

Aramex PJSC and its subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016

Dear Shareholders,

2016 was a great year for Aramex, despite the global economic uncertainties; we were able to achieve a record-breaking financial performance and solid revenue growth. This clearly reflects our robust business model, financial strength, and commitment to growing shareholders' value.

Aramex's Full Year Revenues in 2016 increased by 16% reaching AED 4,343 million, compared to AED 3,755 million in 2015. Q4 Revenues saw double-digit growth of 18% to AED 1,158 million, compared to AED 982 million in Q4 of 2015. The Company's 2016 Full Year Net Profits increased by 37% to AED 426.6 million, compared to AED 311.3 million in 2015. Q4 Net Profits reached AED 131.8 million, which represents an increase of 129%, compared to AED 57.6 million in Q4 2015.

This strong performance was mainly driven by the healthy growth in Aramex's international and domestic express and supply chain services across key geographies. These results have put us in a strong position to deliver on our ongoing business strategy as we move forward with our growth plans.

Moving forward, we will continue to focus on investing in the latest technologies to strengthen our position as the disruptive leader in the global logistics and transportation industry. We will also be pursuing strategic partnerships with logistics and technology focused companies around the world to extend our global reach, further enhance our business operations and optimize our last-mile delivery solutions.

We extend our thanks and greatest appreciation to our shareholders, Board of Directors, the management team, business partners and customers for their confidence in us, and the continued support.

Sincerely,



Abdullah M. Mazrui
Chairman



Hussein Hachem
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAMEX PJSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Aramex PJSC (the "Company"), and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Key audit matters

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

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

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

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

Key audit matters (continued)

Revenue recognition

The Group focuses on revenues as a key performance measure and as a driver for growth and expansion. Due to the materiality of the amounts involved, diversity of the Group's geographical footprint, and susceptibility of such revenues to overstatement and fraud risk, we assess revenue recognition as a key audit matter.

To address the above risks, our audit procedures included, amongst others, considering the appropriateness and testing the consistency of the Group's revenue recognition accounting policies, as well as assessing the compliance of such policies with the applicable International Financial Reporting Standards. We have evaluated the control environment and tested internal controls over the completeness, measurement and occurrence of revenue recognized. We obtained a representative sample of transactions and tested their proper recording and recognition. In addition, we selected a sample of transactions before and after the 31 December 2016 cut-off date to check proper recognition.

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

Goodwill impairment

Under IFRSs, the Group is required to annually test goodwill for impairment. This annual impairment test was significant to our audit because the balance of AED 1,084 million as of 31 December 2016 is material to the financial statements. In addition, management's assessment process is complex and highly judgmental, and is based on assumptions, specifically the discount rate and the growth rate estimates which are affected by expected future market or economic conditions. Any changes in assumptions could result in impairment of the goodwill. Accordingly, we consider impairment testing of goodwill to be a key audit matter.

Our audit procedures included, among others, using our valuation experts to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to discount rates, forecasted revenue growth and profit margins for the cash generating units. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill. The Group's disclosures about goodwill are included in Note 5.

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

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

Key audit matters (continued)

Employees' benefit liability

The Group has awarded phantom shares to senior executives under a long-term incentive plan. The scheme is cash-settled on vesting date and, accordingly, the annual expense charge to the income statement is subject to change based on certain assumptions, such as share price on vesting date and volatility of share price. Charge for the year amounted to AED 47.6 million, and the balance of accumulated liability as of 31 December 2016 amounted to AED 75 million (Note 24).

Management performs a quarterly assessment of the expense and related liability using the binomial model. Management's calculations are considered significant to our audit because the assessment process is complex and includes estimates and assumptions. Any changes in assumptions could result in material changes to the liability and/or related expense amount.

To address the above risks, we have deployed the assistance of our valuation specialists to evaluate and challenge management's assumptions, including those used in the assessment of expected vesting price, risk free interest rate and expected volatility, as referred to in note 24.

Business combinations

The Group is expanding through the acquisition of new subsidiaries and step up acquisitions in existing markets. The Group assesses the fair values of assets, liabilities and contingent liabilities acquired using internal resources. Certain balances are determined based on estimates and assumptions about the future performance of the acquired businesses. As there is a significant level of judgment involved in estimating the fair value of intangible assets identified and resultant goodwill, we consider this area to be a key audit matter. Any changes to estimates and assumptions could result in material misstatement to the amounts involved and potential impairment thereon.

To address these risks, we challenged the assumptions and methodologies used by the Group to assess the reasonableness of fair values of assets (including intangibles), liabilities, contingent liabilities and goodwill on the business combination. We used our internal valuation specialists to assist us in considering the approach taken by the Group and assessed key assumptions and obtained corroborative evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the acquired business, our past experience of similar transactions and the Group's forecasts supporting the acquisitions. We have also considered the adequacy of disclosure of the fair value of acquired intangible assets.

The Group's disclosure relating to business combinations is included in Note 3.

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

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

Key audit matters (continued)

Income tax

The Group seeks to obtain tax clearance from all tax jurisdictions on an annual basis. However, this is not possible due to various circumstances and, hence, provisions are made until such time when final tax clearance is obtained. Income tax positions were significant to our audit because the assessment process is complex, uses estimates and the amounts involved are material. Any tax adjustments identified in subsequent periods are recorded in the subsequent period, unless they relate to an error under IAS 8.

We have tested the completeness and accuracy of the amounts recognized as tax provisions, current and deferred tax assets and liabilities, including the assessment of disputes with tax authorities. Our audit procedures included an assessment of correspondence with the relevant tax authorities and we tested management's assumptions to determine the probability that deferred tax assets will be recovered through taxable income in future years. We involved our internal tax specialists to analyze and challenge the assumptions used to determine tax positions, and corroborated the assumptions with supporting evidence.

We also assessed the adequacy of the Company's disclosure in Note 12 to the consolidated financial statements.

Other information included in the Company's 2016 annual report.

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

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

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

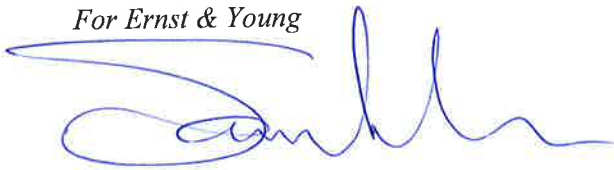
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARAMEX PJSC (continued)**

Report on other legal and regulatory requirements

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

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;
- iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Company;
- v) investments in shares and stocks during the year ended 31 December 2016 are disclosed in notes 3, 9, 10 and 11 to the consolidated financial statements;
- vi) note 30 reflects material related party transactions and the terms under which they were conducted;
- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2016; and
- viii) note 27 reflects the social contributions made during the year.

For Ernst & Young



Ashraf Abu-Sharkh
Partner
Registration No: 690
19 February 2017
Dubai, United Arab Emirates

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

| | Notes | 2016 AED'000 | 2015 AED'000 |
|---|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 840,272 | 703,151 |
| Goodwill | 5 | 1,084,004 | 1,038,079 |
| Other intangible assets | 6 | 226,558 | 49,367 |
| Investments in joint ventures and associates | 9, 10 | 135,789 | 46,857 |
| Available for sale financial assets | 11 | 26,066 | - |
| Deferred tax assets | 12 | 3,477 | 3,943 |
| Other non-current assets | | 2,884 | 2,382 |
| | | <u>2,319,050</u> | <u>1,843,779</u> |
| Current assets | | | |
| Accounts receivable, net | 13 | 754,420 | 731,232 |
| Other current assets | 14 | 199,390 | 163,187 |
| Bank balances and cash | 15 | 701,296 | 707,158 |
| | | <u>1,655,106</u> | <u>1,601,577</u> |
| TOTAL ASSETS | | <u>3,974,156</u> | <u>3,445,356</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 16 | 1,464,100 | 1,464,100 |
| Statutory reserve | 17 | 227,198 | 195,663 |
| Foreign currency translation reserve | 17 | (350,627) | (255,821) |
| Reserve arising from acquisition of non-controlling interests | 17 | (33,037) | (28,119) |
| Retained earnings | 18 | 957,783 | 785,708 |
| Equity attributable to equity holders of the Parent | | <u>2,265,417</u> | <u>2,161,531</u> |
| Non-controlling interests | | 9,085 | 38,264 |
| Total equity | | <u>2,274,502</u> | <u>2,199,795</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 19 | 361,762 | 228,585 |
| Employees' end of service benefits | 20 | 138,797 | 129,544 |
| Employees' benefit liability | 24 | 74,988 | 63,825 |
| Deferred tax liabilities | 12 | 2,239 | 1,886 |
| | | <u>577,786</u> | <u>423,840</u> |
| Current liabilities | | | |
| Accounts payable | 21 | 232,358 | 176,044 |
| Bank overdrafts | 22 | 57,453 | 33,941 |
| Interest-bearing loans and borrowings | 19 | 211,881 | 87,950 |
| Other current liabilities | 23 | 620,176 | 523,786 |
| | | <u>1,121,868</u> | <u>821,721</u> |
| Total liabilities | | <u>1,699,654</u> | <u>1,245,561</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>3,974,156</u> | <u>3,445,356</u> |

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 19 February 2017.


Abdullah Al Mazrui
(Chairman)


Hussein Hachem
(Chief Executive Officer)


Bashar Obeid
(Chief Financial Officer)

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

Aramex PJSC and its subsidiaries
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016

| | <i>Notes</i> | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|---|--------------|-------------------------------|-------------------------------|
| Continuing operations | | | |
| Rendering of services | 25 | 4,343,158 | 3,754,698 |
| Cost of services | 26 | <u>(1,911,165)</u> | <u>(1,626,610)</u> |
| Gross profit | | 2,431,993 | 2,128,088 |
| Share of results of joint ventures and associates | 9, 10 | (1,363) | (2,952) |
| Selling and marketing expenses | | (204,237) | (185,279) |
| Administrative expenses | 27 | (940,317) | (802,040) |
| Operating expenses | 28 | (826,412) | (764,985) |
| Gain on bargain purchase | 3 | 41,568 | - |
| Other income, net | 29 | <u>20,217</u> | <u>4,845</u> |
| Operating profit | | 521,449 | 377,677 |
| Finance income | | 11,485 | 4,540 |
| Finance expense | | <u>(27,211)</u> | <u>(7,824)</u> |
| Profit before tax from continuing operations | | 505,723 | 374,393 |
| Income tax expense | 12 | <u>(60,926)</u> | <u>(36,688)</u> |
| Profit for the year from continuing operations | | 444,797 | 337,705 |
| Discontinued operations | | | |
| Profit after tax for the year from discontinued operations | 8 | <u>7,377</u> | <u>7,706</u> |
| Profit for the year | | 452,174 | 345,411 |
| Attributable to: | | | |
| <i>Equity holders of the Parent</i> | | | |
| Profit for the year from continuing operations | | 419,218 | 303,457 |
| Profit for the year from discontinued operations | | <u>7,377</u> | <u>7,845</u> |
| | | 426,595 | 311,302 |
| <i>Non-controlling interests</i> | | | |
| Profit for the year from continuing operations | | 25,579 | 34,248 |
| Loss for the year from discontinued operations | | - | (139) |
| | | <u>25,579</u> | <u>34,109</u> |
| | | 452,174 | 345,411 |
| Earnings per share attributable to the equity holders of the Parent: | | | |
| Basic and diluted earnings per share | 31 | <u>AED 0.291</u> | <u>AED 0.213</u> |

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

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|--|-------------------------------|-------------------------------|
| Profit for the year | 452,174 | 345,411 |
| Other comprehensive income, net of tax | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | (97,939) | (103,549) |
| Gain on cash flow hedge | - | (3,256) |
| Cash flow hedge expense recycled to consolidated income statement | - | 1,200 |
| Net other comprehensive loss to be reclassified to profit or loss in subsequent periods | (97,939) | (105,605) |
| Other comprehensive loss for the year, net of tax | (97,939) | (105,605) |
| Total comprehensive income for the year, net of tax | 354,235 | 239,806 |
| Attributable to: | | |
| Equity holders of the Parent | 331,789 | 204,846 |
| Non-controlling interests | 22,446 | 34,960 |
| | 354,235 | 239,806 |

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

| | Attributable to equity holders of the Parent | | | | | | | Total AED '000 | |
|---|--|----------------------------------|---|---|--|----------------------------------|-------------------|-------------------|--|
| | Share capital AED '000 | Statutory reserve AED '000 | Foreign currency translation reserve AED '000 | Reserve arising from acquisition of non-controlling interests AED '000 | Cash flow hedge reserve AED '000 | Retained earnings AED '000 | Total AED '000 | | Non- controlling interests AED '000 |
| For the year ended 31 December 2016 | 1,464,100 | 195,663 | (255,821) | (28,119) | - | 785,708 | 2,161,531 | 38,264 | 2,199,795 |
| At 1 January 2016 | - | - | - | - | - | 426,595 | 426,595 | 25,579 | 452,174 |
| Profit for the year | - | - | (94,806) | - | - | - | (94,806) | (3,133) | (97,939) |
| Other comprehensive income for the year | - | - | (94,806) | - | - | 426,595 | 331,789 | 22,446 | 354,235 |
| Total comprehensive income for the year | - | - | (94,806) | - | - | 426,595 | 331,789 | 22,446 | 354,235 |
| Directors fees paid (note 18) | - | - | - | - | - | (3,370) | (3,370) | - | (3,370) |
| Dividends of subsidiaries | - | - | - | - | - | - | - | (52,462) | (52,462) |
| Non-controlling interests (note 3) | - | - | - | (4,918) | - | - | (4,918) | (27,686) | (32,604) |
| Increase of capital of a subsidiary | - | - | - | - | - | - | - | 826 | 826 |
| Acquisition of non-controlling interests (note 3) | - | - | - | - | - | - | - | 27,697 | 27,697 |
| Dividends paid to shareholders (note 18) | - | - | - | - | - | (219,615) | (219,615) | - | (219,615) |
| Transfer to statutory reserve | - | 31,535 | - | - | - | (31,535) | - | - | - |
| At 31 December 2016 | 1,464,100 | 227,198 | (350,627) | (33,037) | - | 957,783 | 2,265,417 | 9,085 | 2,274,502 |

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

| | Attributable to equity holders of the Parent | | | | | | | Total AED '000 | |
|--|--|----------------------------------|---|---|--|----------------------------------|-------------------|-------------------|--|
| | Share capital AED '000 | Statutory reserve AED '000 | Foreign currency translation reserve AED '000 | Reserve arising from acquisition of non-controlling interests AED '000 | Cash flow hedge reserve AED '000 | Retained earnings AED '000 | Total AED '000 | | Non- controlling interests AED '000 |
| For the year ended 31 December 2015 | 1,464,100 | 170,632 | (151,421) | (28,268) | 2,056 | 708,001 | 2,165,100 | 24,476 | 2,189,576 |
| At 1 January 2015 | - | - | - | - | - | 311,302 | 311,302 | 34,109 | 345,411 |
| Profit for the year | - | - | (104,400) | - | (2,056) | - | (106,456) | 851 | (105,605) |
| Other comprehensive income for the year | - | - | (104,400) | - | (2,056) | - | (106,456) | 851 | (105,605) |
| Total comprehensive income for the year | - | - | (104,400) | - | (2,056) | 311,302 | 204,846 | 34,960 | 239,806 |
| Directors fees paid (note 18) | - | - | - | - | - | (3,590) | (3,590) | - | (3,590) |
| Dividends of subsidiaries | - | - | - | - | - | - | - | (25,513) | (25,513) |
| Non-controlling interests | - | - | - | - | - | - | - | 1,969 | 1,969 |
| Acquisition of subsidiaries (note 3) | - | - | - | - | - | - | - | 2,658 | 2,658 |
| Acquisition of non-controlling interests | - | - | - | 149 | - | - | 149 | (286) | (137) |
| Dividends paid to shareholders (note 18) | - | - | - | - | - | (204,974) | (204,974) | - | (204,974) |
| Transfer to statutory reserve | - | 25,031 | - | - | - | (25,031) | - | - | - |
| At 31 December 2015 | 1,464,100 | 195,663 | (255,821) | (28,119) | - | 785,708 | 2,161,531 | 38,264 | 2,199,795 |

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

Aramex PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

| | <i>Notes</i> | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|--|--------------|-------------------------------|-------------------------------|
| OPERATING ACTIVITIES | | | |
| Profit before tax from continuing operations | | 505,723 | 374,393 |
| Profit before tax from discontinued operations | 8 | 5,771 | 11,265 |
| Profit before tax | | 511,494 | 385,658 |
| Adjustment for: | | | |
| Depreciation of property, plant and equipment | 4 | 99,170 | 81,271 |
| Amortisation of other intangible assets | 6 | 5,152 | 5,664 |
| Provision for employees' end of service benefits | 20 | 23,043 | 24,911 |
| Provision for doubtful accounts, net | 13 | 10,424 | 12,281 |
| Net finance expense | | 15,726 | 3,284 |
| Employees benefit plan expense | 24 | 47,627 | 55,489 |
| Gain on re-measurement of previously existing interest in an associate | | - | (873) |
| Share of results of joint ventures and associates | | 1,363 | 2,952 |
| Gain on disposal of property, plant and equipment | | (3,852) | (12) |
| (Gain) loss on disposal of the discontinued operations | 8 | (3,353) | 520 |
| Gain on bargain purchase | 3 | (41,568) | - |
| Working capital adjustments: | | | |
| Accounts receivable | | (17,783) | (44,416) |
| Accounts payable | | 36,933 | (7,700) |
| Other current assets | | (15,376) | 34,234 |
| Other current liabilities | | 29,664 | (37,444) |
| Cash from operations | | 698,664 | 515,819 |
| Employees' end of service benefits paid | 20 | (12,822) | (12,448) |
| Employee's benefit plan paid | 24 | (36,464) | - |
| Income tax paid | | (45,299) | (35,018) |
| Net cash flows from operating activities | | 604,079 | 468,353 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 4 | (161,072) | (275,896) |
| Proceeds from sale of property, plant and equipment | | 18,580 | 3,453 |
| Interest received | | 11,485 | 4,540 |
| Proceeds from sale of a subsidiary, net of cash | 8 | 118,804 | (133) |
| Other non-current assets | | (2,268) | (566) |
| Acquisition of non-controlling interests | 3 | (32,604) | (137) |
| Margin deposits | | 6,602 | 1,002 |
| Investments in joint ventures and associates | | (137,410) | (1,031) |
| Available for sale financial assets | | (26,066) | - |
| Acquisition of subsidiaries, net of cash acquired | 3 | (289,094) | (33,666) |
| Net cash flows used in investing activities | | (493,043) | (302,434) |
| FINANCING ACTIVITIES | | | |
| Interest paid | | (27,211) | (7,824) |
| Proceeds from loans and borrowings | | 338,354 | 286,859 |
| Repayment of loans and borrowings | | (106,594) | (123,064) |
| Dividends paid to non-controlling interests | | (52,462) | (25,513) |
| Non-controlling interests | | 826 | 1,969 |
| Directors' fees paid | | (3,370) | (3,590) |
| Dividends paid to shareholders | | (219,615) | (204,974) |
| Net cash flows used in financing activities | | (70,072) | (76,137) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 40,964 | 89,782 |
| Net foreign exchange difference | | (63,736) | (22,632) |
| Cash and cash equivalents at 1 January | 15 | 662,246 | 595,096 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 15 | 639,474 | 662,246 |

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

1 CORPORATE INFORMATION

Aramex PJSC (the “Parent Company”) is a Public Joint Stock Company registered in the Emirate of Dubai, United Arab Emirates on 15 February 2005 under UAE Federal Law No 2 of 2015. The consolidated financial statements of the Company as at 31 December 2016 comprise the Parent Company and its subsidiaries (collectively referred to as the “Group” and individually as “Group entities”).

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

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

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

The consolidated financial statements were authorised for issue by the Board of Directors on 19 February 2017.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The Federal Law No. 2 of 2015 concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No. 8 of 1984.

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

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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

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

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

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

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous year, except for the following amendment standards effective as of 1 January 2016.

The nature and the impact of these amendments is described below:

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue – based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

Annual Improvements 2012 -2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI. These amendments do not have any impact on the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

2.4 Standards issued but not yet effective

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

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 as issued in July 2014 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

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

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

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

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting judgments, estimates and assumptions

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

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

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

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

2.6 Summary of significant accounting policies

Property, plant and equipment

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

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

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

Land is not depreciated

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Business combinations and goodwill

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

Other intangible assets

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

Prepaid agency fees

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

Cash and short-term deposits

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Accounts receivable

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

Foreign currencies

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

Transactions and balances

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

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

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

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

Group companies

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

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

Loans and borrowings and other financial liabilities

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

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated income statement.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Loans and borrowings and other financial liabilities (continued)

Other financial liabilities including deferred consideration on acquisition of subsidiaries are measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated income statement.

Accounts payable and accruals

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

Provisions

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

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

Employees' end of service benefits

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

Share-based payments

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

Cash-settled transactions

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

Available for sale financial assets

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Social security

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

Revenue recognition

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

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

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

Express revenue

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

Freight forwarding revenue

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

Catalogue shopping and shop 'n' ship services revenue

Catalogue shopping and shop 'n' ship services revenue is recognised upon the receipt of the merchandise by the customers.

Revenue from logistics and document storage services

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

Interest income

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

Borrowing costs

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

Taxes

Current income tax

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Taxes (continued)

Deferred tax

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

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

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

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

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

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

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

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

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

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

Sales tax

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Taxes (continued)

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

Current versus non-current classification

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

Impairment and uncollectability of financial assets

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

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

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

Leases

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

Group as a lessee

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

Leases (continued)

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

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

Cash dividend

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

Earnings per share

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

Offsetting of financial instruments

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

Discontinued operations

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

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

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

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

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

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

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

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

3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS**Business combination**

2016

1. Acquisition of Fastway Limited (New Zealand)

In February 2016, the Group acquired 100% of the voting shares of Fastway Limited, an unlisted company based in New Zealand and specializing in domestic business. The consolidated financial statements include the results of Fastway Limited for the eleven months period from the acquisition date.

Assets acquired and liabilities assumed

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

| | <i>Provisional fair value recognised on acquisition AED'000</i> | <i>Carrying value AED'000</i> |
|--|---|---------------------------------------|
| Assets | | |
| Property, plant and equipment | 22,056 | 22,056 |
| Trade and other receivables | 32,458 | 32,458 |
| Bank balances and cash | 31,395 | 31,395 |
| Deferred tax and other non-current assets | 9,489 | 9,489 |
| Intangible assets (provisional) (note 6) | 178,091 | - |
| | <u>273,489</u> | <u>95,398</u> |
| Liabilities | | |
| Trade and other payables | (75,959) | (75,959) |
| Deferred tax liability | (1,911) | - |
| | <u>195,619</u> | <u>19,439</u> |
| Total identifiable net assets | 195,619 | 19,439 |
| Goodwill arising on acquisition (provisional) (note 5) ** | 126,457 | |
| | <u>322,076</u> | |
| Purchase consideration transferred | <u>322,076</u> | |
| Analysis of cash flow on acquisition: | | |
| Net cash acquired with the subsidiary | | 31,395 |
| Cash paid | | (322,076) |
| | | <u>(290,681)</u> |
| Net cash outflow (included in cash flows used in investing activities in the statement of cash flows) | | <u>(290,681)</u> |

* The intangible assets may be subsequently adjusted with a corresponding adjustment to goodwill. Group management believes that the adjustments will be not material.

** The goodwill of AED 124.5 million recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Fastway Limited with those of the Group.

From the date of acquisition, the acquired Company contributed AED 322.3 million of revenue and AED 11.8 million to profit before tax of the Group. If the acquisition had taken place at the beginning of the period, revenue from continuing operations would have been AED 4,357 million and the profit before tax from continuing operation for the period would have been AED 494.5 million.

Transaction costs of AED 5.8 million were expensed and are included in administrative expenses in the consolidated statement of income and part of the cash flows from operating activities in the consolidated statement of cash flows.

3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)**Business combination (continued)***2016 (continued)***2. Acquisition of Aramex Mashreq for Logistics Services SAE (Egypt)**

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

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

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

From the date of acquisition, the acquired Company contributed AED 47.4 million of revenue and AED 0.9 million to the net profit before tax of the Group.

3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)**Business combination (continued)***2016 (continued)***2. Acquisition of Aramex Mashreq for Logistics Services SAE (Egypt) (continued)**

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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

Business combination (continued)

2015

1. Acquisition of C.B.K Soft Yazilim Elektronik (Turkey)

In April 2015, the Group acquired 51% of the voting shares of C.B.K Soft Yazilim Donanim Elektronik, an unlisted company based in Turkey and specializing in information technology services, software sales and marketing, in addition to maintenance services. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of C.B.K Soft Yazilim Donanim Elektronik for the nine months period from the acquisition date.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities C.B.K Soft Yazilim Donanim Elektronik, as at the date of acquisition were:

| | <i>Fair value recognised on acquisition AED '000</i> | <i>Carrying value AED'000</i> |
|--|--|---------------------------------------|
| Assets | | |
| Property, plant and equipment | 123 | 123 |
| Trade and other receivables | 4,601 | 4,602 |
| Bank balances and cash | 723 | 723 |
| Intangible assets* (note 6) | 10,700 | - |
| | <u>16,147</u> | <u>5,448</u> |
| Liabilities | | |
| Trade and other payables | (860) | (860) |
| Employees end of service benefits | (70) | (70) |
| | <u>(930)</u> | <u>(930)</u> |
| Total identifiable net assets at fair value | 15,217 | 4,518 |
| Goodwill arising on acquisition (note 5) | 18,188 | |
| Non-controlling interests | (2,213) | |
| | <u>31,192</u> | |
| Purchase consideration transferred | <u>31,192</u> | |

Analysis of cash flow on acquisition:

| | |
|--|----------|
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | 723 |
| Cash paid (included in cash flows from investing activities) | (31,192) |

Net cash outflow (30,469)

*Intangible assets acquired represent customers lists with finite lives which are amortised over their economic lives which are 7 years.

The goodwill of AED 18 million recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of C.B.K Soft Yazilim Donanim Elektronik with those of the Group.

From the date of acquisition, the acquired Company has contributed AED 9 million of revenue and AED 2.1 million to the net profit before tax of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been AED 3,840 million and the profit before tax from continuing operation for the period would have been AED 387 million.

Transaction cost of AED 1,082 thousand have been expensed and included in administrative expenses in the statement of income and part of operating cash flows in the statement of cash flows.

3 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)**Business Combinations (continued)****2015 (continued)****2. Acquisition of Aramex Tunisia Limited (Tunisia)**

In April 2015, the Group increased its investment in its associate (Aramex Tunisia Limited), an unlisted Company based in Tunisia and specializing in the business of freight forwarding with an amount of AED 4.388 million increasing its ownership interest in Aramex Tunisia from 49% to 75%, thereby obtaining control. The Group recognized a gain of AED 873 thousands as a result of measuring at fair value its 49% equity interest before the business combination, the gain is included in other income in the consolidated statement of income. The consolidated financial statements include the results of Aramex Tunisia Limited for the eight months period from the acquisition date. The acquisition has been accounted for using the acquisition method.

The Group elected to measure the non-controlling interest in the acquiree at fair value.

Assets acquired and liabilities assumed

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

| | <i>Fair value recognised on acquisition AED'000</i> | <i>Carrying value AED'000</i> |
|--|---|---------------------------------------|
| Assets | | |
| Property, plant and equipment | 1,976 | 1,976 |
| Trade and other receivables | 16,134 | 16,134 |
| Bank balances and cash | 318 | 318 |
| | <u>18,428</u> | <u>18,428</u> |
| Liabilities | | |
| Trade and other payables | (16,649) | (16,649) |
| Total identifiable net assets at fair value | <u>1,779</u> | <u>1,779</u> |
| Goodwill arising on acquisition | 3,054 | |
| Non-controlling interests measured at fair value | (445) | |
| Purchase consideration transferred | <u>4,388</u> | |
| Analysis of cash flow on acquisition: | | |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | | 318 |
| Cash paid (included in cash flows from investing activities) | | (3,515) |
| Net cash outflow | | <u>(3,197)</u> |

The goodwill of AED 3 million recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Aramex Tunisia Limited with those of the Group.

From the date of acquisition, the acquired Company has contributed AED 11.6 million of revenue and AED 1 million of net loss before tax for the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been AED 3,841 million and the profit before tax from continuing operation for the period would have been AED 385 million.

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

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

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

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

Aramex Ghana Ltd

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

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

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

Infofort Ghana Ltd

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

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

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

3 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

Acquisition of Non-Controlling Interest (continued)

2015

Aramex Malta Limited

On 1 July 2015, the Group acquired an additional 40% interest in the voting shares of Aramex Malta Limited, increasing its ownership interest to 100%. Cash consideration of AED 137 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex Malta Limited at the acquisition date was AED 715 thousand, and the carrying value of the additional interest acquired was AED 286 thousand.

Following is a schedule of additional interest acquired in Aramex Malta:

| | |
|--|----------------|
| | <i>AED'000</i> |
| Cash consideration paid to non-controlling shareholders | 137 |
| Less : Carrying value of the additional interest in Aramex Malta | 286 |
| | <hr/> |
| Difference recognized as a reserve from acquisition of non-controlling interests | (149) |
| | <hr/> <hr/> |

Aramex PJSC and its subsidiaries

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4 PROPERTY, PLANT AND EQUIPMENT

| 2016 - | Land AED '000 | Leasehold improvements AED '000 | Buildings AED '000 | Furniture and fixtures AED '000 | Warehousing racks AED '000 | Office equipment AED '000 | Computers AED '000 | Vehicles AED '000 | Capital work in progress AED '000 | Total AED '000 |
|------------------------------|------------------|---------------------------------------|-----------------------|---------------------------------------|----------------------------------|---------------------------------|-----------------------|----------------------|---|-------------------|
| Cost: | | | | | | | | | | |
| At 1 January 2016 | 40,340 | 80,488 | 301,397 | 35,494 | 67,590 | 121,103 | 144,582 | 120,174 | 171,641 | 1,082,809 |
| Acquisitions of subsidiaries | 39,623 | 2,567 | 86,379 | 4,089 | 9,931 | 23,856 | 10,712 | 13,826 | - | 190,983 |
| Additions | 925 | 11,007 | 46,027 | 5,177 | 2,514 | 24,145 | 29,228 | 28,778 | 13,271 | 161,072 |
| Transfers | 1,697 | 717 | 131,254 | - | 4,619 | 2,966 | 7,145 | - | (148,398) | - |
| Reclassification | - | 748 | - | 3 | (1) | (963) | 1 | 212 | - | - |
| Disposals | - | (1,367) | (14,073) | (2,199) | (476) | (4,981) | (9,277) | (19,451) | - | (51,824) |
| Discontinued operation | - | (209) | - | (28) | - | (1,290) | (2,219) | - | - | (3,746) |
| Exchange differences | (7,826) | (3,971) | (33,440) | (2,417) | (9,907) | (10,769) | (8,896) | (11,661) | - | (88,887) |
| At 31 December 2016 | 74,759 | 89,980 | 517,544 | 40,119 | 74,270 | 154,067 | 171,276 | 131,878 | 36,514 | 1,290,407 |
| Depreciation: | | | | | | | | | | |
| At 1 January 2016 | - | 46,294 | 56,707 | 18,909 | 23,463 | 67,324 | 93,422 | 73,539 | - | 379,658 |
| Acquisitions of subsidiaries | - | 1,369 | 9,928 | 2,387 | 1,259 | 12,589 | 8,310 | 5,357 | - | 41,199 |
| Charge for the year | - | 9,118 | 15,420 | 4,018 | 4,987 | 15,567 | 21,973 | 28,087 | - | 99,170 |
| Disposals | - | (1,131) | (4,644) | (1,511) | (243) | (4,283) | (9,277) | (17,626) | - | (38,715) |
| Discontinued operation | - | (35) | - | (15) | - | (952) | (1,125) | - | - | (2,127) |
| Exchange differences | - | (2,852) | (5,176) | (1,439) | (2,605) | (4,583) | (5,905) | (6,490) | - | (29,050) |
| At 31 December 2016 | - | 52,763 | 72,235 | 22,349 | 26,861 | 85,662 | 107,398 | 82,867 | - | 450,135 |
| Net carrying amount: | | | | | | | | | | |
| At 31 December 2016 | 74,759 | 37,217 | 445,309 | 17,770 | 47,409 | 68,405 | 63,878 | 49,011 | 36,514 | 840,272 |

Property, plant and equipment include vehicles with a net book value of AED 25.01 million (2015: AED 24.45 million) have been obtained under finance leases (note 19).

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

4 PROPERTY, PLANT AND EQUIPMENT (continued)

| 2015 - | Land AED '000 | Leasehold improvements AED '000 | Buildings AED '000 | Furniture and fixtures AED '000 | Warehousing racks AED '000 | Office equipment AED '000 | Computers AED '000 | Vehicles AED '000 | Capital work in progress AED '000 | Total AED '000 |
|------------------------------|------------------|---------------------------------------|-----------------------|---------------------------------------|----------------------------------|---------------------------------|-----------------------|----------------------|---|-------------------|
| Cost: | | | | | | | | | | |
| At 1 January 2015 | 38,006 | 73,126 | 295,369 | 31,769 | 61,846 | 103,923 | 126,597 | 117,565 | 16,811 | 865,012 |
| Acquisition of subsidiaries | - | 91 | - | 176 | 10 | 90 | 364 | 1,911 | - | 2,642 |
| Additions | 6,603 | 12,293 | 15,366 | 6,216 | 8,542 | 20,182 | 27,539 | 24,325 | 154,830 | 275,896 |
| Transfers | - | 74 | (54) | 84 | (3) | 979 | (728) | (352) | - | - |
| Disposals | - | (2,032) | - | (1,585) | (599) | (971) | (4,530) | (15,910) | - | (25,627) |
| Exchange differences | (4,269) | (3,064) | (9,284) | (1,166) | (2,206) | (3,100) | (4,660) | (7,365) | - | (35,114) |
| At 31 December 2015 | 40,340 | 80,488 | 301,397 | 35,494 | 67,590 | 121,103 | 144,582 | 120,174 | 171,641 | 1,082,809 |
| Depreciation: | | | | | | | | | | |
| At 1 January 2015 | - | 41,571 | 45,956 | 17,100 | 20,038 | 57,247 | 83,634 | 68,850 | - | 334,396 |
| Acquisitions of subsidiaries | - | 3 | - | 41 | 1 | 16 | 214 | 268 | - | 543 |
| Charge for the year | - | 8,109 | 11,751 | 3,518 | 4,198 | 12,081 | 17,435 | 24,179 | - | 81,271 |
| Transfers | - | 14 | (15) | 39 | (2) | 481 | (438) | (79) | - | - |
| Disposals | - | (1,534) | - | (1,124) | (118) | (674) | (4,212) | (14,524) | - | (22,186) |
| Exchange differences | - | (1,869) | (985) | (665) | (654) | (1,827) | (3,211) | (5,155) | - | (14,366) |
| At 31 December 2015 | - | 46,294 | 56,707 | 18,909 | 23,463 | 67,324 | 93,422 | 73,539 | - | 379,658 |
| Net carrying amount: | | | | | | | | | | |
| At 31 December 2015 | 40,340 | 34,194 | 244,690 | 16,585 | 44,127 | 53,779 | 51,160 | 46,635 | 171,641 | 703,151 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

5 GOODWILL

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|--------------------------------------|-------------------------------|-------------------------------|
| At 1 January | 1,038,079 | 1,076,098 |
| Acquisition of subsidiaries (note 3) | 126,457 | 21,242 |
| Discontinued operations (note 8) | (78,417) | - |
| Exchange differences | (2,115) | (59,261) |
| At 31 December | 1,084,004 | 1,038,079 |

The Group performed its annual impairment test on 31 December 2015 and 2016. 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 2016, the market capitalization of the Group was above the book value of its equity. The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period.

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

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|------------------------------|-------------------------------|-------------------------------|
| Express shipping | 270,337 | 275,554 |
| Freight forwarding | 168,227 | 171,473 |
| Domestic shipping | 438,407 | 379,747 |
| Logistics | 75,030 | 76,478 |
| Documents storage | 122,816 | 125,640 |
| Publication and distribution | 9,187 | 9,187 |
| | 1,084,004 | 1,038,079 |

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

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

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

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) for the industry which ranges between 8% to 10% (2015: ranges between 8% to 10%). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates – Growth rate used of 3.7% (2015: 3.6%) is based on actual operating results and future expected performance.

Sensitivity to changes in assumptions

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

Aramex PJSC and its subsidiaries

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6 OTHER INTANGIBLE ASSETS

Intangible assets with definite life:

| | <i>Customer lists and other intangible assets with definite useful life</i> | <i>Franchises with indefinite useful life</i> | <i>Total</i> | |
|---------------------------------|---|---|-------------------------|-------------------------|
| | <i>AED'000</i> | <i>AED'000</i> | <i>2016 AED'000</i> | <i>2015 AED'000</i> |
| Cost: | | | | |
| At 1 January | 71,892 | - | 71,892 | 61,248 |
| Acquisition of subsidiaries | 3,478 | 174,613 | 178,091 | 10,700 |
| Discontinued operations | (7,911) | - | (7,911) | - |
| Exchange differences | - | 12,163 | 12,163 | (56) |
| At 31 December | 67,459 | 186,776 | 254,235 | 71,892 |
| Amortization impairment: | | | | |
| At 1 January | (22,525) | - | (22,525) | (16,861) |
| Amortization | (5,152) | - | (5,152) | (5,664) |
| At 31 December | (27,677) | - | (27,677) | (22,525) |
| Net book value: | | | | |
| At 31 December | 39,782 | 186,776 | 226,558 | 49,367 |

Acquisition during the year

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

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

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

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

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) for the industry of 11%. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates – Growth rate used of 2.5% is based on actual operating results and future expected performance.

Sensitivity to changes in assumptions

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

7 MATERIAL PARTLY – OWNED SUBSIDIARIES

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

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

Proportion of equity interest held by non-controlling interests:

| | <i>2016</i> % | <i>2015</i> % |
|---|-------------------------------|-------------------------------|
| | 50% | 50% |
| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
| Accumulated balances of material non-controlling interest: | 4,119 | 28,919 |
| Profit allocated to material non-controlling interest: | 23,143 | 33,308 |

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

7 MATERIAL PARTLY – OWNED SUBSIDIARIES (continued)

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

Summarised income statements for 2016 and 2015:

| | 2016 AED'000 | 2015 AED'000 |
|--|-----------------|-----------------|
| Revenue | 651,257 | 659,552 |
| Cost of sales | (307,975) | (320,203) |
| Administrative, selling and operating expenses | (282,944) | (259,871) |
| Other expenses | (9,655) | (10,691) |
| Profit before tax | 50,683 | 68,787 |
| Income tax | (4,398) | (2,171) |
| Profit for the year | 46,285 | 66,616 |
| Total comprehensive income | 46,285 | 66,616 |
| Attributable to non-controlling interests | 23,143 | 33,308 |
| Dividends paid to non-controlling interests | 49,724 | 23,243 |

Summarised statements of financial position as at 31 December 2016 and 2015:

| | 2016 AED'000 | 2015 AED'000 |
|---|-----------------|-----------------|
| Cash and bank balances | 90,502 | 60,325 |
| Property, plant and equipment | 53,859 | 52,506 |
| Other current assets | 149,919 | 172,815 |
| Non-current assets | 512 | - |
| Trade and other payable (current) | (219,729) | (164,953) |
| Interest-bearing loans and borrowing and deferred tax | (24,451) | (23,685) |
| Liabilities (non-current) | (42,373) | (39,170) |
| Total Equity | 8,239 | 57,838 |
| Attributable to: | | |
| Equity holders of parent | 4,119 | 28,919 |
| Non-controlling interests | 4,119 | 28,919 |

Summarised cash flow information for the year ended 31 December:

| | 2016 AED'000 | 2015 AED'000 |
|--|-----------------|-----------------|
| Operating | 134,370 | 78,835 |
| Investing | (8,307) | (11,337) |
| Financing | (95,886) | (60,836) |
| Net increase in cash and cash equivalents | 30,177 | 6,662 |

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

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

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

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

| | <i>2016</i> <i>AED '000</i> | <i>2015</i> <i>AED '000</i> |
|--|--------------------------------|--------------------------------|
| Rendering of services | 53,293 | 82,055 |
| Cost of services | <u>(31,542)</u> | <u>(47,255)</u> |
| Gross profit | 21,751 | 34,800 |
| Less: Overheads | <u>(16,758)</u> | <u>(24,643)</u> |
| Operating profit | 4,993 | 10,157 |
| Add: Other income, net | <u>778</u> | <u>1,628</u> |
| Profit before tax | 5,771 | 11,785 |
| Income tax expense | <u>(1,747)</u> | <u>(3,559)</u> |
| Profit after tax for the period | 4,024 | 8,226 |
| Profit on disposal of the discontinued operations | <u>3,353</u> | <u>-</u> |
| Total Profit for the period from the discontinued operation | <u>7,377</u> | <u>8,226</u> |

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

| | <i>2016</i> <i>AED '000</i> | <i>2015</i> <i>AED '000</i> |
|---|--------------------------------|--------------------------------|
| Assets | | |
| Property, plant and equipment (note 4) | 1,619 | 1,190 |
| Trade receivables | 8,409 | 8,875 |
| Other current assets | 1,152 | 1,895 |
| Other non current assets | 919 | - |
| Cash at banks | <u>4,007</u> | <u>5,493</u> |
| Total Assets | <u>16,106</u> | <u>17,453</u> |
| Liabilities | | |
| Trade payables | 195 | 348 |
| Other current liabilities | 3,518 | 2,604 |
| Other non-current liabilities | <u>681</u> | <u>110</u> |
| Total Liabilities | <u>4,394</u> | <u>3,062</u> |
| Net assets directly associated with disposal group | <u>11,712</u> | <u>14,391</u> |

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

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

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

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

| | <i>2016</i> | <i>2015</i> |
|------------------------------------|-----------------------|-------------------|
| | <i>AED '000</i> | <i>AED '000</i> |
| Operating | (1,178) | (88) |
| Investing | (428) | 694 |
| Net cash (outflows) inflows | <u><u>(1,606)</u></u> | <u><u>606</u></u> |

Profit on sales was recognized as follows:

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

8 DISCONTINUED OPERATION (continued)**2015****Disposal of Aramex Kazakhstan LLP**

On 30 April 2015, the Group disposed of 41% of its interest in Aramex Kazakhstan LLP. The cash flows generated by the sale of the discontinued operation during 2015 have been considered in the statement of cash flows as part of the investing activities.

The Aramex Kazakhstan LLP segment is no longer presented in the segment note.

The results of Aramex Kazakhstan LLP for the year are as follows:

| | <i>2015</i> <i>AED '000</i> |
|--|--------------------------------|
| Revenue | 1,516 |
| Cost of services | (792) |
| | <u>724</u> |
| Gross profit | 724 |
| Less: Overheads | (998) |
| | <u>(274)</u> |
| Operating loss | (274) |
| Less: other expense | (9) |
| | <u>(283)</u> |
| Loss before tax | (283) |
| Income tax expense | - |
| | <u>(283)</u> |
| Loss after tax for the period from the discontinued operations | (283) |
| Loss on disposal of the discontinued operations | (237) |
| | <u>(520)</u> |
| Total loss | (520) |
| Cash flow on sale: | |
| Consideration received | - |
| Cash included as cash and cash equivalents at 30 April 2015 in the statement of cash flows | (133) |
| | <u>(133)</u> |
| Net cash outflow | (133) |

The net cash flows incurred by Aramex Kazakhstan LLP are as follows:

| | <i>2015</i> <i>AED '000</i> |
|--------------------------|--------------------------------|
| Operating | (157) |
| Investing | 37 |
| | <u>(120)</u> |
| Net cash outflows | (120) |

Aramex PJSC and its subsidiaries

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9 INVESTMENTS IN JOINT VENTURES

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

| | <i>Ownership percentage</i> | | <i>Country of incorporation</i> | <i>Nature of activity</i> | <i>Book value</i> | |
|--|-----------------------------|-------------|---------------------------------|--|-------------------|----------------|
| | <i>2016</i> | <i>2015</i> | | | <i>2016</i> | <i>2015</i> |
| | <i>%</i> | <i>%</i> | | | <i>AED'000</i> | <i>AED'000</i> |
| Aramex Mashreq for Logistics Services S.A.E* | 100% | 75% | Egypt | Logistics services Express, freight and logistics services | - | 41,522 |
| Aramex Sinotrans Co. LTD | 50% | 50% | China | Express services | 4,147 | 3,228 |
| PT-Global Distribution Alliance | 50% | 50% | Indonesia | Logistics services | 1,710 | 1,632 |
| Aramex Logistics LLC | 50% | 50% | Oman | Other services | - | - |
| Easy Pack Plus | 50% | 50% | Dubai | Express and Domestic services | - | - |
| Aramex Global Solutions** | 60% | - | Singapore | | 119,464 | - |
| | | | | | <u>125,321</u> | <u>46,382</u> |

* During 2016, the Group acquired an additional 25% interest of the voting shares of Aramex Mashreq for Logistic Services, increasing its ownership to 100% and obtaining control. Therefore, the entity's financial statements were consolidated (Note 3).

** The approval for all major operational decisions for the Company were required by the Group and its partners jointly. Fair value of net assets of transaction date is still provisional.

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

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

| | 2016 | | | | | | |
|--|--|---|---|-------------------------------------|-------------------------------|--|----------------------|
| | <i>Aramex Mashreq for Logistics Services AED'000</i> | <i>Aramex Sinotrans Co. LTD AED'000</i> | <i>PT- Global Distribution Alliance AED'000</i> | <i>Aramex Logistics LLC AED'000</i> | <i>Easy Pack Plus AED'000</i> | <i>Aramex Global Solutions AED'000</i> | <i>Total AED'000</i> |
| Non-current assets | - | 1,035 | 456 | 45,129 | 1,542 | 164,539 | 212,701 |
| Current assets* | - | 24,368 | 4,410 | 10,402 | 1,754 | 74,463 | 115,397 |
| Non-current liabilities | - | - | (719) | (48,268) | - | (18) | (49,005) |
| Current liabilities** | - | (17,109) | (727) | (7,263) | (3,296) | (39,876) | (68,271) |
| Equity | - | 8,294 | 3,420 | - | - | 199,108 | 210,822 |
| Proportion of the Group's ownership | <u>100%</u> | <u>50%</u> | <u>50%</u> | <u>50%</u> | <u>50%</u> | <u>60%</u> | |
| Carrying amount of the investment | - | 4,147 | 1,710 | - | - | 119,464 | 125,321 |

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

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

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

9 INVESTMENTS IN JOINT VENTURES (continued)

| | 2015 | | | | | | |
|--|--|---|---|---|---------------------------------------|--|--------------------------|
| | <i>Aramex Mashreq for Logistics Services AED'000</i> | <i>Aramex Sinotrans Co. LTD AED'000</i> | <i>PT- Global Distribution Alliance AED'000</i> | <i>Aramex Logistics LLC AED'000</i> | <i>Easy Pack Plus AED'000</i> | <i>Aramex Global Solutions AED'000</i> | <i>Total AED'000</i> |
| Non-current assets | 72,345 | 690 | 213 | 46,922 | 1,717 | - | 121,887 |
| Current assets* | 15,307 | 27,096 | 4,831 | 2,028 | 637 | - | 49,899 |
| Non-current liabilities | (17,268) | - | (478) | (43,110) | - | - | (60,856) |
| Current liabilities** | (15,021) | (21,328) | (1,302) | (5,840) | (2,354) | - | (45,845) |
| Equity | 55,363 | 6,458 | 3,264 | - | - | - | 65,085 |
| Proportion of the Group's ownership | 75% | 50% | 50% | 50% | 50% | - | |
| Carrying amount of the investment | 41,522 | 3,228 | 1,632 | - | - | - | 46,382 |

* The current assets of Aramex Mashreq include cash at banks amounted to AED 1.6 million, accounts receivable amounted to AED 9.9 million and other current assets amounted to AED 3.8 million.

** The current liabilities of Aramex Mashreq include deferred tax liabilities amounted to AED 1.6 million, accruals amounted to AED 1.4 million, loans and borrowing amounted to AED 3 million, finance lease obligation amounted to AED 5.2 million and other current liabilities amounted to AED 3.8 million.

Summarized statement of profit or loss of the joint ventures:

| | 2016 | | | | | | |
|--|--|---|---|---|---------------------------------------|--|--------------------------|
| | <i>Aramex Mashreq for Logistics Services AED'000</i> | <i>Aramex Sinotrans Co. LTD AED'000</i> | <i>PT- Global Distribution Alliance AED'000</i> | <i>Aramex Logistics LLC AED'000</i> | <i>Easy Pack Plus AED'000</i> | <i>Aramex Global Solutions AED'000</i> | <i>Total AED'000</i> |
| Revenue | - | 88,660 | 6,332 | 9,250 | 45 | 68,874 | 173,161 |
| Cost of sale | - | (69,366) | (3,272) | (2,105) | - | (66,092) | (140,835) |
| Administrative expenses | - | (16,937) | (2,862) | (12,502) | (45) | (3,515) | (35,861) |
| Profit (loss) before tax | - | 2,357 | 198 | (5,357) | - | (733) | (3,535) |
| Income tax expense | - | - | (65) | - | - | (197) | (262) |
| Profit (loss) for the year | - | 2,357 | 133 | (5,357) | - | (930) | (3,797) |
| Group's share of profit (loss) for the year | - | 1,179 | 66 | (2,679) | - | (558) | (1,992) |

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

9 INVESTMENTS IN JOINT VENTURES (continued)

| | 2015 | | | | | | Total AED'000 |
|--|--|---|---|---|---------------------------------------|--|------------------|
| | <i>Aramex Mashreq for Logistics Services AED'000</i> | <i>Aramex Sinotrans Co. LTD AED'000</i> | <i>PT- Global Distribution Alliance AED'000</i> | <i>Aramex Logistics LLC AED'000</i> | <i>Easy Pack Plus AED'000</i> | <i>Aramex Global Solutions AED'000</i> | |
| Revenue | 51,104 | 78,751 | 6,402 | 2,611 | - | - | 138,868 |
| Cost of sale | (19,589) | (62,503) | (3,221) | (1,260) | - | - | (86,573) |
| Administrative expenses | (29,683) | (15,146) | (2,693) | (11,321) | (300) | - | (59,143) |
| Profit (loss) before tax | 1,832 | 1,102 | 488 | (9,970) | (300) | - | (6,848) |
| Income tax expense | 765 | - | 7 | - | - | - | 772 |
| Profit (loss) for the year | 2,597 | 1,102 | 495 | (9,970) | (300) | - | (6,076) |
| Group's share of profit (loss) for the year | 1,949 | 551 | 248 | (4,985) | (150) | - | (2,387) |

The joint ventures have capital commitments of AED Nil (2015: AED 140 thousand) towards construction of property, plant and equipment.

10 INVESTMENTS IN ASSOCIATES

The details of the investments in associates were as follows:

| | <i>Ownership percentage</i> | | <i>Country of incorporation</i> | <i>Nature of activity</i> | <i>Book value</i> | |
|---------------------------------------|---------------------------------|-------------------|-------------------------------------|------------------------------|-------------------------|-------------------------|
| | <i>2016 %</i> | <i>2015 %</i> | | | <i>2016 AED'000</i> | <i>2015 AED'000</i> |
| Canterbury Courier Operations Ltd | 25% | - | New Zealand | Domestic services | 367 | - |
| Linehaul Express Australia Pty Ltd | 26.4% | - | Australia | Domestic services | 197 | - |
| WS One Investment LLC | 25% | - | UAE | Express services | 9,588 | - |
| Aramex Thailand Ltd | 49% | 49% | Thailand | Logistics and transportation | 316 | 475 |
| Aramex Kazakhstan LLP | - | 10% | Kazakhstan | Freight forwarding | - | - |
| | | | | | 10,468 | 475 |

Aramex PJSC and its subsidiaries

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10 INVESTMENTS 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:

| | 2016 | | | | | |
|--|--|---|--|--|--|--------------------------|
| | <i>Canterbury Courier Operations Ltd AED'000</i> | <i>Linehaul Express Australia PTY Ltd AED'000</i> | <i>WS One Investment LLC AED'000</i> | <i>Aramex Thailand Ltd AED'000</i> | <i>Aramex Kazakhstan LLP AED'000</i> | <i>Total AED'000</i> |
| Non-current assets | 2,984 | - | 1,824 | 315 | - | 5,123 |
| Current assets | 4,331 | 4,833 | 44,120 | 666 | - | 53,950 |
| Non-current liabilities | (888) | - | - | (27) | - | (915) |
| Current liabilities | (4,959) | (4,088) | (7,592) | (310) | - | (16,949) |
| Equity | 1,468 | 745 | 38,352 | 644 | - | 41,209 |
| Proportion of the Group's ownership | 25% | 26.4% | 25% | 49% | - | |
| Group's share | 367 | 197 | 9,588 | 316 | - | 10,468 |
| Carrying amount of the investment | 367 | 197 | 9,588 | 316 | - | 10,468 |
| | 2015 | | | | | |
| | <i>Canterbury Courier Operations Ltd AED'000</i> | <i>Linehaul Express Australia PTY Ltd AED'000</i> | <i>WS One Investment LLC AED'000</i> | <i>Aramex Thailand AED'000</i> | <i>Aramex Kazakhstan LLP AED'000</i> | <i>Total AED'000</i> |
| Non-current assets | - | - | - | 404 | 993 | 1,397 |
| Current assets | - | - | - | 844 | 5,262 | 6,106 |
| Non-current liabilities | - | - | - | (32) | - | (32) |
| Current liabilities | - | - | - | (247) | (6,255) | (6,502) |
| Equity | - | - | - | 969 | - | 969 |
| Proportion of the Group's ownership | - | - | - | 49% | 10% | |
| Group's share | - | - | - | 475 | - | 475 |
| Carrying amount of the investment | - | - | - | 475 | - | 475 |

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 INVESTMENT IN ASSOCIATES (continued)

| | 2016 | | | | | |
|--|---|--|---|-----------------------------------|---|-------------------------|
| | <i>Canterbury Courier Operations Ltd</i> AED'000 | <i>Linehaul Express Australia PTY Ltd</i> AED'000 | <i>WS One Investment LLC</i> AED'000 | <i>Aramex Thailand</i> AED'000 | <i>Aramex Kazakhstan LLP</i> AED'000 | <i>Total</i> AED'000 |
| Revenue | 15,134 | 21,720 | 53,340 | 3,143 | - | 93,337 |
| Cost of sale | (11,120) | (21,362) | (38,754) | (1,619) | - | (72,855) |
| Administrative expenses | (2,750) | (565) | (11,829) | (1,862) | - | (17,006) |
| Profit (loss) before tax | 1,264 | (207) | 2,757 | (338) | - | 3,476 |
| Income tax expense | (222) | - | (400) | - | - | (622) |
| Profit (loss) for the year | 1,042 | (207) | 2,357 | (338) | - | 2,854 |
| Group's share of profit (loss) for the year | 260 | (54) | 589 | (166) | - | 629 |

| | 2015 | | | | | |
|---|---|--|---|-----------------------------------|---|-------------------------|
| | <i>Canterbury Courier Operations Ltd</i> AED'000 | <i>Linehaul Express Australia PTY Ltd</i> AED'000 | <i>WS One Investment LLC</i> AED'000 | <i>Aramex Thailand</i> AED'000 | <i>Aramex Kazakhstan LLP</i> AED'000 | <i>Total</i> AED'000 |
| Revenue | - | - | - | 1,863 | 3,485 | 5,348 |
| Cost of sale | - | - | - | (929) | (2,320) | (3,249) |
| Administrative expenses | - | - | - | (1,969) | (2,197) | (4,166) |
| Loss before tax | - | - | - | (1,035) | (1,032) | (2,067) |
| Income tax expense | - | - | - | - | - | - |
| Loss for the year | - | - | - | (1,035) | (1,032) | (2,067) |
| Group's share of loss for the year | - | - | - | (507) | (58) | (565) |

The associates had no contingent liabilities or capital commitments as at 31 December 2016 and 2015.

11 AVAILABLE FOR SALE FINANCIAL ASSETS

| | <i>Ownership percentage</i> | | <i>Country of incorporation</i> | <i>Nature of activity</i> | <i>Book value</i> | |
|----------------------------------|-----------------------------|-------------|---------------------------------|---------------------------------|-------------------|----------------|
| | <i>2016</i> | <i>2015</i> | | | <i>2016</i> | <i>2015</i> |
| | <i>%</i> | <i>%</i> | | | <i>AED'000</i> | <i>AED'000</i> |
| Unquoted financial assets | | | | | | |
| Udaan Logisure Private Ltd* | 5.88 | - | India | Local delivery solutions | 1,844 | - |
| Return Hound Ltd** | 20 | - | British Virgin Islands | Lost luggage retrieval business | 1,102 | - |
| Shippify Inc*** | 10.70 | - | USA | Food delivery | 1,102 | - |
| Grab a Grub Services Pvt Ltd**** | 16.35 | - | India | B2B logistics provider | 7,395 | - |
| What 3 Words Ltd***** | 3.59 | - | UK | Global addressing systems | 10,950 | - |
| Jamalon Inc.***** | 8.49 | - | British Virgin Islands | Online book retail | 3,673 | - |
| | | | | | 26,066 | - |

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

* During 2016, the Group entered in to a Compulsory Convertible Debenture agreement with Udaan Logisure Private Ltd, a limited liability company located in India.

** During 2016, the Group entered in to a convertible note agreement with Return Hound Ltd, a limited liability company registered in the British Virgin Islands and operating in the UAE.

*** During 2016, the Group entered in to a convertible promissory note agreement with Shippify Inc, an incorporation registered in the USA and operating in Brazil.

Aramex PJSC and its subsidiaries

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At 31 December 2016

11 AVAILABLE FOR SALE FINANCIAL ASSETS (continued)

- **** During 2016, the Group entered in to a Compulsory Convertible Debenture agreement with Grab a Grub Services Private Limited, a limited liability company located in India.
- ***** During 2016, the Group entered in to an investment agreement with What 3 Words Ltd, a limited liability company located in the UK.
- ***** During 2016, the Group entered in to an investment agreement with Jamalon Inc, an incorporation located in the British Virgin Islands.

The above investments are green field projects newly established.

12 INCOME TAX

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

Consolidated income statement

| | 2016 AED'000 | 2015 AED'000 |
|---|-----------------|-----------------|
| Current income tax expense | 60,583 | 37,252 |
| Deferred tax | 819 | (369) |
| Foreign exchange | (476) | (195) |
| Income tax expense reported in the consolidated income statement | 60,926 | 36,688 |

Deferred tax relates to the following:

| | 2016 AED'000 | 2015 AED'000 |
|--------------------------------------|-----------------|-----------------|
| Provision for doubtful accounts | 1,813 | 1,628 |
| Depreciation | (6,681) | (824) |
| Employees' end of service benefits | 2,339 | (733) |
| Net operating losses carried forward | 40 | 10 |
| Capital allowance | 392 | (547) |
| Others | 3,335 | 2,523 |
| | 1,238 | 2,057 |
| <i>Recognised as follows:</i> | | |
| As deferred tax assets | 3,477 | 3,943 |
| As deferred tax liabilities | (2,239) | (1,886) |
| | 1,238 | 2,057 |

Reconciliation between accounting profit and taxable profit:

| | 2016 AED'000 | 2015 AED'000 |
|--|-----------------|-----------------|
| Accounting profit before income tax | 505,723 | 374,393 |
| Non-deductible expenses | 44,163 | 26,968 |
| Taxable profit | 549,886 | 401,361 |
| Income tax expense reported in the consolidated income statement | 60,926 | 36,688 |
| Effective income tax rate | 12.05% | 9.80% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

12 INCOME TAX (continued)

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

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

13 ACCOUNTS RECEIVABLE

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|---------------------------------------|-------------------------------|-------------------------------|
| Trade receivables | 813,328 | 788,412 |
| Less: allowance for doubtful accounts | (58,908) | (57,180) |
| | <u>754,420</u> | <u>731,232</u> |

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

| | <i>2016</i> <i>%</i> | <i>2015</i> <i>%</i> |
|--------------------------|-------------------------|-------------------------|
| - Middle East and Africa | 66 | 76 |
| - Europe | 10 | 11 |
| - North America | 4 | 3 |
| - Asia and others | 20 | 10 |

As at 31 December 2016, trade receivables at nominal value of AED 58,908 thousand (2015: AED 57,180 thousand) were impaired. Movements on allowance for impairment of receivables were as follows:

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| At 1 January | 57,180 | 52,783 |
| Charge for the year (note 27) | 10,424 | 12,281 |
| Acquisition of subsidiaries | 654 | 95 |
| Amounts written-off | (9,350) | (7,979) |
| At 31 December | <u>58,908</u> | <u>57,180</u> |

Aramex PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

13 ACCOUNTS RECEIVABLE (continued)

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

| | Total AED'000 | Past due but not impaired | | | | |
|------|------------------|---------------------------|--------------------------|---------------------------|----------------------------|--------------------------------|
| | | 0-60 days AED'000 | 61-90 days AED'000 | 91-180 days AED'000 | 181-365 days AED'000 | More than 1 year AED'000 |
| 2016 | 754,420 | 593,926 | 126,920 | 21,956 | 11,618 | - |
| 2015 | 731,232 | 600,248 | 83,273 | 30,035 | 17,676 | - |

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

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

14 OTHER CURRENT ASSETS

| | 2016 AED'000 | 2015 AED'000 |
|----------------------------------|-----------------|-----------------|
| Prepaid expenses | 62,387 | 56,847 |
| Advances and other receivables * | 137,003 | 106,340 |
| | <u>199,390</u> | <u>163,187</u> |

* Advances and other receivables include an amount of AED Nil (2015: AED 2.9 million) due from a related party in connection with employees participating in an incentive plan as at 31 December 2016 and 2015.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

| | 2016 AED'000 | 2015 AED'000 |
|---------------------------------|-----------------|-----------------|
| Cash and short term deposits | 701,296 | 707,158 |
| Less: cash margin | (4,369) | (10,971) |
| Less: bank overdrafts (note 22) | (57,453) | (33,941) |
| | <u>639,474</u> | <u>662,246</u> |

Included in cash and short term deposits are amounts totalling AED 409,302 thousand (31 December 2015: AED 345,310 thousand) of cash held at foreign banks abroad and amounts totalling approximately AED 69,779 of cash on delivery collected by the Group on behalf of customers, the same balance was recorded as trade payable at the consolidated statement of financial position.

16 SHARE CAPITAL

| | 2016 AED'000 | 2015 AED'000 |
|--|------------------|------------------|
| Authorised, issued and paid up 1,464,100,000 ordinary shares of AED 1 each (2015: 1,464,100,000 ordinary shares of AED 1 each) | <u>1,464,100</u> | <u>1,464,100</u> |

17 RESERVES**Statutory reserve**

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

Foreign currency translation reserve

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

Reserve arising from acquisition of non-controlling interests

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

18 RETAINED EARNINGS**Dividends**

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

The General Assembly approved in its meeting held on 19 April 2015 a cash dividend for 2014 of 14% of the Company's share capital.

Directors' fees paid

Directors' fees of AED 3.37 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2015 were paid in 2016 (2015: AED 3.59 million representing remuneration for attending meetings and compensation for professional services rendered by the Directors for the year 2014 were paid in 2015).

19 LOANS AND BORROWINGS

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| Non-current | | |
| Term loan (a) | 349,431 | 216,737 |
| Finance lease obligations (b) | 12,331 | 11,848 |
| | <u>361,762</u> | <u>228,585</u> |
| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
| Current | | |
| Term loan (a) | 196,532 | 74,064 |
| Notes payable | 480 | 380 |
| Finance lease obligations (b) | 14,869 | 13,506 |
| | <u>211,881</u> | <u>87,950</u> |

19 LOANS AND BORROWINGS (continued)**(a) Term Loans****HSBC loan (1)**

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

HSBC loan (2)

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

* The principal instalments payable after 2016 are as follows:

| <i>Year</i> | <i>AED'000</i> |
|-----------------|----------------|
| 2017 | 196,532 |
| 2018 | 75,162 |
| 2019 | 74,893 |
| 2020 | 44,818 |
| 2021 thereafter | 154,558 |
| | <u>545,963</u> |

(b) Finance lease obligation

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

| | <i>Future minimum lease payments AED'000</i> | <i>Interest AED'000</i> | <i>Present value of minimum lease payments AED'000</i> |
|---|--|-----------------------------|--|
| 2016 - | | | |
| Within one year | 16,378 | 1,509 | 14,869 |
| After one year but not more than five years | 12,967 | 636 | 12,331 |
| Total | <u>29,345</u> | <u>2,145</u> | <u>27,200</u> |
| 2015 - | | | |
| Within one year | 15,045 | 1,539 | 13,506 |
| After one year but not more than five years | 12,542 | 694 | 11,848 |
| Total | <u>27,587</u> | <u>2,233</u> | <u>25,354</u> |

Finance lease obligations have maturities till 2021. Interest rate on finance lease obligations ranges between 2.2% - 8%. (2015: 2.2% - 8%).

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20 EMPLOYEES' END OF SERVICE BENEFITS

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

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|--|-------------------------------|-------------------------------|
| Provision as at 1 January | 129,544 | 117,717 |
| Provided during the year | 23,043 | 24,911 |
| Paid during the year | (12,822) | (12,448) |
| Exchange differences | (968) | (636) |
| | <u>138,797</u> | <u>129,544</u> |
| Provision as at 31 December | 138,797 | 129,544 |
| Actuarial gains and losses | - | - |
| | <u>138,797</u> | <u>129,544</u> |
| Present value of the defined benefit obligations | <u>138,797</u> | <u>129,544</u> |

21 ACCOUNTS PAYABLE

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

22 BANK OVERDRAFTS

The Group maintains overdrafts and lines of credit with various banks. Aramex Tunisia has outstanding overdrafts from Citi Bank of AED 456 thousand as at 31 December 2016 (2015: AED 4,253 thousand).

Aramex Algeria SARL has outstanding overdrafts from Citi Bank of AED 1,908 thousand as at 31 December 2016 (2015: AED Nil).

Aramex International LLC has outstanding overdrafts from HSBC of AED 55,089 thousand as at 31 December 2016 (2015: AED 19,833 thousand).

The Group maintains overdrafts and lines of credit with various banks. South Africa (Berco Express Limited) has outstanding lines of credit from (ABSA – Member of the BARCLAYS Group) of AED Nil as of 31 December 2016 (2015: AED 6,065 thousand).

Aramex Kenya Limited has outstanding bank overdraft from Citi Bank of AED Nil as at 31 December 2016 (2015: AED 2,196 thousand).

Aramex Egypt has outstanding overdrafts from Bank Misr of AED Nil as at 31 December 2016 (2015: AED 1,594 thousand).

23 OTHER CURRENT LIABILITIES

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| Accrued expenses | 364,788 | 341,225 |
| Deferred revenue | 52,508 | 14,817 |
| Sales tax and other taxes | 28,247 | 28,798 |
| Income taxes payable | 44,929 | 36,756 |
| Customers' deposits | 5,746 | 4,573 |
| Social security taxes payable | 6,462 | 9,975 |
| Claims | 33,333 | 21,973 |
| Others | 84,163 | 65,669 |
| | <u>620,176</u> | <u>523,786</u> |

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24 EMPLOYEES' BENEFIT LIABILITY

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

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

The Group expects that the earnings target will be achieved for the remaining life of the plan and hence each option will have an exercise price of zero. During 2016, a number of employees exercised their share rights which were paid in cash.

The following tables list the inputs to the models used for the plan for the year ended 31 December 2016:

| | <i>2016</i> <i>AED</i> |
|-----------------------------|---------------------------|
| Dividend yield (%) * | 0 |
| Risk-free interest rate (%) | 2.4 |
| Expected life (years) | 6 |
| Share price | 4.07 |

Movements on employees' benefit liability were as follows:

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|---|-------------------------------|-------------------------------|
| At 1 January | 63,825 | 8,336 |
| Employees benefit plan expense for the year | 47,627 | 55,489 |
| Paid during the year | (36,464) | - |
| At 31 December | <u>74,988</u> | <u>63,825</u> |

25 REVENUE

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| International express | 1,687,115 | 1,387,173 |
| Freight forwarding | 1,130,717 | 1,203,176 |
| Domestic express | 981,258 | 729,245 |
| Logistics | 264,624 | 205,758 |
| Publications and distribution | 9,958 | 10,073 |
| Others* | 269,486 | 219,273 |
| | <u>4,343,158</u> | <u>3,754,698</u> |

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

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26 COST OF SERVICES

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| International express | 529,201 | 437,199 |
| Freight forwarding | 810,213 | 876,998 |
| Domestic express | 462,067 | 236,267 |
| Logistics | 65,399 | 43,278 |
| Publications and distribution | 5,730 | 6,239 |
| Others | 38,555 | 26,629 |
| | <u>1,911,165</u> | <u>1,626,610</u> |

27 ADMINISTRATIVE EXPENSES

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|---|-------------------------------|-------------------------------|
| Salaries and benefits | 459,990 | 417,180 |
| Rent | 82,544 | 55,616 |
| Depreciation | 59,700 | 50,899 |
| Communication expenses | 43,408 | 35,072 |
| Repairs and maintenance | 31,289 | 19,097 |
| Allowance for impairment of receivables (note 13) | 10,424 | 12,281 |
| Printing and stationary | 7,956 | 7,763 |
| Entertainment | 9,352 | 9,504 |
| Vehicle running expenses | 4,905 | 4,420 |
| Insurance and security | 27,999 | 20,657 |
| Government fees and taxes | 37,392 | 35,724 |
| Corporate social responsibility* | 5,466 | 5,212 |
| Sponsorship | 194 | 166 |
| Utilities | 13,852 | 11,360 |
| Travel expenses | 20,478 | 16,723 |
| Professional fees | 41,150 | 28,809 |
| Others | 84,218 | 71,557 |
| | <u>940,317</u> | <u>802,040</u> |

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

28 OPERATING EXPENSES

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|---------------------------------|-------------------------------|-------------------------------|
| Salaries and benefits | 539,159 | 509,344 |
| Vehicle running and maintenance | 88,109 | 82,939 |
| Supplies | 28,514 | 30,483 |
| Communication expenses | 7,339 | 6,704 |
| Depreciation | 39,470 | 30,372 |
| Rent | 67,694 | 61,435 |
| Others | 56,127 | 43,708 |
| | <u>826,412</u> | <u>764,985</u> |

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29 OTHER INCOME, NET

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|---|-------------------------------|-------------------------------|
| Exchange gain | 13,412 | 460 |
| Gain on sale of property, plant and equipment | 3,852 | 12 |
| Miscellaneous income | 2,953 | 4,373 |
| | <u>20,217</u> | <u>4,845</u> |

30 RELATED PARTY TRANSACTIONS

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

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

| | <i>Related party</i> | |
|--|-------------------------------|-------------------------------|
| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
| Rent expense – Companies controlled by the directors | <u>1,389</u> | <u>1,389</u> |

Compensation of key management personnel of the Group

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

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|--|-------------------------------|-------------------------------|
| Salaries and other short term benefits | 12,256 | 12,287 |
| End of service benefits | 193 | 551 |
| | <u>12,449</u> | <u>12,838</u> |

Directors fees paid were disclosed in note (18)

Employees' benefit plan

Senior executive of the Group were granted phantom shares as detailed in Note (24).

Significant subsidiaries of the Group include:

Aramex Fastway Holdings PTY Ltd.
Aramex Jordan Ltd.
Aramex India Private Limited, India
Aramex International Egypt for Air and Local services (S.A.E), Egypt
Aramex Bahrain S.P.C
Aramex Emirates LLC, UAE
Aramex Ireland Limited
Aramex Nederland B.V.
Aramex South Africa PTY Ltd.

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30 RELATED PARTY TRANSACTIONS (continued)

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

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

The Group entered into a new joint venture agreement "Aramex Global solutions" with Australia Post (shareholder) for the purpose of providing global e-commerce solutions. (Note 9).

The Group disposed of 100% of its interest in Mail Call Couriers PTY Limited. The sale transaction was done to a related party (Note 8).

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. The outstanding balances as at 31 December 2016 and 2015, are included in notes 13 and 21:

| | | <i>Sales to related parties AED'000</i> | <i>Cost from related parties AED'000</i> | <i>Amounts owed by related parties* AED'000</i> | <i>Amounts owed to related parties** AED'000</i> | <i>Long term loan granted to related parties AED'000</i> |
|--|-------------|---|--|---|--|--|
| Associates: | 2016 | 331 | 542 | 84 | 2 | - |
| | 2015 | 333 | 350 | 57 | - | - |
| Joint ventures in which the Parent is a venturer: | 2016 | 1,725 | 30,225 | 2,819 | 8,757 | - |
| | 2015 | 881 | 22,132 | 2,495 | 8,550 | 1,767 |

* These amounts are classified as trade receivables and other current assets.

** These amounts are classified as trade payables.

31 EARNINGS PER SHARE

| | <i>31 December 2016</i> | <i>31 December 2015</i> |
|--|-----------------------------|-----------------------------|
| Profit attributable to shareholders of the Parent (AED'000) | <u>426,595</u> | <u>311,302</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 (AED) | <u>0.291</u> | <u>0.213</u> |

32 OPERATING LEASES**Group as lessee**

The Group leases land, office space, warehouses and transportation equipments under various operating leases, some of which are renewable annually. Rent expense related to these leases amounted to AED 150.24 million for the year ended 31 December 2016 (2015: AED 117.05 million). The Group believes that most operating leases will be renewed at comparable rates to the expiring leases.

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

| | 2016 <i>AED'000</i> | 2015 <i>AED'000</i> |
|---|-------------------------------|-------------------------------|
| Within one year | 153,190 | 148,629 |
| After one year but not more than five years | 511,079 | 435,349 |
| More than five years | 12,817 | 20,929 |
| | 677,086 | 604,907 |

33 SEGMENTAL INFORMATION

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

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

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

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

The following table presents revenue and profit information regarding the Group's operating segments for the years ended 31 December 2016 and 2015, respectively.

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At 31 December 2016

33 SEGMENTAL INFORMATION (continued)

| | International express AED '000 | Freight forwarding AED '000 | Domestic express AED '000 | Logistics AED '000 | Others AED '000 | Elimination AED '000 | Total AED '000 |
|------------------------------------|--------------------------------------|-----------------------------------|---------------------------------|-----------------------|--------------------|-------------------------|-------------------|
| Year ended 31 December 2016 | | | | | | | |
| Revenue | | | | | | | |
| Third party | 1,687,115 | 1,130,717 | 981,258 | 264,624 | 279,444 | - | 4,343,158 |
| Inter-segment | 712,218 | 222,997 | 3,589 | 5,615 | 16,551 | (960,970) | - |
| Total revenues | 2,399,333 | 1,353,714 | 984,847 | 270,239 | 295,995 | (960,970) | 4,343,158 |
| Gross profit | 1,157,914 | 320,503 | 519,191 | 199,225 | 235,160 | - | 2,431,993 |
| Year ended 31 December 2015 | | | | | | | |
| Revenue | | | | | | | |
| Third party | 1,387,173 | 1,203,176 | 729,245 | 205,758 | 229,346 | - | 3,754,698 |
| Inter-segment | 603,043 | 243,734 | 1,024 | 4,563 | 7,942 | (860,306) | - |
| Total revenues | 1,990,216 | 1,446,910 | 730,269 | 210,321 | 237,288 | (860,306) | 3,754,698 |
| Gross profit | 949,973 | 326,177 | 492,978 | 162,479 | 196,481 | - | 2,128,088 |

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

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33 SEGMENTAL INFORMATION (continued)

Geographical segments

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

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

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|----------------------------|-------------------------------|-------------------------------|
| Revenues | | |
| Middle East and Africa | 2,797,963 | 2,764,837 |
| Europe | 563,904 | 544,803 |
| North America | 117,993 | 110,909 |
| Asia and others | 863,298 | 334,149 |
| | <u>4,343,158</u> | <u>3,754,698</u> |
| Assets | | |
| Middle East and Africa | 2,752,965 | 2,724,636 |
| Europe | 385,532 | 407,435 |
| North America | 48,868 | 38,887 |
| Asia and others | 786,791 | 274,398 |
| | <u>3,974,156</u> | <u>3,445,356</u> |
| Non-current assets* | | |
| Middle East and Africa | 797,457 | 697,115 |
| Europe | 63,782 | 68,386 |
| North America | 3,959 | 4,767 |
| Asia and others | 363,487 | 29,107 |
| | <u>1,228,685</u> | <u>799,375</u> |
| Liabilities | | |
| Middle East and Africa | 1,172,115 | 1,061,664 |
| Europe | 81,484 | 102,025 |
| North America | 17,382 | 11,906 |
| Asia and others | 428,673 | 69,966 |
| | <u>1,699,654</u> | <u>1,245,561</u> |

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

34 COMMITMENTS AND CONTINGENCIES

Guarantees

| | <i>2016</i> <i>AED'000</i> | <i>2015</i> <i>AED'000</i> |
|----------------------|-------------------------------|-------------------------------|
| Letters of guarantee | <u>100,414</u> | <u>110,018</u> |

Capital commitments

As at 31 December 2016, the Group has capital commitments of AED 37.4 million (2015: AED 65.3 million) towards purchase/construction of property, plant and equipment.

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

The Group is a defendant in a number of lawsuits amounting to AED 17,377 thousand representing legal actions and claims related to its ordinary course of business (2015: AED 22,600 thousand). The management and their legal advisors believe that the provision recorded of AED 6,090 thousand as of 31 December 2016 is sufficient to meet the obligations that may arise from the lawsuits (2015: AED 6,104 thousand).

35 RISK MANAGEMENT**Interest rate risk**

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

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

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

| | <i>Increase/ (decrease) in basis points</i> | <i>Effect on profit for the year AED '000</i> |
|---------------------------|---|---|
| 2016 | | |
| Variable rate instruments | +100 | (5,487) |
| Variable rate instruments | -100 | 5,487 |
| 2015 | | |
| Variable rate instruments | +100 | (2,960) |
| Variable rate instruments | -100 | 2,960 |

Credit risk

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

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 66% percent of the Group's trade receivables are based in Middle East and Africa.

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

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

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

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

At 31 December 2016 the Group had 5 customers (2015: 5 customers) that accounted for approximately 23% (2015: 21%) of all the receivables outstanding.

Liquidity risk

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

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

Excessive risk concentration

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

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

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

Year ended 31 December 2016

| | <i>Less than 3 months AED'000</i> | <i>3 to 12 months AED'000</i> | <i>1-2 year AED'000</i> | <i>2-5 years AED'000</i> | <i>> 5 years AED'000</i> | <i>Total AED'000</i> |
|---------------------------|---|---------------------------------------|-----------------------------|------------------------------|---------------------------------|--------------------------|
| Term loans | 24,608 | 182,887 | 84,533 | 291,309 | - | 583,337 |
| Notes payable | 56 | 163 | 191 | 141 | - | 551 |
| Finance lease obligations | 4,475 | 11,833 | 9,488 | 3,549 | - | 29,345 |
| Bank overdraft | 57,578 | - | - | - | - | 57,578 |
| Trade and other payables | 755,967 | - | - | - | - | 755,967 |
| | <u>842,684</u> | <u>194,883</u> | <u>94,212</u> | <u>294,999</u> | <u>-</u> | <u>1,426,778</u> |

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35 RISK MANAGEMENT (continued)

Liquidity risk (continued)

Year ended 31 December 2015

| | <i>Less than 3 months AED'000</i> | <i>3 to 12 months AED'000</i> | <i>1-2 year AED'000</i> | <i>2-5 years AED'000</i> | <i>> 5 years AED'000</i> | <i>Total AED'000</i> |
|---------------------------|---|---------------------------------------|-----------------------------|------------------------------|---------------------------------|--------------------------|
| Term loans | 21,997 | 56,100 | 63,776 | 156,952 | - | 298,825 |
| Notes payable | 155 | 285 | - | - | - | 440 |
| Finance lease obligations | 4,117 | 10,928 | 9,383 | 3,159 | - | 27,587 |
| Bank overdraft | 35,057 | - | - | - | - | 35,057 |
| Trade and other payables | 634,300 | - | - | - | - | 634,300 |
| | <u>695,626</u> | <u>67,313</u> | <u>73,159</u> | <u>160,111</u> | <u>-</u> | <u>996,209</u> |

Currency risk

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

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

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

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> |
|-------------|--|--|
| 2016 | | |
| EUR | +10 | 1,738 |
| INR | +10 | (340) |
| GBP | +10 | (4,017) |
| EGP | +10 | 112 |
| TYL | +10 | 190 |
| ZAR | +10 | (142) |
| 2015 | | |
| EUR | +10 | 1,239 |
| INR | +10 | 694 |
| GBP | +10 | 60 |
| EGP | +10 | 231 |
| TYL | +10 | 137 |
| ZAR | +10 | 37 |

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

35 RISK MANAGEMENT (continued)

Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises share capital, statutory reserve, reserve arising from acquisition of non-controlling interests and retained earnings, and is measured at AED 2,616,044 thousand as at 31 December 2016 (2015: AED 2,417,352 thousand).

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

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

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

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables, available for sale financial assets and other current assets. Financial liabilities consist of loans and borrowings, bank overdrafts, trade payables and other current liabilities.

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

37 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

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

At the statement of financial position date, gross trade accounts receivable were AED 813,328 thousand (2015: AED 788,412 thousand) and the provision for doubtful debts was AED 58,908 thousand (2015: AED 57,180 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognised in the consolidated income statement.

Useful lives of property and equipment

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

Goodwill impairment

The impairment test is based on the "value in use" calculation. These calculations have used cash flow projections based on actual operating results and future expected performance. A discount which ranges between 8% to 10% has been used in discounting the cash flows projected (refer to note 5).

37 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision for tax

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

End of service benefits

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

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

Useful lives of intangible assets with finite lives

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

Identifiable assets and liabilities taken over on acquisition of subsidiaries

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

Intangible assets with indefinite lives

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