2,023,264</u>	<u>1,997,406</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gross debt to equity ratio increased following the adoption of IFRS 16 'Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See Note 41 for further information.

ARAMEX PJSC AND ITS SUBSIDIARIES
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3 Financial risk management (continued)

3.2 Capital risk management (continued)

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the certain financial covenants. The Group has complied with these covenants as of the end of the reporting period.

3.3 Fair value estimation

Fair values of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year ended 31 December 2019 and 2018, there are no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As at 31 December 2019, items measured at fair value have been measured at level 3 valuation techniques for an amount of AED 32,656 thousand (2018: AED 53,787 thousand), the movement in level 3 is disclosed in Note 14.

Level 3 valuations are reviewed on a quarterly basis by the Group's valuation team. The valuation team considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques. In selecting the most appropriate valuation model the valuation team performs back testing and considers which model's results have historically aligned most closely to actual market transactions. In order to value level three equity investments, for the year ended 31 December 2019, the Group utilized the same approach as the prior year to obtain the recent transaction price as a fair value measurement of the investment.

4 Key estimates and judgments

Provision for expected credit losses of trade receivables

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 3.1. The following components have a major impact on credit loss allowance: definition of default, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"). The Group regularly reviews and validates the models and inputs of the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

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4 Key estimates and judgments (continued)

Provision for expected credit losses of trade receivables (continued)

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

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

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

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, refer to Note 8 for the additional key assumptions used in calculating the goodwill impairment.

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.

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4 Key estimates and judgments (continued)

Useful lives of intangible assets with finite lives

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

Intangible assets with indefinite lives

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable, refer to note 9 for the additional key assumptions used in calculating the impairment of the intangible assets with indefinite lives.

Lease extension, termination options and incremental borrowing rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows exceeding the lease term have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year ended 31 December 2019, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term.

Management has determined the IBR based on the rate of interest per territory that the Group would have to pay to borrow over similar borrowing characteristics for the respective Group entity. Accordingly, management has decided to use a discount rate depending the Group entities credit portfolio by making adjustments specific to the lease, (ie, term, country, currency and security) as the IBR for discounting future lease payments.

5 Acquisition of non-controlling interests

Acquisition of Additional Interest in Aramex Tanzania Ltd. during 2018 –Tanzania

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

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5 Acquisition of non-controlling interests (continued)

1. Acquisition of Additional Interest in Aramex Tanzania Ltd. during 2018 –Tanzania (continued)

Following is a schedule of additional interest acquired in Aramex Tanzania Ltd. – Tanzania during the year ended 31 December 2018:

AED'000

Waiver of debt to acquire additional non-controlling interests	1,017
Carrying value of the additional interest in Aramex Tanzania Ltd	488
Difference recognised as a reserve from acquisition of non - controlling interests	<u>1,505</u>

2. Acquisition of additional interest in Tal Saudi Arabia for Commerce and Contracts Co. Ltd. during 2018 - Tal Saudi Arabia

In December 2018, the Group acquired an additional interest of the voting shares of Tal Saudi Arabia located in KSA. The Company's operations were already controlled by the Group. A consideration of AED 244,796 thousand payable was in 2018, and, the amount due from the shareholder of AED 49,012 thousand was settled against the additional shares acquired. The carrying value of the additional interest acquired was AED 14,152 thousand. The difference of AED 279,656 thousand between the consideration given and the carrying value of the additional interest acquired has been recognised within equity as a reserve arising from acquisition of non-controlling interests.

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

AED'000

Consideration payable to non-controlling shareholders	244,796
Settlement of debt to acquire additional non-controlling interests	49,012
Subsequent dividends distribution for 2018 profits*	10,441
Less: carrying value of the additional interest in Tal Saudi Arabia for Commerce and Contracts Co. Ltd	<u>(14,152)</u>
Difference recognised as a reserve from acquisition of non-controlling interests	<u>290,097</u>

* During the year ended 31 December 2019, the Group paid an amount of AED 10,441 thousand to the former shareholder in connection with the above acquisition transaction which resulted an adjustment to the reserve arising from the acquisition of non-controlling interest.

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6 Property, plant and equipment

2019	Land	Leasehold	Buildings	Furniture	Warehousing	Office	Computers	Vehicles	Capital work	Total
Cost	improvements	improvements	AED'000	and fixtures	racks	equipment	AED'000	AED'000	in progress	AED'000
At 1 January 2019	85,600	103,743	531,121	44,026	90,854	206,560	282,625	141,665	41,747	1,527,941
Additions	56	23,717	36,926	4,842	17,795	41,925	35,429	13,183	29,633	203,506
Transfers	485	12,298	16,537	3,064	990	5,784	8,795	-	(47,953)	-
Disposal	-	(9,785)	-	(4,265)	(2,515)	(17,867)	(11,913)	(11,785)	-	(58,130)
Reclassification to Right of use assets	-	-	-	-	-	-	-	(61,463)	-	(61,463)
Exchange differences	1,674	(769)	2,666	(67)	1,160	697	1,101	772	-	7,234
At 31 December 2019	87,815	129,204	587,250	47,600	108,284	237,099	316,037	82,372	23,427	1,619,088
Depreciation:										
At 1 January 2019	-	59,108	107,368	26,270	37,532	113,764	149,025	85,159	-	578,226
Charge for the year	-	12,412	18,342	4,568	7,117	18,768	38,203	8,893	-	108,303
Disposals	-	(6,925)	-	(3,273)	(1,307)	(14,772)	(11,509)	(8,610)	-	(46,396)
Reclassification to Right of use assets	-	-	-	-	-	-	-	(28,264)	-	(28,264)
Exchange differences	-	(427)	474	(83)	328	499	731	612	-	2,134
At 31 December 2019	-	64,168	126,184	27,482	43,670	118,259	176,450	57,790	-	614,003
Net book value:										
At 31 December 2019	87,815	65,036	461,066	20,118	64,614	118,840	139,587	24,582	23,427	1,005,085

As at 31 December 2018, property, plant and equipment included vehicles with a net book value of AED 33.2 million that have been obtained under finance leases. As at 1 January 2019, the Group has adopted IFRS 16 and accordingly, have reclassified these assets to the right of use asset (Note 41).

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6 Property, plant and equipment (continued)

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

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31 DECEMBER 2019

6 Property, plant and equipment (continued)

Depreciation charge for the year is allocated as follows:

	2019 AED'000	2018 AED'000
Administrative expense (Note 30)	66,994	71,645
Other operating expenses (Note 31)	41,309	44,660
	<u>108,303</u>	<u>116,305</u>

7. Leases

Right of use assets

	As at 31 December 2019				
	Land AED'000	Buildings AED'000	Equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost:					
At the beginning of the year *	187,169	550,899	21,308	120,295	879,671
Additions	23,530	133,562	4,104	85,820	247,016
Reclassification	(1,344)	19,234	(17,890)	-	-
Disposals	-	(19,999)	(994)	(29,322)	(50,315)
Exchange differences	-	(3,834)	(220)	(20)	(4,074)
At the end of the year	<u>209,355</u>	<u>679,862</u>	<u>6,308</u>	<u>176,773</u>	<u>1,072,298</u>
Accumulated depreciation:					
At the beginning of the year*	-	-	-	28,264	28,264
Charge for the year	9,410	145,469	1,905	63,938	220,722
Reclassification	(1,344)	1,344	-	-	-
Disposals	-	(9,480)	(577)	(21,294)	(31,351)
Exchange rate difference	2	731	23	(205)	551
At the end of the year	<u>8,068</u>	<u>138,064</u>	<u>1,351</u>	<u>70,703</u>	<u>218,186</u>
Net book value:					
At 31 December 2019	<u>201,287</u>	<u>541,798</u>	<u>4,957</u>	<u>106,070</u>	<u>854,112</u>
At 1 January 2019	<u>187,169</u>	<u>550,899</u>	<u>21,308</u>	<u>92,031</u>	<u>851,407</u>

Depreciation charge for the year is allocated as follows:

	2019 AED'000	2018 AED'000
Administrative expense (Note 30)	78,355	-
Other operating expenses (Note 31)	142,367	-
	<u>220,722</u>	<u>-</u>

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7. Leases (continued)

Lease liabilities

	<i>Future minimum lease payments AED'000</i>	<i>Interest AED'000</i>	<i>Present value of minimum lease payments AED'000</i>
2019			
Within one year	215,523	25,674	189,849
After one year	923,642	250,622	673,020
Total	<u>1,139,165</u>	<u>276,296</u>	<u>862,869</u>
2018			
Within one year	18,175	2,105	16,070
After one year	19,143	1,147	17,996
Total	<u>37,318</u>	<u>3,252</u>	<u>34,066</u>

* As at 31 December 2018, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 41.

Lease liabilities measured at present value were unwound during the year ended 31 December 2019 for an amount of AED 46,960 thousand where a portion amounting to AED 11,749 thousand was unpaid as of 31 December 2019.

8. Goodwill

	2019 AED'000	2018 AED'000
At 1 January	1,124,695	1,164,088
Exchange differences	3,642	(39,393)
At 31 December	<u>1,128,337</u>	<u>1,124,695</u>

The Group performed its annual impairment test on 31 December 2019 and 2018. The Group considers the relationship between its market capitalisation and its book value among other factors, when reviewing for indicators of impairment. As at 31 December 2019, the market capitalisation 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 forecast approved by board of directors covering a five year period.

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8. Goodwill (continued)

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

	2019 AED'000	2018 AED'000
Express shipping	271,641	268,189
Freight forwarding	169,038	166,891
Domestic shipping	485,736	487,624
Logistics	75,392	74,434
Documents storage	117,343	118,370
Publication and distribution	9,187	9,187
	<u>1,128,337</u>	<u>1,124,695</u>

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

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

Transaction volumes – based on average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development. The terminal value was determined using the fifth year projections adjusted by incorporating the weighted average cost of capital (WACC) and the growth rate.

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 WACC for the industry which ranges between 10.37% to 13.25% (2018: ranges between 9.7% to 12.8%). 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.

Growth rate estimates – Growth rate used of 3.3% (2018: 3.8%) is based on actual operating results and future expected performance based on current industry trends and including long-term inflation forecasts for each territory.

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.

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9 Other intangible assets

	<i>Customer lists and other intangible assets with definite useful life AED '000</i>	<i>Franchises with indefinite useful life * AED '000</i>	<i>Other intangible assets AED '000</i>	<i>Total AED '000</i>
Cost:				
At 1 January 2018	67,459	191,153	-	258,612
Exchange differences	-	(10,389)	-	(10,389)
At 31 December 2018	67,459	180,764	-	248,223
Additions	-	-	6,856	6,856
Exchange differences	-	486	-	486
At 31 December 2019	67,459	181,250	6,856	255,565
Amortisation and impairment:				
At 1 January 2018	32,358	-	-	32,358
Amortisation	4,672	-	-	4,672
At 31 December 2018	37,030	-	-	37,030
Amortisation	4,294	-	-	4,294
At 31 December 2019	41,324	-	-	41,324
Net book value				
At 31 December 2019	26,135	181,250	6,856	214,241
At 31 December 2018	30,429	180,764	-	211,193

* Intangible assets acquired through a business combination. These assets have indefinite useful lives and are tested for impairment annually as they represent an operational system used by the Group entities which is considered to have indefinite useful life.

The Group performed its annual impairment test on 31 December 2019 and 2018. The Group considers the relationship between its market capitalization and its book value among other factors, when reviewing for indicators of impairment. As at 31 December 2019, 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 forecast approved by board of directors covering a five year period.

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 – based on average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development. The terminal value was determined using the fifth year projections adjusted by incorporating the weighted average cost of capital (WACC) and the growth rate.

Growth rate estimates – Growth rate used of 2.5% - 2.6% (2018: 2.5% - 2.6%) is based on actual operating results and future expected performance based on current industry trends and including long-term inflation forecasts for each territory.

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9 Other intangible assets (continued)

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

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 8.5% – 10.5% (2018: 9.4% – 9.5%). 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.

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.

10 Non-controlling interest

As at 31 December 2019 and 2018, there were no subsidiaries with material non-controlling interest to the Group.

11 Discontinued operation

Disposal of Aramex Botswana Limited

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

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

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

	2018 AED '000
Rendering of services	145
Cost of services	(103)
Gross profit	42
Less: overheads	(138)
Operating loss	(96)
Add: other income	992
Less: expenses	(85)
Profit before tax	811
Income tax expense	-
Net profit	811

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11 Discontinued operation (continued)

Disposal of Aramex Botswana Limited (continued)

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

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

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

Operating	32
Investing	<u>(1)</u>
Net cash outflow	<u>31</u>

Loss on disposal of discontinued operation:

Consideration received	
Net assets directly associated with disposal group	<u>(109)</u>

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12 Investment 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>2019</i>	<i>2018</i>			<i>2019</i>	<i>2018</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	15,348	11,453
Aramex Solutions*	Global	-	-	Singapore	Express, freight and Domestic services	-	-
Others		-	-			-	-
						<u>15,348</u>	<u>11,453</u>

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

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

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

	<i>2019</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	5,779	-	59,240	65,019
Current assets*	68,641	-	17,667	86,308
Non-current liabilities	(2,863)	-	(61,527)	(64,390)
Current liabilities**	(40,860)	-	(15,380)	(56,240)
Equity	<u>30,697</u>	<u>-</u>	<u>-</u>	<u>30,697</u>
Proportion of the Group's ownership	50%	-	-	-
Carrying amount of the investment	<u>15,348</u>	<u>-</u>	<u>-</u>	<u>15,348</u>

* The current assets of Aramex Sinotrans Co. Ltd include cash at banks amounted to AED 38,704 thousand, accounts receivable amounted to AED 22,120 thousand and other current assets amounted to AED 7,817 thousand.

** The current liabilities of Aramex Sinotrans Co. Ltd include, accruals amounted to AED 13,041 thousand, trade payables amounted to AED 19,064 thousand, other current liabilities amounted to AED 7,295 thousand, tax provisions amounted to AED 792 thousand and lease liability of AED 668 thousand.

ARAMEX PJSC AND ITS SUBSIDIARIES
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12 Investment in joint ventures (continued)

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

* The current assets of Aramex Sinotrans Co. Ltd include cash at banks amounted to AED 12,630 thousand, accounts receivable amounted to AED 47,329 thousand and other current assets amounted to AED 4,445 thousand.

** The current liabilities of Aramex Sinotrans Co. Ltd include, accruals amounted to AED 17,603 thousand, trade payables amounted to AED 23,226 thousand, other current liabilities amounted to AED 1,391 thousand and tax provisions amounted to AED 1,305 thousand.

Summarised statement of profit or loss of the joint ventures:

	2019			
	<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	225,557	-	20,335	245,892
Cost of sale	(183,606)	-	(8,667)	(192,273)
Administrative expenses	(26,672)	-	(10,104)	(36,776)
Other expense	(2,227)	-	(2,031)	(4,258)
Profit/(loss) before tax	13,052	-	(467)	12,585
Income tax	(3,326)	-	-	(3,326)
Profit/(loss) for the year	9,726	-	(467)	9,259
Group's share of profit/(loss) for the year	4,863	-	(233)	4,630

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12 Investment in joint ventures (continued)

Summarized statement of profit or loss of the joint ventures: (continued)

	2018			
	<i>Aramex Sinotrans Co. LTD AED '000</i>	<i>Aramex Global Solutions AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
Revenue	173,540	339,576	21,889	535,005
Cost of sale	(133,226)	(316,864)	(8,698)	(458,788)
Administrative expenses	(26,027)	(27,923)	(12,848)	(66,798)
Other (expense)/income	(531)	2,862	(1,296)	1,035
Profit before tax	13,756	(2,349)	(953)	10,454
Income tax	(1,297)	(3,405)	-	(4,702)
Profit/(loss) for the year	12,459	(5,754)	(953)	5,752
Group's share of profit/(loss) for the year	6,229	(3,453)	(776)	2,000

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

13 Investment 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>2019</i>	<i>2018</i>			<i>2019</i>	<i>2018</i>
	<i>%</i>	<i>%</i>			<i>AED '000</i>	<i>AED '000</i>
Linehaul Express Australia Pty Ltd	26.4%	26.4%	Australia	Domestic services	138	216
WS One Investment LLC	25%	25%	UAE	Express services	10,483	10,715
Aramex Thailand Ltd	49%	49%	Thailand	Logistics and transportation	662	472
					<u>11,283</u>	<u>11,403</u>

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13 Investment in associates (continued)

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:

	2019			
	<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	565	25,397	392	26,354
Current assets	6,100	19,942	3,156	29,198
Non-current liabilities	-	(70)	(1,274)	(1,344)
Current liabilities	(6,142)	(3,337)	(924)	(10,403)
Equity	523	41,932	1,350	43,805
Proportion of the Group's ownership	26.4%	25%	49%	-
Group's share	138	10,483	662	11,283
Carrying amount of the investment	138	10,483	662	11,283
	2018			
	<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	5,847	20,868	1,371	28,086
Current assets	46	25,397	204	25,647
Non-current liabilities	(5,073)	(3,337)	(610)	(9,020)
Current liabilities	-	(70)	(1)	(71)
Equity	820	42,858	964	44,642
Proportion of the Group's ownership	26.4%	25%	49%	-
Group's share	216	10,715	472	11,403
Carrying amount of the investment	216	10,715	472	11,403

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13 Investment in associates (continued)

	2019			
	<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>
Revenue	29,650	-	6,845	36,495
Cost of sale	(28,761)	(925)	(3,787)	(33,473)
Administrative expenses	(1,176)	-	(2,978)	(4,154)
Other income	-	-	222	222
(Loss)/profit before tax	(287)	(925)	302	(910)
Income tax	-	-	-	-
(Loss)/profit for the year	(287)	(925)	302	(910)
Group's share of (loss)/profit for the year	(76)	(232)	148	(160)

	2018			
	<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>
Revenue	28,887	36,704	4,609	70,200
Cost of sale	(28,485)	(20,711)	(2,743)	(51,939)
Administrative expenses	(386)	(6,819)	(2,812)	(10,017)
Other income	-	-	248	248
Profit/(loss) before tax	16	9,174	(698)	8,492
Income tax	-	-	-	-
Profit/(loss) for the year	16	9,174	(698)	8,492
Group's share of profit/(loss) for the year	4	2,294	(342)	1,956

The associates had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

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14 Financial assets at fair value through other comprehensive income

At 31 December 2019, the Group designated investments disclosed in the following table as equity and debt securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>Nature of activity</i>	<i>Book value</i>	
	<i>2019</i>	<i>2018</i>			<i>2019</i>	<i>2018</i>
	<i>%</i>	<i>%</i>			<i>AED '000</i>	<i>AED '000</i>
Unquoted equity financial assets						
Grab a Grub Services Pvt Ltd	-	22.34	India	B2B logistics provider	-	12,805
What 3 Words Ltd	2.04	2.51	UK	Global addressing systems	15,241	15,241
Jamalon Inc.	7.49	9.73	British Virgin Islands	Online book retail	6,481	8,253
Flirtey Tech Pty Ltd.	1	1	USA	Drone Technology	74	74
Tu Share Pty Ltd	4.21	4.21	Australia	Courier service provider to small businesses	6,630	6,611
Mawarid Technology LLC	1.56	1.56	UAE	Technology Solutions	-	7,306
Unquoted debt financial assets						
Cell captive			South Africa	Insurance	733	-
Shippify Inc			USA	Food delivery	1,102	1,102
Gutechno Logistics Private Ltd			India	Local delivery solutions	1,844	1,844
Cash Basha			British Virgin Islands	Online shopping platform	551	551
					<u>32,656</u>	<u>53,787</u>

For equity instruments at fair value through OCI, gains and losses on these financial assets are never recycled to the consolidated statement of income. Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment. During 2019 and 2018, the Group invested in and disposed of certain shares and securities for strategic and commercial purposes as shown in the following table:

	2019	2018
	AED'000	AED'000
As at 1 January	53,787	41,766
Purchases	-	1,851
Disposals	(15,181)	-
Gain from revaluation of debt instruments	733	-
Net (loss)/gain from revaluation of equity instruments	(7,152)	10,252
Exchange differences	469	(82)
	<u>32,656</u>	<u>53,787</u>

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15 Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

Consolidated statement of income

	2019 AED'000	2018 AED'000
Current income tax expense	84,801	103,510
Deferred tax	(3,228)	(3,117)
Income tax expense reported in the consolidated statement of income	81,573	100,393

Deferred tax relates to the following:

Provision for expected credit losses	3,570	3,661
Impact of adoption of IFRS 9	-	(7)
Provision for expected credit losses	3,570	3,654
Impact of adoption of IFRS 16	2,270	-
Depreciation	(8,579)	(8,141)
Employees' end of service benefits	3,206	4,738
Net operating losses carried forward	2,399	1,903
Intangible assets with indefinite useful life	(51,945)	(52,058)
Others	6,923	4,929
	(42,156)	(44,975)

Recognised as follows:

As deferred tax assets	7,359	6,323
As deferred tax liabilities	(49,515)	(51,298)
	(42,156)	(44,975)

Reconciliation of deferred tax liability, net:

As of 1 January	(44,975)	(50,289)
Impact of adoption of IFRS 9	-	(7)
As of 1 January	(44,975)	(50,296)
Deferred tax assets	3,228	3,117
Foreign exchange	(409)	2,204
As of 31 December	(42,156)	(44,975)

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15 Income tax (continued)

Reconciliation between accounting profit and taxable profit:

	2019 AED'000	2018 AED'000
Accounting profit before income tax	582,653	624,384
Non-deductible expenses	17,461	48,547
Taxable profit	600,114	672,931
Income tax expense reported in the consolidated statement of income	81,573	100,393
Effective income tax rate	14.00%	16.08%

Movements on income tax provision were as follows:

	2019 AED'000	2018 AED'000
At 1 January	66,325	58,834
Income tax expense for the year	84,801	103,510
Income tax paid	(58,923)	(92,922)
Foreign exchange	(5,208)	(3,097)
At 31 December	86,995	66,325

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 a zero corporate income taxation. Income tax appearing in the consolidated statement of financial position represents the income tax provision of Group's subsidiaries as of 31 December.

16 Accounts receivable

	2019 AED'000	2018 AED'000
Accounts receivables	1,300,958	1,225,875
Less: allowance for expected credit losses	(104,492)	(85,211)
	<u>1,196,466</u>	<u>1,140,664</u>

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

	2019 %	2018 %
Middle East and Africa	68	65
Europe	8	7
North America	4	3
Asia and others	20	25

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16 Accounts receivable (continued)

As at 31 December 2019, trade receivables at nominal value of AED 104,492 thousand (2018: AED 85,211 thousand) were impaired. Movement on expected credit losses was as follows:

	2019 AED'000	2018 AED'000
At 1 January	85,211	63,263
Impact of adoption of IFRS 9	-	948
At 1 January	85,211	64,211
Charge for the year, net	28,999	26,957
Amounts written-off	(6,885)	(3,115)
Foreign exchange	(2,833)	(2,842)
At 31 December	104,492	85,211

See Note 3.1b 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.

17 Other current assets

	2019 AED'000	2018 AED'000
Prepaid expenses	43,290	61,505
Advances to suppliers	69,941	83,555
Refundable deposits	37,202	38,556
Withholding tax	29,607	29,100
Other receivables *	92,283	139,796
	272,323	352,512

* As at 31 December 2019, the Group had other receivables amounting to AED 92,293 thousand (2018: 139,795 thousand) that mainly represent stationary, supplies and other accruals.

18 Cash and bank balances

	2019 AED'000	2018 AED'000
Cash and cash equivalents	739,318	827,105
Margins and bank deposits *	260,740	9,554
	1,000,058	836,659

Long-term deposits are held with local and foreign banks. These are long-term in nature with an original maturity of more than three months at an effective interest rate ranging between 2.6% - 2.8% per annum (2018: 2.6% - 2.8% per annum).

Included in cash at banks are amounts totalling AED 581,975 thousand (31 December 2018: AED 452,971 thousand) of cash held at foreign banks abroad and amounts totalling approximately AED 192,513 (2018: AED 186,306 thousand) of cash on delivery collected by the Group on behalf of customers, the same balance was recorded as trade payable and other current liabilities on the consolidated statement of financial position.

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18 Cash and bank balances (continued)

* Margins and bank deposits consist of margin deposits of AED 7,960 thousand (2018: AED 6,241 thousand) and long-term deposits with maturities greater than 3 months of AED 252,780 thousand (2018: AED 3,313 thousand).

For the purpose of the statement of cash flow, cash and cash equivalents consist of:

	2019 AED'000	2018 AED'000
Cash and cash equivalents	739,318	827,105
Less: bank overdrafts (Note 25)	(151,204)	(120,463)
	<u>588,114</u>	<u>706,642</u>

19 Share capital

	2019 AED'000	2018 AED'000
<i>Authorised, issued and paid up capital</i>		
1,464,100,000 ordinary shares of AED 1 each		
(2018: 1,464,100,000 ordinary shares of AED 1 each)	<u>1,464,100</u>	<u>1,464,100</u>

20 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 consolidated 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.

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20 Reserves (continued)

Reserve arising from other comprehensive income items

Reserve arising from other comprehensive income items comprise of the following reserves:

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

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

	2019 AED'000	2018 AED'000
At 1 January	10,252	-
Net (loss)/gain from revaluation	(6,419)	10,252
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	(4,026)	-
At 31 December	<u>(193)</u>	<u>10,252</u>

Remeasurements of post-employment benefit obligations

The remeasurements of post-employment benefit obligations is used to record the differences arising between the end of service benefits recorded in accordance with the local law requirements and the actuarial valuation performed at the end of the reporting period in accordance with IAS 19.

	2019 AED'000	2018 AED'000
At 1 January	-	-
Remeasurements of post-employment benefit obligations	465	-
At 31 December	<u>465</u>	<u>-</u>

21 Retained earnings

Dividends

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

Directors' fees paid

Directors' fees of AED 3,640 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2018 were paid in 2019 (2018: AED 3,980 thousand representing remuneration for attending meetings and compensation for professional services rendered by the directors for the year 2017 were paid in 2018).

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22 Loans and borrowings

	2019 AED'000	2018 AED'000
Non-current		
Term loans (a)	156,425	199,944
Notes payable	1,211	878
	<u>157,636</u>	<u>200,822</u>
Current		
Term loans (a)	579,944	299,693
Notes payable	2,566	2,504
	<u>582,510</u>	<u>302,197</u>

(a) Term loans

Syndicated loan

On 23 April 2019, Aramex PJSC entered into a new 5 year revolving credit facility agreement with a syndicate of banks comprising of HSBC Bank Middle East Limited, CITIBANK, N.A, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC and DBS Bank LTD (DIFC Branch). The rate of interest on each loan for each interest period is the percentage rate per annum which is aggregate of the applicable margin and LIBOR. The total limit of this facility is USD 200 million (equivalent to AED 735 million), the total balance utilized as at 31 December 2019, amounted to USD 150 million (equivalent to AED 551 million). The purpose of this facility is to fund capital expenditure and working capital requirements including permitted acquisitions. The loan is secured by corporate guarantee extended by Aramex PJSC, Aramex Abu Dhabi LLC, Aramex Emirates LLC, Aramex International LLC, Aramex Hong Kong, Limited, Aramex Int'l Egypt for Air & Local Services (Egypt) and Aramex Saudi Limited company

HSBC loan (1)

During 2016, Aramex Fastway 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% p.a. 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. The loan is secured by corporate guarantee extended by Aramex PJSC.

HSBC loan (2)

During 2016, Aramex New Zealand 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% p.a. 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. The loan is secured by corporate guarantee extended by Aramex PJSC.

There were several financial covenants attached to the interest-bearing loans and borrowings. The Group's subsidiaries complied with financial covenants as of 31 December 2019.

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22 Loans and borrowings (continued)

Others

Term loans also include a number of loans obtained by Group with a balance of AED 19 million to finance their operating activities. These loans carry interest at commercial rates, are repayable in regular installments and are subject to covenants consistent with the Group's borrowing policies. The loans are secured by corporate guarantees extended by various Group's subsidiaries.

The principal instalments payable after 2020 for long-term loans as of 31 December 2019 are as follows:

<i>Year</i>	<i>AED'000</i>
2021	150,481
2022	2,359
2023	1,906
2024 thereafter	1,679
	<u>156,425</u>

23 Employees' end of services benefits

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

	2019 AED'000	2018 AED'000
Provision as at 1 January	140,167	140,553
Provided during the year (Note 33)	28,109	27,624
Paid during the year	(20,464)	(26,658)
Discontinued operations	-	(64)
Exchange differences	(829)	(1,288)
Provision as at 31 December	<u>146,983</u>	<u>140,167</u>

24 Accounts payable

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

25 Bank overdrafts

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

Aramex Tunisia has outstanding overdrafts from Citi Bank of AED 305 thousand as at 31 December 2019 (2018: AED 515 thousand) and with Arab Bank of AED 898 thousand as at 31 December 2019 (2018: AED 907 thousand).

Aramex Algeria SARL has outstanding overdrafts from Citi Bank of AED 11,559 thousand as at 31 December 2019 (2018: AED 8,351 thousand).

Aramex International LLC has outstanding overdrafts from HSBC of AED 51,416 thousand as at 31 December 2019 (2018: AED 62,434 thousand).

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25 Bank overdrafts (continued)

Aramex Special Logistics has outstanding overdraft from Citi Bank of AED 86,480 thousand as at 31 December 2019 (2018: AED 44,452 thousand).

Aramex Emirates LLC has outstanding overdrafts from Arab Bank of nil as at 31 December 2019 (2018: AED 3,804 thousand).

Aramex Kenya Limited has outstanding overdraft from Citibank of AED 546 thousand as at 31 December 2019 (2018: AED nil).

These overdraft facilities are secured by corporate guarantees extended by various Group's subsidiaries.

26 Other current liabilities

	2019 AED'000	2018 AED'000
Accrued expenses	402,158	401,618
Deferred revenue	28,296	37,926
Sales tax and other taxes	53,992	44,104
Customers' deposits	14,567	10,402
Social security taxes payable	7,271	6,086
Claims	27,924	20,178
Consideration payable to non-controlling shareholders	-	293,808
Others *	271,528	206,699
	<u>805,736</u>	<u>1,020,821</u>

* As at 31 December 2019, the Group has had other liabilities related mainly to cash on delivery collected by the group on behalf of the customer, amounting to AED 192,513 thousand (2018: AED 132,400 thousand) (Note 18).

27 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.

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27 Employees' benefit liability (continued)

The Group settled in cash the employees' benefit liability during the first quarter of 2019.

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

	2019 AED'000	2018 AED'000
At 1 January	45,678	29,875
Employees benefit plan expense for the year	1,702	15,803
Paid during the year	(47,380)	-
At 31 December	-	45,678

28 Rendering of services

	2019 AED'000	2018 AED'000
International express	2,349,132	2,272,688
Freight forwarding	1,138,328	1,163,756
Domestic express	1,108,326	1,051,319
Logistics	354,953	301,801
Publications and distribution	11,364	11,101
Others*	283,437	285,390
	<u>5,245,540</u>	<u>5,086,055</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.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

29 Cost of services

	2019 AED'000	2018 AED'000
International express	953,658	795,893
Freight forwarding	875,222	869,293
Domestic express	478,897	516,696
Logistics	104,615	81,424
Publications and distribution	6,258	5,718
Others	48,907	50,406
	<u>2,467,557</u>	<u>2,319,430</u>

During the year ended 31 December 2019 and 2018, the cost of services mainly included costs related to the line haul and subcontractors directly related to transportation of parcels.

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30 Administrative expenses

	2019 AED'000	2018 AED'000
Salaries and benefits	425,395	444,050
Depreciation of right of use assets (Note 7)	78,355	-
Depreciation (Note 6)	66,994	71,645
Repairs and maintenance	66,990	48,530
Communication expenses	53,957	44,718
Professional fees	36,783	31,418
Travel expenses	20,779	24,640
Insurance and security	20,106	21,136
Government fees and taxes	19,533	19,089
Utilities	14,246	15,273
Entertainment	8,504	9,710
Printing and stationary	7,055	7,727
Vehicle running expenses	4,239	6,424
Corporate social responsibility*	3,318	2,983
Sponsorship	191	208
Rent	-	103,307
Others	58,218	69,970
	<u>884,663</u>	<u>920,828</u>

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

31 Other operating expenses

	2019 AED'000	2018 AED'000
Salaries and benefits	599,094	574,054
Depreciation of right of use assets (Note 7)	142,367	-
Vehicle running and maintenance	74,472	104,246
Depreciation (Note 6)	41,309	44,660
Government fees and taxes	38,241	37,458
Supplies	36,999	31,997
Communication expenses	9,950	8,958
Rent	-	71,048
Others	72,472	59,886
	<u>1,014,904</u>	<u>932,307</u>

32 Other income, net

	2019 AED'000	2018 AED'000
Exchange (loss)/gain	(5,580)	2,345
Loss on sale of property, plant and equipment	(2,419)	(17)
Miscellaneous income	12,487	3,658
	<u>4,488</u>	<u>5,986</u>

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33 Staff costs

	2019 AED'000	2018 AED'000
Salaries and allowances	1,156,884	1,156,947
End of service benefits (Note 23)	28,109	27,624
Other employees' benefits	17,033	14,132
	<u>1,202,026</u>	<u>1,198,703</u>

Staff costs are allocated as follows:

	2019 AED'000	2018 AED'000
Administrative expenses (Note 30)	425,395	444,050
Selling expenses	177,537	180,599
Other operating expenses (Note 31)	599,094	574,054
	<u>1,202,026</u>	<u>1,198,703</u>

34 Related party transactions

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

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

	<i>Companies controlled by the directors</i>	
	2019 AED'000	2018 AED'000
Rent expense	<u>-</u>	<u>1,157</u>

Key management compensation

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

	2019 AED'000	2018 AED'000
Salaries and other short term benefits	14,112	7,941
Board remuneration	3,640	3,980
End of service benefits	147	1,434
	<u>17,899</u>	<u>13,355</u>

Directors' fees paid were disclosed in Note 21.

Employees' benefit plan

Senior executives of the Group were granted phantom shares as detailed in Note 27.

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34 Related party transactions (continued)

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 South Africa PTY Ltd.
Aramex Hong Kong Limited
Aramex Saudi Limited Company
Aramex International Hava Kargo Ve Kerye Anonim Sirketi
Aramex International Logistics Private Ltd.
Aramex (UK) Limited

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

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year in the normal course of business. The outstanding balances as at 31 December 2019 and 2018, are included in Notes 16 and 24:

		<i>Sales to related parties AED '000</i>	<i>Cost from related parties AED '000</i>	<i>Amounts owed by related parties* AED '000</i>	<i>Amounts owed to related parties** AED '000</i>
Associates:					
	2019	662	1,647	-	586
	2018	468	1,127	-	193
Joint ventures in which the parent is a venture:					
	2019	75,444	1,176	24,519	4,919
	2018	51,491	1,258	19,408	2,747
Companies controlled by directors and shareholders:					
	2019	145,601	-	32,804	6,892
	2018	143,583	-	26,744	3,053

* These amounts are classified as accounts receivable.

** These amounts are classified as accounts payable.

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35 Earnings per share

	31 December 2019	31 December 2018
Profit attributable to shareholders of the Parent (AED'000)		
Profit for the year from continuing operations	497,400	492,148
Profit for the year from discontinued operations	-	487
	<u>497,400</u>	<u>492,635</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>0.340</u>	<u>0.336</u>

As of 31 December 2019, basic and diluted earnings per share from discontinued operations amounted to nil (2018: AED nil).

36 Operating lease commitments

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

	2019 AED'000	2018 AED'000
Within one year	-	164,969
After one year but not more than five years	-	278,258
More than five years	-	257,528
	<u>-</u>	<u>700,755</u>

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

37 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.

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37 Segmental information (continued)

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 gross profit.

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 for each of the Group's operating segments for the years ended 31 December 2019 and 2018, respectively.

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37 Segmental information (continued)

	<i>International express AED '000</i>	<i>Freight forwarding AED '000</i>	<i>Domestic express AED '000</i>	<i>Logistics AED '000</i>	<i>Others AED '000</i>	<i>Elimination AED '000</i>	<i>Total AED '000</i>
Year ended 31 December 2019							
Revenue							
Third party	2,349,132	1,138,328	1,108,326	354,953	294,801	-	5,245,540
Inter-segment	1,012,352	267,200	1,045	6,982	14,315	(1,301,894)	-
Total revenues	3,361,484	1,405,528	1,109,371	361,935	309,116	(1,301,894)	5,245,540
Timing of revenue recognition							
Goods transferred at a point in time	3,361,484	1,405,528	1,109,371	361,935	241,806	(1,301,894)	5,178,230
Services transferred overtime	-	-	-	-	67,310	-	67,310
Total revenues from contracts with customers	3,361,484	1,405,528	1,109,371	361,935	309,116	(1,301,894)	5,245,540
Gross profit	1,395,475	263,106	629,429	250,338	239,635	-	2,777,983
Year ended 31 December 2018							
Revenue							
Third party	2,272,688	1,163,756	1,051,319	301,801	296,491	-	5,086,055
Inter - segment	892,255	238,687	1,369	6,307	17,719	(1,156,337)	-
Total revenues	3,164,943	1,402,443	1,052,688	308,108	314,210	(1,156,337)	5,086,055
Timing of revenue recognition							
Goods transferred at a point in time	3,164,943	1,402,443	1,052,688	308,108	245,926	(1,156,337)	5,017,771
Services transferred overtime	-	-	-	-	68,284	-	68,284
Total revenues from contracts with customers	3,164,943	1,402,443	1,052,688	308,108	314,210	(1,156,337)	5,086,055
Gross profit	1,476,795	294,464	534,623	220,378	240,365	-	2,766,625

Transactions between stations are priced at an arm's length basis. All material intra group transactions have been eliminated on consolidation. The Group does not segregate assets and liabilities by business segments and, accordingly, such information is not presented.

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37 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:

	2019 AED'000	2018 AED'000
Revenues		
Middle East and Africa	3,185,209	3,079,972
Europe	556,665	578,887
North America	203,304	140,570
Asia and others	1,300,361	1,286,626
	<u>5,245,539</u>	<u>5,086,055</u>
Assets		
Middle East and Africa	4,072,466	3,376,583
Europe	464,800	411,935
North America	143,290	64,185
Asia and others	1,062,248	851,578
	<u>5,742,804</u>	<u>4,704,281</u>
Non - current assets*		
Middle East and Africa	1,548,449	924,424
Europe	95,853	59,120
North America	50,742	5,776
Asia and others	437,681	248,231
	<u>2,132,725</u>	<u>1,237,551</u>
Liabilities		
Middle East and Africa	2,266,702	1,688,909
Europe	130,037	89,020
North America	60,682	16,428
Asia and others	652,838	478,118
	<u>3,110,259</u>	<u>2,272,475</u>

* Non-current assets for this purpose consist of property, plant and equipment, other intangible assets, right of use assets, financial assets at fair value through other comprehensive income and investments in joint ventures and associates. Goodwill is allocated to business segments (Note 8).

38 Commitments and contingencies

Guarantees

	2019 AED'000	2018 AED'000
Letters of guarantee	<u>146,348</u>	<u>121,922</u>

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38 Commitments and contingencies (continued)

Capital commitments

As at 31 December 2019, the Group has capital commitments of AED 40.1 million (2018: AED 30.7 million) towards purchase/construction of property, plant and equipment.

Legal claims contingency

The Group is a defendant in a number of lawsuits amounting to AED 136,454 thousand representing legal actions and claims related to its ordinary course of business (2018: AED 24,128 thousand). The management and its legal advisors believe that the provision recorded of AED 11,182 as of 31 December 2019 is sufficient to meet the obligations that may arise from the lawsuits (2018: AED 11,199 thousand).

39 Financial instruments by category

	2019 AED'000	2018 AED'000
Financial assets at fair value through other comprehensive income		
Equity instruments	28,426	50,290
Debts instruments	4,230	3,497
	<u>32,656</u>	<u>53,787</u>
Financial assets at amortised cost		
Trade and other receivables (excluding prepayment, advances to suppliers and withholding tax)	1,325,951	1,319,016
Margins and bank deposits	260,740	9,554
Cash and cash equivalence	739,318	827,105
	<u>2,326,009</u>	<u>2,155,675</u>
Financial liabilities at amortised cost		
Bank overdrafts	151,204	120,463
Lease liabilities	862,869	34,066
Interest-bearing loans and borrowings	740,146	503,019
Trade and other payables (excluding deferred revenue)	1,131,250	1,339,858
	<u>2,885,469</u>	<u>1,997,406</u>

For the purpose of financial instruments disclosure, non-financial assets amounting to AED 142,837 thousand (2018: AED 174,160) have been excluded from trade and other receivables. Non-financial liabilities amounting to AED 28,296 thousand (2018: AED 37,926) have been excluded from trade and other payables.

The fair values of the Group's financial assets and financial liabilities carried at amortised cost at the end of reporting period approximate their carrying values. The fair values of the Group's loans and borrowings approximate the carrying amount, as the interest on the borrowings are provided based on the market rates.

40 Reclassification of comparative figures

Comparative figures were reclassified to match the current presentation of the consolidated financial statements. Management believes that the current presentation provides more meaningful information to the readers of the consolidated financial statements. The net impact on the consolidated statements of income, comprehensive income and cash flows is nil.

41 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 2.24.

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

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

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

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41 Changes in accounting policies (continued)

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

	1 January 2019 AED “000”
Operating lease commitments disclosed as at 31 December 2018 (Note 36)	700,755
Discounted using the Group’s incremental borrowing rate	(86,013)
Add: finance lease liabilities recognised as at 31 December 2018	34,066
(Less): short-term leases recognised on a straight-line basis as expense	(5,333)
Add: adjustments as a result of a different treatment of extension the termination options	198,373
Add: adjustments relating to changes in the index or rate affecting variable payments	10,441
Lease liability recognised as at 1 January 2019	<u>852,289</u>
Of which are:	
Current lease liabilities	<u>187,808</u>
Non-current lease liabilities	<u>664,481</u>

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

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

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

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

* The aforementioned change in the accounting policy for IFRS 16 represents a non-cash transaction excluded from cash flow statements for year ended 31 December 2019 (Note 42).

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41 Changes in accounting policies (continued)

IFRS16 impact on segment disclosures and earnings per share

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

The following segments were affected by the change in policy:

	Impact on EBITDA AED "000"	Segment assets AED "000"	Segment liabilities AED "000"
Middle East and Africa	146,718	600,071	591,148
Europe	12,897	43,078	45,183
North America	6,188	25,893	28,056
Asia and others	41,158	185,070	198,482
	<u>206,961</u>	<u>854,112</u>	<u>862,869</u>

Earnings per share decreased by AED 0.006 per share for the year ended 31 December 2019.

During the year ended 31 December 2019, there was no impact on the gross profit related to IFRS 16 adoption.

42. Non-cash transactions

	2019 AED'000	2018 AED'000
Right of use assets (i)	851,407	-
Lease liability (i)	817,090	-
Unwinding lease liability (ii)	11,749	778
Disposal of right of use assets (Note 7)	18,964	-
Property and equipment (iii)	44,000	-
Accrued interest on borrowings	3,367	148
Settlement of debt and other current assets to acquire additional non-controlling interests (Note 5)	49,012	-

- (i) Upon the adoption of IFRS 16, right of use asset was measured at the amount equal to the lease liability of AED 817,090 thousand, adjusted by the amount of prepayments of AED 17,662 thousand, other liabilities and accruals of AED 16,527 thousand and the net book value of the finance lease previously recognised under IAS 17 amounting to AED 33,182 thousand totalling to the right of use asset of AED 851,407 thousand at the date of adoption (Note 41).
- (ii) After the adoption of IFRS 16, lease liability measured at present value was unwound during the year ended 31 December 2019 where a portion amounting to AED 11,749 thousand was unpaid as of 31 December 2019.
- (iii) During the year ended 31 December 2019, the Group had received non-cash consideration from a customer as settlement of trade receivables for an amount measured at fair value amounting to AED 44,000 thousand.